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May 31, 2022

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: In re: Petition by Florida City Gas for Base Rate Increase
Docket No. 20220069-GU

Dear Mr. Teitzman:

Enclosed for filing on behalf of Florida City Gas ("FCG") in the above-referenced docket is FCG's Petition for Base Rate Increase, together with supporting testimonies, exhibits, and Minimum Filing Requirements. This filing includes the following documents:

1. Petition for Base Rate Increase
2. Direct Testimony of Kurt S. Howard and Exhibit KSH-1
3. Direct Testimony of Mark Campbell and Exhibits MC-1 through MC-6
4. Direct Testimony of Liz Fuentes and Exhibits LF-1 through LF-6
5. Direct Testimony of Tara DuBose and Exhibits TBD-1 through TBD-6
6. Direct Testimony of Jennifer Nelson and Exhibits JEN-1 through JEN-10
7. Direct Testimony of Ned Allis and Exhibits NWA-1 (2022 Depreciation Study) through NWA-5
8. Minimum Filing Requirements, Schedule A
9. Minimum Filing Requirements, Schedule B
10. Minimum Filing Requirements, Schedule C

11. Minimum Filing Requirements, Schedule D

12. Minimum Filing Requirements, Schedule E

13. Minimum Filing Requirements, Schedule G

14. Minimum Filing Requirements, Schedule H

15. Minimum Filing Requirements, Schedule I

FCG is not seeking interim rate relief and, therefore, is not providing Minimum Filing Requirements, Schedule F. Each of the above-referenced documents are being separately filed in this docket.

Please note that certain Minimum Filing Requirements contain confidential information and data, which has been redacted and will be provided with a Request for Confidential Classification filed under separate cover.

If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

Christopher T. Wright
Authorized House Counsel No. 1007055

Enclosed: [Document 3 of 15]

CERTIFICATE OF SERVICE
20220069-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 31st day of May 2022 to the following parties:

Ashley Weisenfeld Walt Trierweiler Florida Public Service Commission Office of the General Counsel 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850 aweisenf@psc.state.fl.us wtrierwe@psc.state.fl.us ***For Commission Staff***	Office of Public Counsel Richard Gentry Patricia A. Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Gentry.richard@leg.state.fl.us christensen.patty@leg.state.fl.us ***For Office of Public Counsel***

s/ Christopher T. Wright
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Attorney for Florida City Gas

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220069-GU

FLORIDA CITY GAS

DIRECT TESTIMONY OF MARK CAMPBELL

Topics: **Financial Forecast, Customers and Therms Forecasts, Drivers of 2023 Base Rate Increase Four-Year Rate Plan, Reserve Surplus Amortization Mechanism, Capital Structure and Cost of Capital Storm Damage Reserve, Changes in Tax Law**

Filed: May 31, 2022

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Mark Campbell. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company ("FPL") as the Senior Director of Financial Forecasting.

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

A. I am responsible for FPL's financial forecast, analysis of financial results, corporate budgeting, and load forecast activities.

Q. Please describe your educational background and professional experience.

I graduated from Florida State University in 2003 with a Bachelor of Science degree in Accounting. I received a Master of Accountancy from Florida State University in 2005. I joined NextEra Energy in 2015 as Senior Manager of Mark-to-Market Accounting, Reporting and Forecasting and moved to FPL as the Director of Financial Forecasting in 2019 before progressing into my current position as Senior Director of Financial Forecasting. Prior to FPL, I held various accounting roles with Oxbow Carbon LLC, which is a recycler of refinery and natural gas byproducts, as well as worked for PricewaterhouseCoopers, LLP. I am a Certified Public Accountant licensed in the State of Florida.

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

A. Yes. I am sponsoring the following exhibits:

- MC-1 List of MFRs Sponsored or Co-Sponsored by Mark Campbell
- MC-2 Planning and Budgeting Process Guidelines
- MC-3 Forecasting Flowchart and Models
- MC-4 Major Forecast Assumptions
- MC-5 Drivers of the Increase in Revenue Requirements

I am co-sponsoring the following exhibit:

- MC-6 Reserve Surplus Amortization Mechanism

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") in this case?

A. Yes. Exhibit MC-1 lists the MFRs I am sponsoring and co-sponsoring.

Q. What test year is the Company using for its proposed base rate increase?

A. The Company is using a projected 2023 Test Year based on the 12-month period ending December 31, 2023. The MFRs reflect information and data requested for various years since FCG's last rate case, including the 2021 Historical Test Year, 2022 Prior Year, and 2023 Test Year.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

(1) Explain the process used for the preparation and approval of the forecast upon which FCG's projected MFRs are based;

(2) Explain the customer and therm[1] sales forecasts;

[1] A therm is a unit of heat energy equal to 100,000 British thermal units.

(3) Support the inflation forecast used as part of the budgeting process and for computing the Commission's Operations and Maintenance ("O&M") Benchmark;

(4) Explain the major cost drivers since FCG's last general rate case that necessitate a base rate increase;

(5) Explain the core elements of FCG's four-year rate plan including the use of the Reserve Surplus Amortization Mechanism ("RSAM");

(6) Recommend the use of 59.6 percent equity ratio for FCG's capital structure and support the 10.75 percent return on equity ("ROE") recommended by FCG witness Nelson;

(7) Support the continued use of the Storm Damage Reserve provision from the Stipulation and Settlement Agreement in FCG's last general rate case that was approved by Commission Order No. PSC-2018-0190-FOF-GU in Docket No. 20170179-GU (the "2018 Settlement"), modified to reflect the Commission's new storm rule for gas utilities; and

(8) Discuss FCG's proposal for addressing any changes in tax law that may occur concurrent with or subsequent to the establishment of new base rates.

Q. Please summarize your testimony

A. FCG is proposing a four-year rate plan based on a projected 2023 Test Year ending December 31, 2023. The MFRs supporting FCG's proposed base rate increase have been prepared using the same rigorous, established, and proven planning and forecasting processes employed by FCG's parent, FPL. The MFRs have been prepared relying on inputs from internal and external subject matter experts, processed through financial models widely used in the industry, and with review and approvals designed to ensure their reliability for use in setting rates.

My testimony explains the process used to develop the forecasts for customers and therms for this filing, and demonstrates that these processes are fundamentally sound and consistent with criteria used by the Commission in evaluating forecasts. Additionally, I provide an overview of the current economic conditions for FCG, including the current inflationary pressures the Company is facing.

FCG's proposed base rate increase is needed to address increased revenue requirements since 2018, the test year last used for establishing current base rates. The primary drivers of the change in revenue requirements are: (1) capital investment initiatives that support system growth and increased reliability and safety; (2) increasing operating and maintenance expense due to growth and inflation; (3) the change in the weighted average cost of capital; (4) revenue growth that also partially offsets the growth in base revenue requirements; and (5) the adoption of the RSAM-adjusted depreciation rates that also partially offset the growth in base revenue requirements.

During the four-year period of FCG's 2018 Settlement (2018-2022), FCG has encountered rising inflation and increases in operating costs, as well as capital investments impacting FCG's ability to achieve a reasonable return. In fact, FCG has earned below its authorized ROE range each year through 2021, and the Company also projects to earn well below its authorized ROE range in 2022. Further, as calculated on FCG witness Fuentes's Exhibit LF-4, absent a rate increase in 2023, FCG's earned ROE is projected to fall to 5.3 percent, which is substantially below the current authorized ROE range, as well as FCG's requested ROE as further discussed below and in the testimony of FCG witness Nelson.

FCG is proposing a four-year rate plan that will allow FCG to continue to meet the natural gas needs of existing and new customers, continue to provide safe, reliable, and high-quality customer service, and have a reasonable opportunity to earn a fair rate of return on the Company's investments. A critical and essential component of FCG's proposed four-year rate plan is the adoption of the RSAM. The RSAM results in a significant reduction in the annual revenue requirement and, together with the other components of FCG's proposed four-year rate plan, will enable FCG to focus on driving performance and value for the benefit of customers while avoiding base rate increases through at least the end of 2026.

FCG's financial recommendations in this filing include: (1) utilization of a capital structure with an investor sources equity ratio set to be equal to FPL's equity ratio of 59.6 percent from investor sources due to the fact FCG does not issue its own debt or equity and obtains all short- and long-term financing through its parent, FPL; (2) an allowed ROE of 10.75 percent consistent with current capital market conditions and the Company's risk profile as discussed by FCG witness Nelson; and (3) the continuation of the Storm Damage Reserve provision approved in the 2018 Settlement, modified to reflect the Commission's new storm rule for gas utilities, for the recovery of prudently incurred storm restoration costs.

Finally, FCG proposes a mechanism that will allow FCG to adjust base rates in the event tax laws change during or after the conclusion of this proceeding. Following enactment of such a law, FCG would calculate the impact of the change in tax law by comparing revenue requirements with and without the change, and submit the calculation of the rate adjustment needed to ensure FCG is not subject to tax expenses that are not reflected in the MFRs submitted with the subject base rate request.

II. FORECASTING AND MFR PREPARATION PROCESS

Q. Describe your responsibility for the development of FCG's forecast.

A. As Senior Director of Financial Forecasting, I have responsibility for developing the O&M budget, the capital expenditure budget, and the total Company per books financial forecast. I provide guidance to FCG's management to ensure that corporate assumptions were followed. I also participate in presenting these budgets to the budget review committee ("Review Committee"). Key members of the Review Committee are the FPL Chairman, President and Chief Executive Officer; the FCG President; the NEE Executive Vice President, Finance and Chief Financial Officer; the FPL Vice President of Finance; the NEE Vice President, Controller and Chief Accounting Officer; and the FCG Senior Director and General Manager, Gas Operations.

Q. What forecast years have been included in this filing?

A. The Company is using a projected 2023 Test Year based on the 12-month period ending December 31, 2023. FCG has provided forecast years 2022 and 2023 for use in this proceeding. The Company is proposing that new base rates be effective February 1, 2023, at a level sufficient to recover the Company's revenue requirements in 2023 with an opportunity to earn a fair and reasonable return. FCG is using a projected 2023 Test Year in this proceeding to best reflect the Company's revenues, costs, and investments during the year in which new rates are proposed to go into effect. The 2022 plan year is included as the 2022 Prior Year, consistent with the Commission's filing requirements.

Q. Please summarize the process used to develop the forecasts underlying FCG's filing in this docket.

A. FCG applies the same rigorous and long-standing processes used by FPL in the development and approval of its O&M and capital expenditures budgets, financial forecasts, and MFRs. Similar to FPL, FCG has implemented a planning process step that is specifically focused on generating and evaluating productivity and efficiency to improve operating efficiencies through the implementation of new technologies and automation of manual processes. While FCG has identified operating efficiencies and savings since its last base rate case, such as its revised meter testing program discussed by FCG witness Howard, the primary focus for FCG has been on managing costs under the terms of the 2018 Settlement where FCG has continually earned below its authorized ROE. As I discuss below, FCG's four-year rate plan will enable FCG to focus on new programs and initiatives to improve operating efficiencies and identify greater productivity savings, while continuing to provide safe, reliable, and affordable service to our customers.

The next step in the planning process was the development and approval of the Company's planning and budget assumptions. Assumptions including projections for inflation, customer growth, and therm sales growth. These assumptions were prepared by various subject matter experts, reviewed and approved by me, and ultimately evaluated and approved by the Review Committee. Once approved, these projections, together with detailed budget instructions, were issued to FCG Management in the FPL Planning and Budgeting Process Guidelines ("Planning Process Guidelines"), which apply to FCG. A copy of Planning Process Guidelines is provided as Exhibit MC-2.

The 2022 planning process resulted in the 2022-2026 O&M and capital budgets. The FCG business unit entered its forecast for O&M and capital into FPL's SAP system at the work breakdown ("WBS") level. Each activity is required to have a unique WBS element that maps all activities and costs to the required Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts.

Using the assumptions and Planning Process Guidelines, the FCG business unit prepares a budget presentation that describes its objectives and goals, key initiatives and assumptions, as well as a preliminary funds request to support those business objectives. In October 2021, the budget presentations were presented and reviewed with the Review Committee. This session involved a review and discussion of each of FCG's goals, objectives, and funding requests for the next five years. The Review Committee engaged in an open dialogue concerning the assumptions presented to ensure that FCG developed a final plan that resulted in a great value proposition for customers for the foreseeable future. Upon completion of the session with the Review Committee, there were subsequent follow-up discussions with FCG management to resolve items raised during the review session. Final approvals were made in late 2021. Accordingly, the final plans and forecasts approved by the Review Committee reflect FCG's current and best assessment of the business environment in the 2023 Test Year.

Q. How were forecasts other than O&M and capital expenditures developed?

A. Concurrent with the development of the detailed O&M and capital expenditure budgets, other key components of the financial forecast were developed, including the therm sales and revenue forecasts. The therm sales forecast is discussed later in my direct testimony and was reviewed and approved for use in the financial forecast by the Review Committee.

Other inputs into the financial forecast were prepared and provided by other subject matter experts. These inputs include other base revenues, various working capital items, taxes other than income taxes, and financing plans. These inputs were collectively reviewed and approved by me with the resulting comprehensive forecast reviewed and approved by the Review Committee.

Q. How are all of the various inputs combined into a consolidated financial forecast?

A. All of the above-mentioned items were provided as inputs into FCG's financial forecast and regulatory model developed by Utilities International Inc. ("UI"). FCG has recently implemented the same UI platform that has been successfully used by FPL for its financial forecasting and in support of the preparation of certain MFR schedules for more than 20 years, including the MFRs that supported FPL's rate requests in Docket Nos. 001148-EI, 050045-EI, 080677-EI, 20120015-EI, 20160021-EI, and 20210015-EI.

A key attribute of the UI model is the common data repository ("CDR"), which houses forecast per book inputs by company, including all the plant-specific asset information. The CDR includes capital-related calculations, including depreciation expense. Additional calculations are performed in the Financial & Regulatory Information System ("FRI") model that produces a total company balance sheet and income statement at a FERC account level and leads to the development of the FCG forecasted regulatory results (*i.e.*, net operating income ("NOI"), rate base, and capital structure) in the same manner as it does for historical regulatory amounts included in FCG's Earnings Surveillance Reports ("ESR"). Commission required adjustments and Company proposed adjustments, which are supported by FCG witness Fuentes, are then applied in FRI so that adjusted amounts specific to base rates can be calculated.

The adjusted results for NOI, rate base, and capital structure are then utilized to develop the various cost of service studies. The cost of service study calculates the revenue requirements at the individual rate class level and is the subject of the direct testimony of FCG witness DuBose. The completed financial forecast was then reviewed and approved by the Review Committee and is the source of forecast information for the MFRs filed in this proceeding. All MFRs were reviewed and approved by the originating departments, as well as the MFR sponsors and co-sponsors. Exhibit MC-3 contains a flowchart of the forecasting process and models.

Q. What are the major assumptions that FCG used in developing its forecast?

A. The major assumptions used by FCG in developing its forecast are listed in MFR G-6, which is attached as Exhibit MC-4 to my direct testimony.

III. CUSTOMERS AND THERMS FORECASTING PROCESS

Q. What is the objective of the customer and therm forecasting process?

A. The objective of FCG's customer and therm forecasting process is to produce reliable, unbiased forecasts of customers and therm sales for the FCG system. Customer forecasts reflect the total number of active accounts served by FCG and include the impacts of new service installations combined with other factors, including changes in the number of inactive accounts. Therm sales reflect the amount of natural gas provided to all customers served by FCG.

Q. Please summarize how the customer and therm sales forecasts were developed.

A. The forecasts were developed using econometric and regression models as the primary tools. These models are statistically sound and include logically reasonable drivers obtained from leading industry experts. The forecasts were then evaluated for reasonableness by comparing forecasted trends against historical trends and other growth factors. This approach provides accurate forecasts that are used for all business purposes.

Q. What statistical measures were used to evaluate the robustness of those forecast models?

A. Consistent with industry standard practices, FCG evaluates the robustness and accuracy of its forecast models using statistical measures, such as adjusted R-squared and Mean Absolute Percentage Error ("MAPE"). Below are brief descriptions of those statistical measures:

- The adjusted R-squared is a measure that quantifies how much of the variations in history are explained by the models. Adjusted R-squared values range from 0 to 100 percent, and higher values are preferred.
- MAPE is a measure of model residuals, which are the differences between the model's estimate for a historical period versus the actual historical value. The residuals are expressed on an absolute percentage basis and then averaged. MAPE values range from 0 percent and upward, and lower values are preferred.

Q. Is this approach consistent with criteria used by the Commission in recent years to evaluate utilities' forecasts?

A. Yes. The Commission has evaluated utilities' forecasts based on the use of statistically sound forecasting methods and reasonable input assumptions (e.g., Order Nos. PSC-16-0032-FOF-EI, PSC-14-0590-FOF-EI, PSC-13-0505-PAA-EI, PSC-12-0179-FOF-EI, PSC-12-0187-FOF-EI, PSC-09-0375-PAA-GU and PSC-04-0128-PAA-GU). Additionally, the Commission has also considered whether a forecast is applied consistently; that is, whether a forecast used for one purpose, such as a rate filing, is the same forecast used for other purposes.

IV. OVERVIEW OF CURRENT ECONOMIC CONDITIONS

Q. Please describe the economic conditions in the FCG service areas.

A. As of December 2021, FCG provides service to approximately 116,000 customers in nine counties in peninsular Florida. The economic conditions in FCG's service area generally follow those for the State of Florida.

Since the first quarter of 2016 through the latter part of 2019, Florida's economy saw strong growth as it recovered from the Great Recession, which lasted from December 2007 through 2009 but had lingering impacts which lasted well beyond the official end date of the recession. However, that growth halted in early 2020 due to the COVID-19 pandemic and the shelter in place orders that were implemented to mitigate the spread of the virus. This unprecedented shock to Florida's economy resulted in significant declines in most economic measures, such as employment and retail sales. Through the latter part of 2021, many of the measures enacted to slow the pandemic had been lifted and the Florida economy has in large part recovered from the COVID-19 pandemic. Continued growth and expansion are projected to continue through 2023; however, FCG and the economy have seen significant inflationary pressures as further described below.

Q. What is the basis for the economic projections?

A. The economic projections used for the customer and therms forecasts are from IHS Markit's November 2021 vintage economic projection, while the

Consumer Price Index ("CPI") forecast is from IHS Markit's August 2021 vintage economic projection. IHS Markit is a recognized industry expert who has consistently provided objective and reliable economic projections. Similar to its parent, FPL, FCG has routinely relied on projections from IHS Markit for forecasting and budgeting purposes.

Q. What inflation measure was used by FCG for budgeting purposes?

A. For its budgeting process, FCG used IHS Markit's forecast of CPI for all goods and services, which is also called overall CPI. This same CPI is also used when calculating the O&M Benchmarks. As previously discussed, the CPI forecast is from IHS Markit's August 2021 vintage economic projection. FCG's budgeting process begins earlier than the customer and therm forecasting process, and that is the reason why the budgeting process uses a different vintage of IHS Markit's economic projection compared to the customer and therm forecasting process. This difference between the vintages is consistent with prior planning processes, including the planning processes used for FPL's 2021 retail base rate case.

Q. What was the August 2021 IHS Markit forecast for inflation for 2022 and 2023?

A. Overall CPI was projected to increase by 2.4 percent and 1.7 percent in 2022 and 2023, respectively. The cumulative increase from 2021 through the end of FCG's proposed four-year rate plan (2026) was projected to be 11.0 percent.

Q. Has the inflation forecast changed since the August 2021 vintage used for FCG's budgeting and planning process?

A. Yes. IHS Markit's April 2022 vintage economic forecast shows overall CPI is now projected to increase by 4.5 percent and 1.9 percent in 2022 and 2023, respectively, with a cumulative increase of 13.5 percent from 2021 through 2026. As described by FCG witness Nelson, current inflation rates are at their highest levels in 40 years. Thus, the most recent economic forecast indicates that inflation is projected to be even higher than what was used by FCG at the time it prepared this filing.

V. DRIVERS OF 2023 BASE RATE INCREASE

Q. What is the amount of FCG's requested base rate increase for the 2023 Test Year, and how is it calculated?

A. As explained in my testimony below, FCG is proposing a four-year rate plan that includes the adoption of the RSAM. Under the four-year proposal with the RSAM, FCG is requesting an incremental base rate increase of $19.4 million for the 2023 Test Year as reflected on FCG witness Fuentes's Exhibit LF-2. The incremental base rate increase is based on the difference between FCG's projected net operating income of $13.3 million and FCG's required net operating income of $34.7 million, multiplied by the revenue expansion factor of 1.3527, less $5.7 million for the required reclassification of the Safety, Access, and Facility Enhancement ("SAFE") program revenues from clause to base rates, and less $3.8 million for the previously approved Liquefied Natural Gas ("LNG") Facility. Further details regarding the calculation of FCG's requested incremental base rate increase are provided and explained by FCG witness Fuentes.

Q. What are the primary drivers of the proposed base rate increase in the 2023 Test Year relative to actual results for 2018, the last test year used for setting current base rates?

A. The primary drivers of the change in revenue requirements are depicted on Exhibit MC-5 and are: (1) capital investment initiatives that support system growth, increased reliability and safety, and provide and enhance customer service; (2) growth in O&M expenses; (3) the change in weighted average cost of capital to more accurately reflect the actual funding of FCG's operations; (4) revenue growth that partially offsets the increase in base revenue requirements; and (5) impact of adopting the RSAM-adjusted depreciation rates that also partially offset the growth in base revenue requirements. These drivers are reduced by: (1) the base rate revenue increase previously approved by the Commission in the 2018 Settlement for the LNG project; and (2) the reclassification of the SAFE program investments from clause recovery to base rates as required by Order No. PSC-15-0390-TRF-GU, Docket No. 150116-GU. Below is a summary of these drivers:

Capital Revenue Requirements[2]	$24.9 million
Operating and Maintenance Expense	$5.8 million
Change in Weighted Average Cost of Capital	$5.3 million
Revenue Growth	($6.7) million
RSAM-Adjusted Depreciation Rates	($2.7) million
Other	$2.4 million
TOTAL	$29.0 million
Less:	
LNG Revenue Increase	($3.8) million
Transfer of SAFE Investments	($5.7) million
TOTAL	$19.4 million[3]

Each of these drivers and adjustments are more fully described below and in the testimony of FCG witnesses Howard and Fuentes.

Q. Please describe the capital initiatives that impact the revenue requirements for the 2023 Test Year.

A. Since 2018 through the end of 2023, retail rate base is forecasted to increase approximately $190 million or approximately 64%. This increase in rate base is primarily due to FCG's investments made to support system growth, increased reliability and safety, and provide and enhance customer service. These investments are prudent and necessary for FCG to fulfill its obligation to provide safe and reliable natural gas service to the customers and communities it serves.

[2] Includes net working capital.
[3] Total does not add due to rounding.

Capital Requirements for Growth

Capital requirements for growth in this analysis represent the capital revenue requirements associated with the infrastructure needed to support the addition of new customers to FCG's system. The increase in the 2023 Test Year revenue requirement due to customer growth is $7.4 million.

As provided in my testimony below, from 2018 to 2023, FCG estimates that it will grow at approximately 7%, adding 7,668 new customers. Revenue requirements to support customer growth include the costs of expanding FCG's system to serve those new customers.

FCG will have invested more than $75.7 million in infrastructure necessary to support growth and the addition of new customers from 2018 to 2023. The expenditures incurred to support growth are detailed by FCG witness Howard.

Capital Requirements for Safety and Reliability

FCG will have invested approximately $203 million from 2019 to 2023 to meet FCG's obligation to provide safe and reliable gas service to all customers and communities it serves. The investments in safety and reliability are further explained by FCG witness Howard. The increase in the 2023 Test Year revenue requirement due to these safety and reliability investments is $15.5 million.

Capital Requirements for Customer Service

Since its last base rate case, FCG invested approximately $16.2 million for a new customer information system necessary to provide service to customers as further explained by FCG witness Howard. The increase in the 2023 Test Year revenue requirement due to this customer service investment is $2.0 million.

Q. Please explain the change in weighted average cost of capital and its effect on the 2023 Test Year revenue requirements.

A. The increase in the weighted average cost of capital is primarily driven by FCG's proposed increase in investor sources equity ratio from 48 percent to 59.6 percent and the proposed change in ROE from 10.19 percent to 10.75 percent, which are further explained below and in the testimony of FCG witness Nelson.

Investor Sources Equity Ratio

As further explained below and in the testimony of FCG witness Nelson, FCG is requesting a 2023 Test Year financial capital structure consisting of 59.6 percent common equity and 40.4 percent debt. The increase in the 2023 Test Year revenue requirement associated with the proposed capital structure is $4.1 million.

ROE

As discussed by FCG witness Nelson and supported in my testimony below, FCG is requesting an ROE of 10.75 percent for the 2023 Test Year. The increase in the 2023 Test Year revenue requirement associated with the proposed ROE is $1.2 million.

Q. Please describe the effect that the increase in O&M will have on the 2023 Test Year revenue requirements.

A. FCG's O&M expenses have increased since the last rate case resulting in the need for an additional $5.8 million in the 2023 Test Year revenue requirement associated with O&M. Approximately $2.4 million of the increase in operating costs is attributable to inflation. The remainder is due to customer growth, system expansion, increased damage prevention efforts, and implementation of certain technologies that are necessary to continue to provide safe and reliable natural gas service as explained by FCG witness Howard.

Q. Please describe the impact of revenue growth and its effect on 2023 Test Year revenue requirements.

A. As provided in my testimony below, FCG is projected to have higher retail sales in 2023 than in 2018, resulting in an increase in retail base revenues and a corresponding decrease in the 2023 Test Year revenue requirements by $6.7 million.

Q. Please describe the impact of the RSAM-adjusted depreciation rates included as part of FCG's four-year rate plan.

A. As I discuss below, the RSAM is an essential component of FCG's four-year rate plan. The RSAM is available through the adoption of alternative depreciation lives and parameters, as described in greater detail by FCG witness Fuentes, that the Commission could approve in lieu of those presented in FCG witness Allis's 2022 Depreciation Study should the Commission adopt FCG's proposed four-year rate plan. As discussed in my testimony below, if the Commission declines to adopt FCG's four-year rate plan, the incremental revenue requirement would be based on the depreciation rates reflected in FCG's 2022 Depreciation Study presented by FCG witness Allis. As explained by FCG witness Fuentes, FCG's annual revenue requirement would increase by $2.7 million if the Commission declines to adopt FCG's proposed four-year rate plan with RSAM.

VI. FOUR-YEAR RATE PLAN

Q. Please summarize FCG's four-year rate plan.

A. FCG's proposed four-year rate plan was designed to allow the Company to focus on efficiently and safely operating and growing its business, while providing customers with rate certainty. FCG's four-year rate plan includes the commitment not to request any additional general base rate increase effective prior to January 1, 2027, other than those requested in this proceeding.

The four-year rate plan includes certain components that are essential to the Company's ability to commit to such a plan:

- Provision of the necessary financial support, consistent with FCG's requested revenue increase for 2023 set forth in Exhibit LF-2 sponsored by FCG witness Fuentes. This includes changing its investor sources equity ratio to 59.6 percent in order to match the capital structure of its parent, which finances 100 percent of operations, and authorizing a return on equity of 10.75 percent as further discussed below and in the testimony of FCG witness Nelson.
- Approval of the RSAM detailed in my Exhibit MC-6, with a Reserve Amount of $25 million, representing a portion of the theoretical reserve imbalance shown on Exhibit LF-5(B). The Reserve Amount would be available for use through the RSAM for the 2023-2026 period or until the next general change in base rates as further discussed below;
- Approval of the RSAM-adjusted depreciation rates set forth in Exhibit LF-5(B) and as discussed in the testimony of FCG witness Fuentes, enabling the Reserve Amount and lowering the revenue requirements for 2023 relative to the revenue requirements that otherwise would result from the 2022 Depreciation Study, as reflected in Exhibit LF-5(A) sponsored by FCG witness Fuentes; and
- A mechanism that will allow FCG to adjust base rates in the event tax laws change during or after the conclusion of this proceeding as discussed below.

Each of these components are essential to the Company's ability to commit to its proposed four-year rate plan.

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

A. As it would in the case of Commission-approved rates covering a multi-year period, the Commission retains full regulatory oversight with respect to FCG's rates and charges if it approves FCG's proposed four-year plan, and in that regard, FCG will continue to submit earnings surveillance reports consistent with current regulatory requirements.

VII. RESERVE SURPLUS AMORTIZATION MECHANISM ("RSAM")

Q. Please explain why FCG is proposing an RSAM?

A. A critical and essential component of FCG's four-year rate plan is the adoption of the RSAM. Use of the RSAM, together with the other components of FCG's proposed four-year rate plan, will enable FCG to avoid increasing base rates through at least the end of 2026. The four-year rate plan with the proposed RSAM will benefit FCG's customers in terms of providing customers with rate stability and certainty, avoiding repetitive and costly rate proceedings, and enabling the Company to continue to focus on providing safe, reliable, and affordable service to our customers. Without the proposed RSAM, FCG projects that it would fall at or below the bottom of its authorized ROE range and would need to file an additional rate case in 2024 to support a base rate increase in 2025. Adoption of the RSAM avoids the need to file a rate case in 2024, which avoids an additional base rate increase in 2025 and saves customers approximately $2 million in estimated additional rate case expense.

Q. Could you please describe the RSAM as proposed by the Company?

A. Yes. FCG's proposed RSAM follows the same RSAM framework approved by the Commission in prior proceedings. The RSAM is an accounting mechanism that will be used by the Company to respond to changes in its underlying revenues and expenses during the four-year rate plan in order to maintain a Commission Adjusted ROE within the ROE range authorized by the Commission. In each earnings surveillance reporting period, the Company will record increases to expense (debits) or decreases to expense (credits) such that the overall resulting ROE for that rolling period equals a pre-established ROE within the authorized range.

Q. Does the use of the RSAM result in cash or non-cash earnings?

A. The RSAM results only in non-cash earnings. Simply put, the RSAM will allow FCG to absorb changes primarily in cash revenues and expenses while maintaining a pre-established ROE within its authorized range without an increase in customer rates.

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

A. Yes. The RSAM cannot be used to cause the Company's earned ROE on a Commission Adjusted basis to exceed the top of the authorized ROE range. Similarly, the RSAM must be used, to the extent any amount is available, to keep the Company's ROE at least at the minimum authorized ROE before the Company can seek an increase in base rates during the four-year rate plan. Additionally, the Company will be able to record debits (increases to expense) or credits (decreases to expense) in any accounting period, at its sole discretion, to achieve the pre-established ROE for that period. However, the Company will not be allowed to credit (*i.e.*, decrease) depreciation expense (and correspondingly debit/decrease the depreciation reserves) at any time during the four-year rate plan that would cause the Reserve Amount to be reduced below \$0. Similarly, FCG will not be able to debit (*i.e.*, increase) depreciation expense (and correspondingly credit/increase the depreciation reserve) at any time during the four-year rate plan that would cause the Reserve Amount to exceed the maximum amount of RSAM available for use.

Q. What is the Reserve Amount that the Company is proposing to be available for use in an RSAM over the 2023-2026 period?

A. The Company is proposing a Reserve Amount of \$25 million to be available for use in the RSAM as described above for the 2023-2026 period, which will enable FCG to avoid another base rate increase until at least the end of 2026 while continuing to earn a reasonable rate of return. For ease of reference, I've included the terms that we are asking the Commission to approve, and which would govern the RSAM, in one document, Exhibit MC-6.

Q. How is the proposed Reserve Amount to be established in order to implement the RSAM?

A. For purposes of the RSAM, the Company requests approval of the RSAM-adjusted depreciation parameters and resulting depreciation rates discussed by FCG witness Fuentes. As explained in her testimony, approval of these parameters will support a Reserve Amount of up to $52 million; however, FCG is only requesting an RSAM Reserve Amount of $25 million be available for use during the four-year rate plan.

Q. What accounts comprise the Reserve Amount?

A. The accounts comprising the Reserve Amount represent the cost of removal component of FCG's depreciation reserve in its various plant accounts. The theoretical reserve surplus amounts reflected as part of FCG's depreciation reserve are the result of applying RSAM adjusted depreciation parameters shown on Exhibit LF-5(B) to FCG witness Fuentes's direct testimony.

Q. In the event the Commission declines to adopt the RSAM, should the Commission consider adopting the RSAM adjusted depreciation parameters?

A. No. The RSAM, and the set of RSAM adjusted depreciation parameters that enable it, are essential elements of FCG's four-year rate plan. Without the RSAM proposed in this proceeding, including the proposed Reserve Amount, the Company projects that it would need to file a rate case in 2024 to support a base rate increase in 2025. Therefore, the RSAM adjusted depreciation parameters should only be considered together as a comprehensive four-year rate plan with the RSAM.

VIII. CAPITAL STRUCTURE AND COST OF CAPITAL

Q. What capital structure is FCG currently operating under?

A. In its last base rate case, FCG requested an equity ratio based on the consolidated capital structure of its then parent company, Southern Company Gas, because FCG did not at that time issue its own debt or equity and obtained all short- and long-term financing through Southern Company Gas.[4] As part of the 2018 Settlement, FCG agreed to a capital structure with a 48 percent equity ratio for all regulatory purposes, and a deemed equity ratio of no greater than 49.1 percent for earnings surveillance reporting purposes.

Q. Is it still appropriate to use the capital structure of Southern Company Gas?

A. No. As explained by FCG witness Howard, on July 29, 2018, FCG became a wholly owned, direct subsidiary of FPL. Starting in 2019, FCG obtained all its short- and long-term financing needs through an intercompany loan with FPL.[5]

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[4] *See In re: Petition for rate increase by Florida City Gas*, Docket No. 20170179-GU, FCG Direct Testimony of Michael J. Morley at 17-18 (F.P.S.C. Oct. 23, 2017).

[5] *See In re: Application for authority to issue debt securities during calendar year 2019, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas*, Docket No. 20180166-GU, Order No. PSC-2018-0550-FOF-GU (F.P.S.C. Nov. 19, 2018); *In re: Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*, Docket No. 20190157-EI, Order No. PSC-2019-0472-FOF-EI (F.P.S.C. Nov. 6, 2019); *In re: Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*, Docket No. 20200188-EI, Order No.

The interest rate on the Company's debt borrowings from FPL reflects FPL's weighted average borrowing costs, which is significantly lower than the interest rates FCG could otherwise obtain on its own. Therefore, FCG is requesting that its capital structure for the 2023 Test Year be set equal to the capital structure of FPL as further discussed by FCG witness Nelson.

Q. What investor sources equity ratio is FCG requesting in this proceeding?

A. FCG is requesting a 2023 Test Year financial capital structure consisting of 59.6 percent common equity and 40.4 percent debt, which is equal to the capital structure of FCG's direct parent, FPL.

Q. How did FCG project its long-term debt cost for purposes of this rate filing?

A. FCG utilized FPL's long-term debt rate as all long-term financings are provided by FPL to FCG. FPL relies on the Blue Chip Financial Forecast which represents the consensus estimates of more than 40 economists/contributors. Cost projections for FCG's long-term borrowings from FPL are shown in MFR G-3, Page 3. FCG's blended cost rate for the test year is shown in MFR G-3, Page 2.

Q. How did FCG project its short-term debt cost?

A. Again, FCG utilized FPL's short-term debt cost. FPL relies on the forward Intercontinental London Interbank Exchange Offered Rate ("LIBOR") curve

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PSC-2020-0401-FOF-EI (F.P.S.C. Oct. 26, 2020); and *In re: Application for authority to issue and sell securities during calendar years 2022 and 2023, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*, Docket No. 20210127-EI, Order PSC-2021-0409-FOF-EI (F.P.S.C. Nov. 1, 2021).

for its short-term debt cost projections. These projections are shown in MFR G-3, Page 4.

Q. What are the other components of FCG's capital structure, and where can support for those components be found in FCG's filing?

A. FCG's requested 59.6 percent equity ratio is based on investor sources of capital, which includes only equity and debt components. However, FCG's regulatory capital structure includes other sources, such as customer deposits and deferred income taxes, which in fact lower the amount of equity and the overall cost of capital upon which rates are actually set. Those components are found in MFR G-3, Page 2.

Q. What Weighted Average Cost of Capital ("WACC") would result from FCG's requested capital structure?

A. FCG's proposed regulatory capital structure would produce a total WACC of 7.09 percent in the 2023 Test Year. This overall WACC is reasonable and reflects the benefit to customers of FCG's financial strength, including the benefit FCG receives from its parent.

Q. Please comment on FCG witness Nelson's proposed ROE of 10.75 percent.

A. FCG witness Nelson recommends an ROE of 10.75 percent. An ROE of 10.75 percent, as recommended by FCG witness Nelson, with a 100 basis points range from 9.75 to 11.75 percent would fairly compensate equity investors for the use of their capital over the 2023-2026 period of FCG's proposed four-year rate plan. An ROE range of plus or minus 100 basis points is consistent with long-standing Commission practice.

IX. STORM DAMAGE RESERVE

Q. Please describe the Storm Damage Reserve provision in the 2018 Settlement.

A. In the 2018 Settlement, FCG was authorized to implement a storm reserve with an annual accrual of $57,500 and a target reserve of $800,000. As part of the 2018 Settlement, the parties agreed to revisit the reserve amount in the future if the reserve amount exceeds $800,000 to determine if FCG should discontinue accruing the annual expense until additional storm-related costs are incurred and result in the reserve balance to decrease below $800,000.

The 2018 Settlement authorized FCG to petition the Commission to seek recovery of costs associated with named tropical storms from customers. The recovery of storm costs from customers may begin on an interim basis (subject to refund following a hearing or a full opportunity for a formal proceeding), sixty days following the filing of a cost recovery petition with the Commission and shall be based on a 12-month recovery period if the storm costs do not exceed $1 million. In the event the Company's storm costs exceed that level, any additional costs in excess of $1 million shall be recovered in a subsequent year or years as determined by the Commission after hearing.

Finally, the 2018 Settlement provides that storm related costs shall be calculated and recovered consistent with the Commission storm rule applicable to the electric utilities, Rule 25-6.0143, F.A.C.; however, eligible storm costs were limited to: (i) costs resulting from a tropical system named by the National Hurricane Center or its successor; (ii) the estimate of incremental storm restoration costs above the level of storm reserve prior to the storm; and (iii) the replenishment of the storm reserve to the level that existed prior to the named storm which caused FCG to petition the Commission for recovery.

Q. Has the FCG Storm Damage Reserve reached the target reserve established in the 2018 Settlement?

A. No. As of year-end 2021, the storm reserve balance was $147,915. FCG projects that the storm reserve balance will be $205,415 by year-end 2022 and $262,915 by year-end 2023, assuming no future storm charges in those years.

Q. Is FCG proposing to continue the Storm Damage Reserve provision from the 2018 Settlement in this proceeding?

A. Yes. FCG is proposing to continue an annual Storm Damage Reserve accrual of $57,500 and a target reserve of $800,000, and to recover prudently incurred storm costs under the framework prescribed by the 2018 Rate Settlement. The only modification FCG is proposing is to calculate and recover the storm-related costs consistent with the Commission's gas storm rule, Rule 25-7.0143, F.A.C., which became effective June 28, 2021, rather than the storm rule applicable to the electric utilities as originally provided in the 2018 Settlement.

Q. Did FCG file a Storm Damage Self-Insurance Reserve Study with the Commission as required by Rule 25-7.0143, F.A.C.?

A. Yes. FCG filed its Storm Damage Self-Insurance Reserve Study with the Commission Clerk on January 14, 2022.

Q. Does the Storm Damage Self-Insurance Reserve Study support the continuation of the storm reserve target of $800,000?

A. Yes. Based on the results of FCG's Storm Damage Self-Insurance Reserve Study, the continuation of FCG's storm reserve mechanism with a target of $800,000 is reasonable and appropriate.

X. POTENTIAL CHANGE IN TAX LAW

Q. Please provide an overview of the potential change in tax law.

A. In light of the continuing debate surrounding tax law in the United States, there exists the possibility for a change in tax law either during or after the conclusion of the rate case that could have a material impact on the four-year proposal being presented by FCG. FCG will not be able to quantify the impacts until such time as a final bill is passed and signed into law.

Q. Has FCG accounted for or included any potential tax law changes in its current filing?

A. No. FCG's 2023 Test Year forecast is based on current tax law as passed in the 2017 TCJA.

Q. How would changes to the corporate income tax rate impact the financial position of FCG?

A. While the ultimate impact of any potential legislation is still unknown, the current Administration has discussed the potential for an increase in the federal corporate income tax rate or a tax calculated based on a company's pre-tax accounting profit, which would significantly increase FCG's cost of service. Any such proposal would likely result in an increase in FCG's tax expense and revenue requirements.

Q. Please describe FCG's proposal for accounting for a change in tax law.

A. FCG proposes that the impact of any permanent change in tax law be handled through an adjustment to base rates. Within 90 days of the enactment of the new tax law, FCG will submit the calculation of the required change in base rates to the Commission for review. If timing permits, FCG will submit a revised revenue requirement calculation for Commission consideration as part of FCG's base rate request. Otherwise, FCG will submit the calculation for Commission approval of a subsequent base rate adjustment. In no instance will FCG defer incremental income tax expense for 2022 or request the tax-related base rate adjustment be implemented before February 1, 2023.

Q. How does FCG propose to quantify the impact of any potential change in tax law?

A. FCG will quantify the impact of any permanent change in tax law on its base revenue requirement as projected in its forecasted earnings surveillance report ("FESR") for the 2023 Test Year that reflects the Commission's final base rate order. The FESR will be prepared two ways: (1) utilizing current tax law under the TCJA; and (2) applying the new tax law. The difference in revenue requirements between the two FESRs will demonstrate the difference resulting from the new tax law and will be the amount that FCG proposes to utilize to calculate an adjustment to base rates for 2023. For 2024-2026, FCG proposes no adjustment to base rates consistent with its four-year rate plan. If a new tax law is not enacted until after 2023, FCG will utilize the FESR for the calendar year that includes the period in which the new tax law is effective, to determine the amount of the one-time base rate adjustment needed to ensure that FCG is not subject to unplanned changes in revenue requirements as a result of changes in tax law. For the time period between enactment of the new tax law and implementation of new tax-adjusted base rates, FCG will defer the impact of a new tax law to the balance sheet for collection or refund through the Natural Gas Conservation Cost Recovery Clause in the subsequent year. Any difference between actual income tax expense and the amount of the 2023 base rate increase will be recorded in net operating income and reflected in FCG's earnings surveillance reports for all periods. I note that FCG's proposal for accounting for a change in tax law is consistent with the tax reform adjustments approved by the Commission in Dockets Nos. 20200051-GU, 20210016-EI, and 20210015-EI.

Q. How will FCG account for any changes in deferred taxes as a result of a new tax law?

A. Depending on the nature of a final tax law, any deficient or excess deferred income taxes that arise will be deferred as a regulatory asset or liability on the balance sheet and included within FCG's capital structure. If the tax law continues to prescribe the use of the Average Rate Assumption Method, FCG will flow back or collect the protected deferred income taxes over the underlying assets remaining life to ensure compliance with Internal Revenue Service normalization rules. Similar to the TCJA, if the new tax law does not specify the treatment of unprotected deferred income taxes, FCG proposes to flow back or collect the unprotected deferred income taxes over a 5-year period, consistent with FCG's treatment under the TCJA and Order No. PSC-2018-0596-S-GU in Docket No. 20180154-GU. FCG will account for the impact of deferred income taxes as part of the calculation that will be completed within 90 days of enactment of the new tax law.

Q. Does this conclude your direct testimony?

A. Yes.

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY MARK CAMPBELL

MFR	Title
SOLE SPONSOR:	
A-6	Financial Indicators
C-37	O & M Compound Multiplier
D-2	Long Term Debt
D-3	Short Term Debt
D-4	Preferred Stock
D-5	Common Stock Issues
D-8	Issuance of Securities
D-11	Financial Indicators
D-12	Applicant's Market Data
G1-5	Historic Base Year + 1 Balance Sheet - Assets
G1-6	Historic Base Year + 1 Balance Sheet - Liab. & Capitalization
G1-7	Projected Test Year Balance Sheet - Assets
G1-8	Projected Test Year Balance Sheet - Liab. & Capitalization

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY MARK CAMPBELL

MFR	Title
G1-9	Historic Base Year + 1 - 13-Month Average Utility Plant
G1-10	Projected Test Year - 13-Month Average Utility Plant
G1-11	Historic Base Year + 1 - Depreciation Reserve Balances
G1-12	Projected Test Year - Depreciation Reserve Balances
G1-13	Historic Base Year + 1 - Amortization Reserve Balances
G1-14	Projected Test Year - Amortization Reserve Balances
G1-23	Historic Base Year + 1 - Construction Budget
G1-24	Historic Base Year + 1 - Monthly Plant Additions
G1-25	Historic Base Year + 1 - Monthly Plant Retirements
G1-27	Projected Test Year - Monthly Plant Additions
G1-28	Projected Test Year - Monthly Plant Retirements
G2-20	Historic Base Year + 1 - Depreciation / Amortization Expense
G2-21	Historic Base Year + 1 - Amortization Expense Detail
G2-22	Historic Base Year + 1 - Allocation Of Deprec. / Amort. Expense

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MFRs SPONSORED OR CO-SPONSORED BY MARK CAMPBELL

MFR	Title
G2-23	Projected Test Year - Depreciation / Amortization Expense
G2-24	Projected Test Year - Amortization Expense Detail
G2-25	Projected Test Year - Allocation Of Deprec. / Amort. Expense
G3-3	Projected Test Year - Long-Term Debt Outstanding
G3-4	Projected Tesr Year - Short-Term Debt Outstanding
G3-5	Projected Test Year - Preferred Stock
G3-6	Porjected Test Year - Common Stock Issues
G3-8	Financing Plans - Stock and Bond Issues
G3-9	Projected Test Year - Financial Indicators
G3-10	Projected Test Year - Financial Indicators (Cont.)
G3-11	Projected Test Year - Financial Indicators (Cont.)
CO-SPONSOR:	
A-01	Magnitude of Change-Present vs Prior Rate Case
A-05	Overall Rate of Return Comparison

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MFRs SPONSORED OR CO-SPONSORED BY MARK CAMPBELL

MFR	Title
C-33	Wage & Salary Increases Compared to C.P.I.
C-34	O & M Benchmark Comparisons
E-1	Therm Sales and Revenues By Rate Class
E-2	Therm Sales and Revenues Comparisons
E-4	System Peak Month Sales By Rate Class
E-6	Derivation of Rate Base Derivation of Operating and Maintenance Expenses
G1-2	Projected Test Year Working Capital - Assets
G1-3	Projected Test Year Working Capital - Liabilities
G1-15	Historic Base Year + 1 - Allocation Of Common Plant
G1-16	Historic Base Year + 1 - Allocation Of Common Plant - Detail
G1-17	Historic Base Year + 1 - Allocation Of Common Plant - Detail (Cont.)
G1-18	Projected Test Year - Allocation Of Common Plant
G1-19	Projected Test Year - Allocation Of Common Plant - Detail

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MFR	Title
G1-20	Projected Test Year - Allocation Of Common Plant - Detail (Cont.)
G1-21	Historic Base Year + 1 - Alloc. Of Deprec./Amort. Reserve - Common Plant
G1-22	Projected Test Year - Alloc. of Deprec./Amort. - Common Plant
G1-26	Projected Test Year - Construction Budget
G2-4	Historic Base Year + 1 - Income Statement
G2-5	Projected Test Year - Income Statement
G2-6	Historic Base Year + 1 - Revenues and Cost of Gas
G2-7	Historic Base Year + 1 - Revenues and Cost of Gas (Cont.)
G2-8	Projected Test Year - Revenues and Cost of Gas
G2-9	Projected Test Year - Revenues and Cost of Gas (Cont.)
G2-10	Projected Test Year - Revenues and Cost of Gas (Cont.)
G2-11	Projected Test Year - Revenues and Cost of Gas (Cont.)
G2-12	Distribution Operation Expense

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY MARK CAMPBELL

MFR	Title
G2-13	Distribution Operation Expense (Cont.)
G2-14	Distribution Maintenance Expense
G2-15	Customer Accounts and Collection Expense
G2-16	Customer Accounts and Collection Expense (Cont.)
G2-17	Administrative and General Expense
G2-18	Administrative and General Expense (Cont.)
G2-19	Total O&M Expenses
G3-1	Historic Base Year + 1 - Cost of Capital
G3-2	Projected Test Year - Cost of Capital
G3-7	Customer Deposits
G6	Projected Test Year - Attrition Calculation of Major Assumptions
G7	Other Taxes

Florida Power & Light

Scenario Planning Process Guideline

Effective: August 2021
Version: 2022v1

Table of Contents

Guideline Overview

General

- This process applies to Florida Power & Light (includes Florida City Gas) and Gulf Power. The processes discussed in the guideline are managed using BPC sandbox planning version (WVS).

- The 2022-2026 planning cycle focuses on the development of an FPL Scenario as a combined FPL and Gulf Power company for 2022-2026.
  - 2022-2026 O&M and Capital detailed scenarios will be developed for FPL (company 1500) and legacy Gulf Power but input only input into company 1500 master data.
  - FCG (company 1570) detailed scenarios will be developed to roll up as part of FPL's total company budget and is treated as a business unit of FPL for presentation purposes to management.
  - Business Units reviewed Gulf master data (company 1600) and determined if there was comparable FPL master data to use, or if new master data was required for actual and planning purposes.
  - Legacy Gulf Power company plans will be incorporated into FPL and presented as one combined, single company. The presentation will include walks and schedules through 2026.
  - Walks and Schedules requiring 2020 & 2021 data will simply include FPL plus Gulf data per business unit.

- There are key areas where increased due diligence is required when developing the scenarios. Additional information is included throughout the guideline.
  - Development of O&M and Capital scenarios that are accurate, complete, consistent, relevant, and timely
  - Proper assignment of FERC accounts to the plan
  - Staffing that directly align with gross payroll (including existing staff, attrition, additions, reductions). All business units should account for natural attrition based on historical experience or known changes in the business and should ensure that is built into the payroll forecast for all years presented.
  - Walks that are clear and concise in communicating year over year changes
  - Merger costs and savings properly planned in the appropriate version WVS.
  - Affiliate Direct charge and CSC plans do not exist in a combined scenario between FPL and Gulf.

BPC Version Utilization

- Version **PCY (Plan Current Year)** is created at the conclusion of the scenario planning cycle. PCY will include five years of forecasted O&M and Capital for the period 2022-2026. Once approved by senior management, version PCY remains unchanged throughout the year and is the basis for reporting versus the approved plan. Because PCY is recycled every year each newly approved PCY is copied and preserved as P##, where ## are the last two digits of the first year of the version (e.g. approved 2022 plan will be saved as P22).

- Version **WV1 (Working Version 1)** is used to forecast the remaining months of the current year (i.e. 2021).

- Version **WVS (Working Version Sandbox)** is used to develop the next five-year plan (i.e. PCY/P22). On or before Workday 6 of each month requested, a snapshot of all WVS years will be taken and designated version B##, where ## is a sequential number (e.g. B07 is created at June close).

- By 5pm of WD 5 each month, the business unit should ensure WVS represents a complete forecast of each year, to the extent practicable. Maintaining WVS in a state of completeness will support a reliable plan.

- When working through the planning cycle, there may be times when some elements of a business unit's forecast may require more than a month to update as a result of some material change to the business (e.g. revised outage schedule, addition of new clause). In these instances, the business unit should take the necessary time to update the impacted portion of the forecast with focus on providing a forecast that is accurate and complete.

Florida Power and Light, Florida City Gas, and Gulf Master Data
- All O&M and Capital data will be entered into FPL, FCG, and Gulf company specific master data (Cost Centers, Internal Orders, WBS's).
- All O&M and Capital data on Gulf company specific master data will need to be cleared out of WVS by 8/31/2021 for all forecasted years in preparation for reporting properly on executive level presentations.
- The Business Units reviewed Gulf master data (company 1600) and determined if there was comparable FPL master data to use, or if new master data was required for actual and planning purposes.

Planning for Merger Costs/Savings
- All Merger related costs and savings will be planned in WVS at the appropriate business unit level.

- The business unit will make final determination if the costs/savings are a direct result of the merger or a cost incurred as a part of merging the companies.

- Affiliate Direct Charge and CSC plans will be updated to reflect rates and drivers based on one FPL company and will not charge out to Gulf Power in plan or actuals in 2022.

Scenario Planning Process Overview

General

- The scenario planning process is managed using a scenario planning cycle calendar that is distributed as soon as authorized near the beginning of the formal planning cycle.

- This section of the document contains instructions for preparing the executive presentation and general requirements for loading detail data into SAP BPC2 EPM.

- The Appendix to this document provides more detailed instructions for using SAP BPC2 EPM to load detail forecasts and can be a useful reference whenever using EPM.

- Throughout the Scenario Planning Process (SPP) all business unit presentation materials must be submitted through the FCOE FP&A e-Web page. The web site is designed to facilitate the entire SPP and includes reference materials, data and presentation templates, references to BOBJ reports, and access to business unit folders.

- FPL Finance will rely upon the business unit level data in SAP BPC to roll up the total corporate funding requirements for each review meeting. It is required that all business unit presentations tie to the data in the system.

- To assist with the development of forecasts and presentations, BOBJ reporting tools are available in the Corporate Portal. These reports are referenced throughout the guideline.

Forecast Versions

- Enter and save forecast data in versions WVS.

- Use the July MOPR current year-end forecast and September Outer Year forecast (version R08/B09) for the first round of presentation submittals.

- Use the August MOPR current year-end forecast and October Outer Year forecast (version R09/B10) for the second round of presentation submittals.

- The table below provides a summary of the versions that will be used in the FPL SAP BPC system (Analysis and EPM) throughout the planning cycle.

Purpose	Version Code / Name		Time	Description
For input	WVS	Working Version Sandbox	5 Years	Most recent forecast data 2022-2026
For review	R08	Aug-Dec Forecast	Current Year	July MOPR current year-end forecast
	R09	Sep-Dec Forecast	Current Year	Aug MOPR current year-end forecast
	B##	Sandbox #	5 Years	Snapshot of WVS data
	PCY	Plan Current Year	5 Years	Snapshot of WVS final approved data
	P##	Combined Company Plan	5 Years	Snapshot of PCY final approved data

Employee Headcount and Regular Payroll Planning

- Ensure that all business unit employees currently included on the HR organizational chart are accounted for in the "Headcount Planning" EPM workbook.

- Vacant positions that are not going to be filled in the plan should be removed from the HR organizational chart.

- Scenarios should clearly identify when headcount is to be added or removed and vacancies are planned to be filled. All business units should account for natural attrition based on historical experience or known changes in the business and ensure that is built into the payroll forecast for all years presented.

- Update the business unit headcount to properly reflect when positions are needed to support business operations and project completion or when the headcount will no longer be needed.

- Use the "Topside Input" worksheet in the "Headcount Planning" EPM workbook to enter planned headcount increases or decreases when position master data does not currently exist in the HR organizational chart.

- It is critical that headcounts are accurately input to ensure proper alignment to the scenario for gross payroll.

  - Legacy Gulf Employees will be the only exception allowed. Since these employees are not included in the EPM Headcount Planning workbook, it is preferred to use the Topside Input worksheet mentioned above to forecast headcount and payroll. However, offline spreadsheets will be allowed during 2022 Scenario Planning due to the volume of employees transferring from Gulf.

    - Payroll accounts have been unlocked for WBS L3 manual input to account for Gulf employee payroll.

    - Official Headcounts will be pulled from the submitted executive presentations.

WBS element Level 3 to Level 4 Plan Distribution Templates

- Review and adjust O&M FERC Functionalization percentages as needed.

- Review and adjust CSC percentages (formerly AMF) as needed. Guidance to be provided by Accounting's Cost Measurement and Allocation group.

- Review and adjust Capital Installation, Removal & Demolition percentages as needed.

Accelerate

- Present the differences for Accelerate savings in the Base O&M and the Employee presentation "walks"

FCOE FP&A e-Web page

- The website is structured to help both the business units and FPL Finance with the preparation of deliverables.

- The website contains the following items:
  – Guidelines
  – Planning Calendar
  – Templates for developing presentations
  – Links to business unit folders in SharePoint
  – Reference materials

- Link: **http://eweb.fpl.com/bunit/finance/FunctGroups/BgtFcst/budgetsubmissionportal2022-2026.shtml**

SAP BPC EPM – Models and Workbooks

- SAP BPC EPM is accessible on the path Corporate Portal / Applications / BPC2 (EPM-GP1) / "Model Name".

- A list of Models and Workbooks used to enter headcount, payroll, and non-payroll is available on page 23 of this guideline.

SAP BPC BOBJ – Budget Reports

- Budget reports specific to the SPP are accessible on the path: ***Corporate Portal / Applications / SAP Financial Planning & Reporting – New / FPL / "Report Name"***.

- The reports that will help verify on-system data aligns with presentation material are identified throughout this guideline, beginning on page 23.

Executive Presentation - General

- Each business unit is required to prepare a presentation deliverable for submittal to FPL Finance in advance of each scheduled review meeting.
  - Scheduled deliverable dates are identified in the 2022 Scenario Planning Process Calendar.
  - FCG is presented as a business unit of FPL and will follow the FPL business unit guidelines as outlined below.

- Financial presentation materials must be tied out to the on-system data at each submittal point during the Scenario Planning Process.

- Headcount presentation materials should include FPL and FCG employee counts as described in the above section "Employee Headcount and Regular Payroll Planning". Gulf employees expected to be transferred to FPL may either use the EPM system tools for Topsides Inputs or offline spreadsheets for support. The Executive presentations will be used as the document of record to determine headcount for each business unit.

- Use the reports in the Corporate Portal to verify the data loaded on-system is correct. The paths to the reports are available as follows.
  - Under Step 2 of the e-Web page: Prepare / Review Scenario Submission using SAP BPC EPM & BOBJ.

- Once EPM has been updated and totals verified using BOBJ reports, transfer the results to the Excel templates. Then paste the templates into the business unit's Power Point presentation.
  - Blank Excel and PowerPoint templates are available on the e-Web page, Step 3: Prepare Scenario Submission Documents in Microsoft Office.

- Submit the completed PowerPoint presentation to FPL Finance by depositing it in the business unit's folder on SharePoint.
  - Access to the business unit's folder on SharePoint is available via the e-Web page, Step 4: Submit Scenario Deliverables in Business Unit SharePoint Folder
  - FCG will have a specific business unit folder labeled 'FPL Gas Operations'
  - Link to e-Web page **http://eweb.fpl.com/bunit/finance/FunctGroups/BgtFcst/budgetsubmissionportal2022-2026.shtml**

Executive Presentation - Development

The Scenario Presentation must contain the following sections.

NOTE: BOBJ reports supporting the required schedules are in the SAP Business Objects BI Platform using the following path.

- Stand Alone Reports located at ***>Finance >FPL >Variance Analysis >Spend Reporting***
- Combined Company Reports located at **>Finance >FPL >Variance Analysis >Spend Reporting >Combined Reporting**

Executive Summary

- Business Unit's own design

Base O&M Schedules

- Prepare a schedule identifying your business unit's major projects and activities for the years indicated. ***Select a level of detail appropriate for a thorough senior executive review.***

- Combined company views will be required for O&M Base schedules. The schedules from 2020 Actuals through 2021 forecast will reflect FPL plus Gulf Power entities added together. The schedules from 2022 Plan through 2026 Plan will reflect FPL and Gulf Power forecasted as a combined entity with synergies all loaded on FPL Master Data.
  - 2022-2026 detailed scenarios will be developed for FPL (company 1500) and include legacy Gulf Power. Scenario schedules and walks are to be generated and included in the appendix of the Executive presentations.
  - Separate scenario presentations will NOT be required for standalone FPL and standalone Gulf Power.
  - FCG scenario presentation will be developed as a business unit submission.
  - 2022-2026 combined plan will result from adding the Gulf Power plan into the FPL plan beginning in 2022. Schedules and walks will be generated for the content of the FPL Executive presentations.
    - 2020 Actuals – 2021 Forecast (FPL plus Gulf added together)
    - 2022 Forecast – 2026 Forecast (Gulf Power included within FPL forecast w/synergies)

- The following BOBJ reports are useful to stratify your Base O&M scenario.
  - Combined: Expense Forecast – FPL-Gulf (9Yr -2& +7 PY-FC-FC).
    - This will sum FPL and Gulf in 2020 & 2021. This report is also best if Gulf (company 1600) data is removed from EPM.
  - Stand Alone: Expense Forecast (9Yr -2/+7 PY-FC-FC)

Base O&M
Business Unit: ____________________
($millions) or ($thousands)

Project / Activity	2020 Actual	2021 Forecast	2022 Funds Request	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Project 1							
Activity A							
Activity B							
Project 2							
Activity A							
Activity B							
Project 3							
Activity A							
Activity B							
Total Base O&M	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

- Prepare a year to year "walk" patterned after the following example for each of the following comparisons:
  - 2021 MOPR Year End Forecast to 2022 Funds Request (FPL Plus Gulf simply added together)
  - 2022 Funds Request to 2023 Forecast (Combined FPL Company)
  - 2023 Forecast to 2024 Forecast
  - 2024 Forecast to 2025 Forecast
  - 2025 Forecast to 2026 Forecast

- Include an explanation for each step-up and step-down in each of the categories shown on the table.

- The Inflation category should include merit increases and any other cost increases related to inflation. When applying inflation, do not inflate any cost that will be identified as a non-recurring cost in the Changes in the Business category.

- As you "walk" from year to year, be sure to add back all the Accelerate savings in the prior year, in anticipation of removing a full year of Accelerate savings in each forecasted year. This will ensure the same savings are not deducted twice in the same year, and will allow the Full Year Accelerate Savings category in the "walk" to be reconciled with Accelerate source information, which is expressed in terms of annual savings, not incremental savings.

- The Changes in the Business category should include cost increases for new work, including increased levels of activity such as from customer growth, and should include cost reductions for non-recurring events. Do not include Accelerate cost changes in the Changes in the Business category.

Base O&M
Business Unit: ____________________
($millions) or ($thousands)

2021 Year End Forecast		**$100.0**
Inflation		2.2
2020 Estimated/Actual Accelerate Savings - Add Backs		
2020 Estimated/Actual Savings - item 1	4.0	
2020 Estimated/Actual Savings - item 2	2.0	
		6.0
Changes in the Business - Increase / (Decrease)		
New Activity - item 3	2.0	
Non-recurring - item 4	(1.0)	
		1.0
2021 Full Year Accelerate Savings - (Reductions)		
2021 Full Year Savings - item 1	(9.0)	
2021 Full Year Savings - item 2	(5.0)	
2021 Full Year Savings - item 5	(10.0)	
		(24.0)
2022 Funds Request		**$85.2**
Repeat 2021 to 2022 Walk Elements	50.0	
2023 Forecast		**$135.2**
Repeat 2021 to 2022 Walk Elements	50.0	
2024 Forecast		**$185.2**
Repeat 2021 to 2022 Walk Elements	50.0	
2025 Forecast		**#####**
Repeat 2021 to 2022 Walk Elements	50.0	
2026 Forecast		**#####**

Below the Line O&M Schedules

- Prepare a schedule identifying your business unit's major projects and activities for the years indicated.

- Combined company views will be required for Below the Line O&M schedules. The schedules from 2020 Actuals through 2021 forecast will reflect FPL plus Gulf Power entities added together. The schedules from 2022 Plan through 2026 Plan will reflect FPL and Gulf Power forecasted as a combined entity all loaded on FPL Master Data.
  - 2022-2026 detailed scenarios will be developed for FPL (company 1500) and include legacy Gulf Power. Scenario schedules and walks are to be generated and included in the appendix of the Executive presentations.
  - Separate scenario presentations will NOT be required for standalone FPL and standalone Gulf Power.
  - FCG scenario presentation will be developed as a business unit submission.
  - 2022-2026 combined plan will result from adding the Gulf Power plan into the FPL plan beginning in 2022. Schedules and walks will be generated for the content of the FPL Executive presentations.
    - 2020 Actuals – 2021 Forecast (FPL plus Gulf entities added together)
    - 2022 Forecast – 2026 Forecast (Gulf Power included within FPL forecast w/synergies)

- The following BOBJ reports are useful to stratify your Base O&M scenario.
  - Combined: Expense Forecast – FPL-Gulf (9Yr -2& +7 PY-FC-FC).
    - This will sum FPL and Gulf in 2020 & 2021. This report is also best if Gulf (company 1600) data is removed from EPM.
  - Stand Alone: Expense Forecast (9Yr -2/+7 PY-FC-FC)

Below the Line
Business Unit: ______________
($millions) or ($thousands)

Project / Activity	2020 Actual	2021 Forecast	2022 Funds Request	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Project 1							
Activity A							
Activity B							
Project 2							
Activity A							
Activity B							
Total Below the Line	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**

- Prepare a year to year walk patterned after the following example for each of the following comparisons:
  - 2021 MOPR Year End Forecast to 2022 Funds Request (FPL Plus Gulf simply added together)
  - 2022 Funds Request to 2023 Forecast (Combined FPL Company)
  - 2023 Forecast to 2024 Forecast
  - 2024 Forecast to 2025 Forecast
  - 2025 Forecast to 2026 Forecast

- Include a brief explanation for each step-up and step-down on the table.

Below the Line
Business Unit: ____________________
($millions) or ($thousands)

2021 Year End Forecast		**$1,000**
Additional ...	5.0	
Required....	50.0	
Non-recurring ...	(30.0)	
		25.0
2022 Funds Request		**$1,025**
Additional ...	5.0	
Required....	50.0	
Non-recurring ...	(30.0)	
		25.0
2023 Forecast		**$1,050**
Additional ...	5.0	
Required....	50.0	
Non-recurring ...	(30.0)	
		25.0
2024 Forecast		**$1,075**
Additional ...	5.0	
Required....	50.0	
Non-recurring ...	(30.0)	
		25.0
2025 Forecast		**$1,100**
Additional ...	5.0	
Required....	50.0	
Non-recurring ...	(30.0)	
		25.0
2026 Forecast		**$1,125**

Capital Schedules

- Prepare a schedule identifying your business unit's major projects and activities for the years indicated.

- Combined company views will be required for Capital schedules. The schedules from 2020 Actuals through 2021 forecast will reflect FPL plus Gulf Power entities added together. The schedules from 2022 Plan through 2026 Plan will reflect FPL and Gulf Power forecasted as a combined entity all loaded on FPL Master Data.
  - 2022-2026 detailed scenarios will be developed for FPL (company 1500) and include legacy Gulf Power. Scenario schedules and walks are to be generated and included in the appendix of the Executive presentations.
  - Separate scenario presentations will NOT be required for standalone FPL and standalone Gulf Power.
  - FCG scenario presentation will be developed as a business unit submission.
  - 2022-2026 combined plan will result from adding the Gulf Power plan into the FPL plan beginning in 2022. Schedules and walks will be generated for the content of the FPL Executive presentations.
    - 2019 Actuals – 2021 Forecast (FPL plus Gulf entities added together)
    - 2022 Forecast – 2026 Forecast (Gulf Power included within FPL forecast)

- 2022 Plan – 2026 Plan (Gulf Power added into FPL) Provide a level of detail appropriate for a thorough senior executive review.

- Provide a summary explanation of the benefits to support the request for the capital including identification of the customer benefit that the capital investment drives.

- The Total Capital schedule should be stratified into two categories
  - Earning Projects
    - Project receives AFUDC
    - Clause projects (indicate which clause)
    - Automated Meter Reading Infrastructure project (Customer Service only)
  - Infrastructure Projects
    - All other capital expenditures not included in Earning Projects

- The following BOBJ reports are useful to stratify your Capital scenario.
  - Combined: Capital Forecast – FPL-Gulf (9Yr -2& +7 PY-FC-FC)
    - This will sum FPL and Gulf in 2020 & 2021. This report is also best if Gulf (company 1600) data is removed from EPM.
  - Stand Alone: Capital Forecast (9Yr -2/+7 PY-FC-FC)

Total Capital
Business Unit: ____________________
($millions) or ($thousands)

Project / Activity	2020 Actual	2021 Forecast	2022 Funds Request	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
AFUDC / Carrying Charges / Clause / AMI							
Project / Activity 1							
Project / Activity 2							
Project / Activity 3							
Total AFUDC / Carrying Charges / Clause / AMI	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Infrastructure							
Project / Activity 1							
Project / Activity 2							
Project / Activity 3							
Total Infrastructure	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Capital	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**

Employees Schedules

- Prepare a schedule of your business unit's Employee count for the years indicated. Count all positions as 1.0 each. Do not count any position as fractional even if it will only be working part time.

- Combined company views will be required for Employee schedules. The schedules from 2020 Actuals through 2021 forecast will reflect FPL plus Gulf Power entities added together. The schedules from 2022 Plan through 2026 Plan will reflect FPL and Gulf Power forecasted as a combined entity all loaded on FPL Master Data.
  - 2022-2026 detailed scenarios will be developed for FPL (company 1500) and include legacy Gulf Power as appropriate. Scenario schedules and walks are to be generated and included in the appendix of the Executive presentations.
  - Separate scenario presentations will NOT be required for standalone FPL and standalone Gulf Power.
  - FCG scenario presentation will be developed as a business unit submission.
  - 2022-2026 combined plan will result from adding the Gulf Power plan into the FPL plan beginning in 2022. Schedules and walks will be generated for the content of the FPL Executive presentations.
    - 2020 Actuals – 2021 Forecast (FPL plus Gulf entities added together)
    - 2022 Forecast – 2026 Forecast (Gulf Power included within FPL forecast as a combined company)

- Utilize the following BOBJ report to stratify your employee plans: Headcount (9Yr -2/+7 A/Fc/Fc).
  - Please note, these will only be accurate if legacy Gulf employees are added into EPM using the Topside Input functionality.

- Employee Headcount

- Ensure that all business unit employees currently included on the HR organizational chart are accounted for in the “Headcount Planning” EPM workbook.
- Vacant positions that are not going to be filled in the plan should be removed from the HR organizational chart.

- Scenario should clearly identify when headcount is planned to be added or removed and vacancies are planned to be filled. All business units should account for natural attrition based on historical experience or known changes in the business and ensure that is built into the payroll forecast for all years presented.
- Update the business unit headcount scenario to properly reflect when positions are needed to support business operations and project completion or when the headcount will no longer be needed.
- Use the “Topside Input” worksheet in the “Headcount Planning” EPM workbook to enter planned headcount increases or decreases when position master data does not currently exist in the HR organizational chart.
- It is critical that headcounts are accurately input to ensure proper alignment to the scenarios for gross payroll.

  - Legacy Gulf Employees will be the only exception allowed. Since these employees are not included in the EPM Headcount Planning workbook, it is preferred to use the Topside Input worksheet mentioned above to forecast headcount and payroll. However, offline spreadsheets will be allowed during 2022 Scenario Planning due to the volume of employees transferring from Gulf.

    - Payroll accounts have been unlocked for WBS L3 manual input to account for Gulf employee payroll.

    - Official Headcounts will be pulled from the submitted executive presentations.

FPL Employees
Business Unit: ________________________

FPL Employees	2019 Actual	2020 Forecast	2021 Request	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Full Time (excluding Temporaries)							
FPL Exempt							
FPL Non-Exempt							
FPL Bargaining Unit							
Total FPL Full Time Employees	0	0	0	0	0	0	0
Part Time (count each as 1.0)							
FPL Exempt							
FPL Non-Exempt							
FPL Bargaining Unit							
Total FPL Part Time Employees	0	0	0	0	0	0	0
Total FPL Employees (excl Temporaries)	**0**	**0**	**0**	**0**	**0**	**0**	**0**

- Prepare a year to year walk patterned after the example for each of the following comparisons:
  - 2019 Actual to 2020 MOPR Year End Forecast
  - 2020 MOPR Year End Forecast to 2021 Funds Request
  - 2021 Funds Request to 2022 Forecast
  - 2022 Forecast to 2023 Forecast
  - 2023 Forecast to 2024 Forecast
  - 2024 Forecast to 2025 Forecast

- Include a brief explanation for each step-up and step-down on the table. Include the month of action and the number of positions associated with the addition / reduction.

- Regarding changes due to Accelerate, please note that the employee "walk" is on an incremental basis, not an annual basis. Unlike the Base O&M "walk," the employee "walk" does not add back the prior year's reductions related to Accelerate.

FPL Employees
Business Unit: ____________________

	Month - Year	Increment	Total
2020 Actual			**1,000**
Accelerate ...	Sep-19	(2)	
Replace open postion ...	Oct-19	1	
Accelerate ...	Dec-19	(3)	
			(4.0)
2021 Forecast			**996**
Replace open postion ...	Feb-20	1	
Accelerate ...	Mar-20	(5)	
Accelerate ...	Jul-20	(3)	
			(7.0)
2022 Request			**989**
Accelerate ...	Mar-21	(2)	
			(2.0)
2023 Forecast			**987**
Accelerate ...	Jun-22	(1)	
			(1.0)
2024 Forecast			**986**
Accelerate ...	Jun-23	(1)	
			(1.0)
2025 Forecast			**985**
Accelerate ...	Jun-24	(1)	
			(1.0)
2026 Forecast			**984**

Impact of Forecasts on Key Performance Measures

- Business units should provide a discussion of the relationship between the proposed forecasts and the unit's key performance indicators.

- Provide correlations and sensitivities to illustrate the relationships. No templates are provided. Use an appropriate format:
  - Tables
  - Graphs

- Other

IT Funded Business Cases

- Each business unit must prepare a summary of the business cases it is sponsoring that will be presented by the IT business unit for funding in the IT scenario for 2022 through 2026. Each summary must contain at least the following information:
  - Description of Business Case
  - Accelerate Idea #, if applicable
  - Project Benefits
    - Estimated cost savings
    - Productivity gains, etc.
  - Project Costs
    - O&M and/or capital components
    - Annual / total project costs

Final Approved 2022 Scenario Planning Presentation

- This section provides the requirements for the development of the Final Approved 2022 Scenario Presentation deliverable.

- At the conclusion of the scenario review and approval process, each business unit may be requested to provide a final approved version of its presentation for submittal to FPL Finance.

- Minimum requirements include all templates and walks used during the scenario review process, and key performance indicators.
  - Base O&M Schedules
  - Below the Line Schedules
  - Capital Schedules
  - FPL Employee Schedules
  - Key Performance Indicators

- Ensure all scenarios and forecast amounts are final approved and tie to version PCY in SAP BOBJ reports.

- Revise all walks as necessary to support the changed annual amounts.

- At the discretion of the business unit, the final approved presentation may be expanded to include elements such as the following.
  - Objectives and Goals
  - Key Initiatives
  - Assumptions
  - Additional Benchmarking and Performance Indicators

Appendix

Using the FPL SAP BPC System

Planning and Forecasting in versions WV1 and WVS

Appendix Contents

Data Requirements for Forecasting and Scenario Planning

The following outline provides a summary of the level of data detail required to be reviewed and updated, using the FPL SAP BPC system, prior to each forecast or scenario submittal

Cash Flow Plan Data (Payroll and Non-Payroll)

- Review of on system data:
  - Monthly cash flow projections (Payroll and Non-Payroll) with appropriate WBS element (Level 4) and account data
    - Operating Expense (O&M) and Revenue
    - Capital and Deferred Expenditures

- Review and update of on system data:
  - WBS element (Level 3) non-payroll monthly cash flow projections
  - Internal order non-payroll monthly cash flow projections (as applicable)
  - WBS element (Level 4) plan allocations
  - WBS element (Level 3) plan allocations (as applicable)
  - O&M internal order payroll / non-payroll plan settlement rule allocations
  - Payroll / Headcount Plan Data

- Review of on system data:
  - Monthly headcounts with appropriate headcount movement data

- Review and update of on system data:
  - Headcount input form
  - Time / payroll cost allocations
  - Salary adjustments

- The following table provides the Project Types / Business Area combinations for which forecasts and scenarios should be entered into the system:

Project Type	Business Area	Description
Operating Expenses		
E	A01	Base O&M
E	A02	ECCR (Energy Conservation Cost Recovery)
E	A04	O&M Fuel (Clause)
E	A05	O&M Capacity (Clause)
E	A06	Below the Line
E	A08	ECRC (Environmental Cost Recovery Clause)
E	A09	O&M NR Fuel (not recoverable through the Fuel Clause)
E	A12	Clearing/Overheads (Benefits, EO, Non Productive, Worker's Comp, Stores)
E	A20	Revenue Enhancement Expense
E	A21	Gas Reserves
E	A22	Inter-Company Expenses
E	A23	Rider Programs (Base)
E	A25	Rider Programs (Clause)
E	A26	O&M SPPCRC (Storm Protection Plan Cost Recovery Clause)
Capital Expenditures		
C	A01	Capital Base
C	A02	Capital ECCR (Energy Conservation Cost Recovery Clause)
C	A05	Capital Capacity (Clause)
C	A06	Capital Below the Line
C	A08	Capital ECRC (Environmental Cost Recovery Clause)
C	A17	Capital Storm
C	A18	Capital New Nuclear (Above the Line)
C	A21	Capital Gas Reserves
C	A23	Rider Programs (Base)
C	A25	Rider Programs (Clause)
C	A26	Capital SPPCRC (Storm Protection Plan Cost Recovery Clause)
Deferred Expenditures		
D	A10	Budgeted Deferred Projects (Considered a capital expenditure)
D	A11	Other Balance Sheet Activity (Optional)
Revenues		
E	A20	Revenue Enhancement Revenue

- Special notes regarding Revenue Enhancement:
  - The assignment of Revenue Enhancement business area A20 is determined solely by the accounting treatment the actual transaction receives when recorded in the general ledger
  - Use of business area A20 is limited to existing revenue enhancement programs
  - Business unit proposals for new revenue enhancement programs should be submitted to Accounting and Corporate Scenarios prior to the inclusion of required resources in the 2022 scenario deliverables
  - Revenues are entered as credits in the appropriate Gross Margin accounts
  - Expenses are entered as debits in the appropriate Other Operating Expense accounts

Entering and Reviewing Required Data

Workbooks Available for Forecast and Scenario Data Entry / Review

- The table below provides a summary of the workbooks (Analysis and EPM) available to review and update different levels of forecast and scenario data details required in the FPL SAP BPC system

Activity	Data Type	Sub-Activity	Analysis / EPM Workbook
Review of on system data, using Analysis workbooks	Cash flow plan data (payroll and non-payroll)	Review monthly cash flow projections (Payroll and Non-Payroll) with appropriate WBS element (Level 4) and account data	
		• Operating Expense (O&M) and Revenue	“BPC - Expense Forecast (8Yr -2/+6 PY/Fc/Fc)" Analysis workbook
		• Capital and Deferred Expenditures	“BPC - Capital Forecast (8Yr -2/+6 PY/Fc/Fc)” Analysis workbook
	Payroll / headcount plan data	Review monthly headcounts	“BPC - Headcount (6Yr -2/+4 A/Fc/Fc)” Analysis workbook
Review and update of on system data, using EPM workbooks	Cash flow plan data (payroll and non-payroll	Review / update WBS element (Level 3) non-payroll monthly cash flow projections	“WBS Spend Budget Management” EPM workbook
		Review / update internal order non-payroll monthly cash flow projections (as applicable)	“IO Spend Budget Management” EPM workbook
		Review / update WBS element (Level 4) plan allocations	“WBS_L3L4_PERCENT_INPUT” EPM workbook
		Review / update WBS element (Level 3) plan allocations (as applicable for payroll / non-payroll plan values entered using mixed capital internal order)	“WBSL2L3_PERCENT_INPUT” EPM workbook
		Review / update O&M internal order payroll / non-payroll plan settlement rule allocations	“IO_SETTLEMENT_INPUT” EPM workbook
	Payroll / headcount plan data	Review / update headcount monthly movement projections (i.e. baseline of current employees and increases / decreases to account for new hires, separations, and transfers)	“Headcount Planning” EPM workbook
		Review / update time / payroll cost allocations	“Timesheet Planning” EPM workbook
		Review / update salary adjustments (i.e. merit, MOA, other increases / decreases as needed)	“Assumptions Planning” EPM workbook

Notes on Scenario Data Entry/Review using EPM workbooks

FPL Employee Headcount

- Ensure that all business unit employees currently included on the HR organizational chart are accounted for in the "Headcount Planning" EPM workbook.
- Vacant positions that are not going to be filled in the plan should be removed from the HR organizational chart.
- Scenarios should clearly identify when headcount is planned to be added or removed and vacancies are planned to be filled. It is assumed that natural attrition is built into the payroll forecast.
- Update the business unit headcount to properly reflect when positions are needed to support business operations and project completion or when the headcount will no longer be needed.
- Use the "Topside Input" worksheet in the "Headcount Planning" EPM workbook to enter planned headcount increases or decreases when position master data does not currently exist in the HR organizational chart.
- It is critical that headcounts are accurately input to ensure proper alignment to the scenario for gross payroll.

Straight-Time Payroll

- Ensure every headcount entry in the "Headcount Planning" EPM workbook has time and payroll cost allocations that equal 100% in the "Timesheet Planning" EPM workbook.
- Time and payroll cost allocations coming from another business unit to your business unit's internal orders are not visible in the "Timesheet Planning" EPM Workbook, but the corresponding payroll will be visible in the "IO Spend Budget Management" and/or "WBS Spend Budget Management" EPM workbooks and Analysis report workbooks.

Payroll (Other Than Straight-Time Payroll)

- Ensure the following payroll and payroll related costs are entered using either the "WBS Spend Budget Management" and/or the "IO Spend Budget Management" workbooks in EPM
  - Overtime
  - Overtime Meals
  - Other Earnings
  - Lump Sum Awards
  - Relocation
  - Recruiting
  - Sign-on Bonus
  - Severance
  - Payroll Charges from Affiliates (at fully loaded cost)

Non-Payroll

- The "IO Spend Budget Management" EPM workbook will show the following items as not editable

  – Straight-time payroll
  – Overheads

- The "WBS Spend Budget Management" EPM workbook will show the following items as not editable
  – Straight-time payroll
  – Non-payroll entered using "IO Spend Budget Management" EPM workbook
  – Overheads

- Be aware of the relationship between the "IO Spend Budget Management" and the "WBS Spend Budget Management" EPM workbooks
  – Data entered using the "IO Spend Budget Management" EPM workbook is visible for the corresponding WBS element in the "WBS Spend Budget Management" EPM workbook, based on plan allocations, but is not editable in the "WBS Spend Budget Management" EPM workbook
  – Data entered into the "WBS Spend Budget Management" EPM workbook is not visible in the "IO Spend Budget Management" (no reverse allocations)

- Amounts entered into the "IO Spend Budget Management" and "WBS Spend Budget Management" EPM workbooks for the same WBS element are summed together
  – If the "IO Spend Budget Management" EPM workbook is chosen to load data, ensure any corresponding duplicate entries are cleared in the "WBS Spend Budget Management" EPM workbooks; otherwise, reports will reflect a "double-count", as data entered in both the "IO Spend Budget Management" and "WBS Spend Budget Management" EPM workbooks will be totaled
  – Straight-time payroll amounts will appear in both the "IO Spend Budget Management" and "WBS Spend Budget Management" EPM workbooks and will remain in sync as headcount timesheet changes are entered

- When certain payroll and non-payroll costs are forecasted, BPC EPM automatically generates additional forecasted costs in the form of an overhead or loader
  – For the current rates being applied by the system, use the following link to access the Reference Material section on the e-Web page
  http://eweb.fpl.com/bunit/finance/FunctGroups/BgtFcst/budgetsubmissionportal2022-2026.shtml

Additional FPL SAP BPC System training / reference materials

- Use the following link to access reference materials to guide you in using the FPL SAP BPC System EPM workbooks described in this document
  http://eweb/bpc

Notes on Planning Charges to Affiliates

Operations Support Charges – OSC (formerly Service Fees)

- This charge is specific to Nuclear Business Unit

- Business units having a specific service agreement with an affiliate should forecast the OSC charges as a direct charge using an IO/WBS element defined as business area A22 Inter-company Expenses

- To provide a fully loaded view of the OSC, FCOE FP&A organization will forecast the appropriate affiliate overheads in Loc10, based on all dollars forecast in A22 by the Nuclear Business Unit

- Any IO/WBS element used to forecast A22 dollars should not contain charges of any other nature

Corporate Service Charges (CSC)

- CSC was previously referred to as Affiliate Management Fee (AMF)
- Staff business unit expenditures that are allocable to affiliate entities through the CSC should be forecasted 100% in an IO/WBS defined as business area A01 Base O&M
- Costs that are applicable to the CSC should be allocated to WBS elements (Level 4) that are marked with the appropriate CSC drivers (Investment Reason) and receiving company (WBS Services)
- CSC WBS element (Level 4) allocations will be based on driver percentages determined by Accounting's Cost Measurement and Allocations (CMA) department
- CMA will work with the business units to determine if forecasted costs are applicable to the CSC
- CMA will calculate the appropriate allocation percentages for CSC costs. It will be the responsibility of the business units to ensure that the correct WBS element (Level 4) allocations are reflected in the system using the "IO_SETTLEMENT_INPUT" and / or "WBS_L3L4_PERCENT_INPUT" EPM workbooks.
- Once a WBS element is determined to be eligible for the CSC, any non-CSC costs should not be allocated to that WBS element
- CSC charges to Gulf Power will not exist in a merger scenario
  - The FPL CSC credit resulting from distribution of CSC to the affiliates is planned at FPL in Version WVS. The credit systematically calculates because of the forecast being input on specific master data established for CSC allocation. CSC credits are reflected in Location 10 for non-Executive activity and Executive Business Unit for Executive activity
  - The CSC debit to be received by Gulf Power is planned in Version WVS.

Direct Charges

- A business unit planning direct charges to affiliate entities should forecast 100% of its cash expenditures in an Internal Order (IO)/WBS defined as business area A22 Inter-company expenses. Payroll dollars need to be planned on the internal order to allow the system to calculate the overheads rates established in the BPC EPM forecast tables
- It is recommended that the costs be allocated to WBS elements unique to a single receiving company. The WBS Services field may be used for that purpose
- To provide a fully loaded view of the Direct Charge plan, FCOE FP&A will forecast the appropriate affiliate incremental overheads in Loc10, based on all dollars forecasted in A22 by the business units
- Any IO/WBS element used to forecast A22 dollars should not contain charges of any other nature
- Direct charges to Gulf Power or Gulf to FPL charges will not exist in a combined scenario.

Notes on FERC Functionalization of O&M

- Shortly after the due date for initial completion of detail forecasts in FPL SAP BPC system, FPL Finance will initiate the FERC Functionalization of the O&M forecasts loaded into versions WVS

- Once the FERC Functionalization has been completed, each business unit will review, and if necessary, adjust, the FERC Functionalization of all O&M project type / business area combinations entered by the business unit. This will ensure an accurate forecast of O&M from a regulatory perspective. Use BW reports such as the “FERC O&M Trend Analysis (A/FFc/FFc)” report to perform the review.

- If your unit’s O&M FERC allocations appear to be incorrectly allocated compared to historical FERC actuals or other plan years, update your allocation percentages using the “IO_SETTLEMENT_INPUT” and / or “WBS_L3L4_PERCENT_INPUT” EPM workbooks.

- When all business units have completed their changes to the percentage splits, Corporate FPL Finance will re-run the FERC Functionalization of the O&M forecasts loaded into WVS, so the units can see the impact of the percentage changes on their forecasted dollars.

- The above sequence may be iterated during the planning and forecasting process as necessary on a schedule to be announced.

- The schedule for final FERC Functionalization of the O&M forecasts will be announced.

Capital Forecasting and Scenario Planning

General

- Each business unit is required to provide capital forecast details in accordance with the foregoing instructions for entering detail forecasts into BPC EPM and the following guidance specific to capital forecasting.

- Enter monthly cash flows in whole dollars for <u>all</u> years
  - Do not forecast annual amounts in December; provide monthly cash flows
  - Major projects should be cash flowed monthly based on the best information available
  - Minor projects may be forecasted using an even monthly spread if better information is not available

- Ensure all master data is correct for all capital WBS elements

- Capital synergies resulting from the combination of Gulf Power with FPL beginning 2022 will be planned in version WVS.

Installation, Removal, Demolition and Nuclear Fuel Assignment

- Review, and if necessary, adjust the BPC EPM WBS_L3L4_Percent_Input workbook (Level 3 to Level 4 WBS percentage allocations) percentage splits for installation, removal, and demolition capital. This will ensure accurate cost detail is available to support depreciation calculations in the Financial Forecasting Model.
  - **<u>All capital projects</u>** must be classified as either installation, removal, demolition, or Nuclear Fuel capital, by assigning percentages to the Level 4 WBS elements
  - In most cases a capital project will be assigned one or both of the following level 4 WBS elements
    - Install: FERC Indicator 9901
    - Remove: FERC Indicator 9902
  - When a plan represents the demolition of assets, such as in the case of the demolition of a plant, the “Demolition” FERC Indicator 9904 must be assigned as the level 4 WBS element
  - When a plan represents the purchase of Nuclear Fuel, a Level 4 WBS element with a unique FERC Indicator 9903 and Capital Type 3 must be created and the Level 4 WBS allocation assigned.
  - The push of dollars from Level 3 to Level 4 is automatic and will immediately reflect any changes to the percentage splits made using the BPC EPM WBS_L3L4_Percent_Input workbook (Level 3 to Level 4 WBS percentage allocations).

Capital Project Master Data Assignments

Capital Type	GAAP Account	FERC Indicator	FERC Account
1 – Install	2609300 - CWIP	9901	9107100
2 – Remove	2650200 - ACC. DEPRECIATION (DP)	9902	9108050
3 – Nuclear Fuel	2607200 - NUCLEAR FUELS - In Process 2607100 - NUCLEAR FUELS - In Stock 2607310 - NUCLEAR FUELS: Inventory In Rx	9903 9903 9903	9120100 9120200 9120300
4 – Demolition	3701010 - DISMANTLEMENT RESERVE: Fossil	9904	9108332

Capital WBS Element Master Data

- Master Data for all capital WBS elements includes "corporate attributes" that define the capital project:
  - Business Area
  - IM Position
  - WBS Project Type
  - WBS Capital Type
  - FERC Function code
  - Plant Site code
  - Major Project designation
  - In-service date (Required only for Major Projects)
  - AFUDC relevance
  - Earning a Return status
  - Depreciation status
  - Storm Secure status

- When forecasting capital expenditures, it is important to ensure the corporate attributes that define the Project or WBS element accurately describe all the capital expenditures forecasted under that Project or WBS element. If not, then the expenditures should be allocated to two or more WBS elements as necessary

- **FERC Function Code (FERCFncID)**
  - A single digit code describing a classification of expenditures under the FERC System of Accounts
  - All costs associated with a single WBS should be reflective of the FERC Function selected. Multiple WBS elements may be needed for proper differentiation
    - 1 – Steam Generation
    - 2 – Nuclear Generation
    - 3 – Other Generation
    - 4 – Transmission
    - 5 – Distribution Line
    - 6 – Distribution Substation
    - 7 – Buildings
    - 8 – General Plant Equipment
    - 9 – Transportation Equipment
    - 0 – Intangible Plant
    - 12 – Intangible Software
    - 13 – General Plant – EDP Equipment
    - 14 – General Plant – Communication Equipment
    - 15 – General Plant – Fiber Optic

- **Plant Site Code**
  - A three-digit code
  - Expenditures pertaining to a specific plant site must be forecasted in a WBS element unique to that site, per the following table: for all other expenditures use default plant site 000

Plant Site	Co	Plant Site	Co	Plant Site	Co	Plant Site	Code
NON-PRODUCTION PLANT	000	Martin Coal Unit	183	St Lucie River Farms Solar	201	Rodeo Solar Energy Center	328
CUTLER	010	MARTIN UNIT 2	184	VOLUNTARY SOLAR PARTNERSHIP (VSP)	210	Etonia Solar(Weyerhaeuser)	329
RIVIERA UNIT #3 & #4	040	MARTIN GAS PIPELINE	185	C & I SOLAR PARTNERSHIP	211	Mortimer Bates(solar land)	330
RIVIERA BEACH ENERGY CENTER U5	041	MARTIN UNIT #7	186	IOTA CAROL (SOLAR PROJECT)	212	Family Alaska, LLC (solar land)	331
RIVIERA UNIT #2	042	MARTIN Unit 3	187	Magnolia Springs Solar	213	Fort Drum Site	332
TURKEY POINT UNIT #3 EPU LAR	043	MARTIN Unit 4	189	Hibiscus Solar	214	Raymond&Deborah Williams (Solar Lnd)	333
TURKEY POINT UNIT #4 EPU LAR	044	West County Energy Center U1/U2	190	Sandricourt Farms Solar	215	Bluefield Organic Farms (solar land)	334
PUTNAM	050	WEST COUNTY ENERGY CENTER UNIT	191	CLYMAN SOLAR	216	Slavic Natural Resources In. (solar Land)	335
ST LUCIE UNIT #1 EPU LAR	051	Okeechobee Clean Energy Center	194	Egret Solar	217	GHOST ORCHID SOLAR	336
ST LUCIE UNIT #2 EPU LAR	052	UNSITED COMBINED CYCLE	195	CORAL FARM SOLAR	260	SAWGRASS SOLAR	337
PALATKA	060	Hendry Site	196	HORIZON SOLAR	261	IMMOKALEE SOLAR	338
PALATKA PLANT UNIT 3	061	VERO BEACH	198	IBIS SOLAR	262	Watson Cattle CO (Land for Solar)	339
Sanford Unit 3	070	CEDAR BAY	200	Hammock Solar	263	Shirer Branch Solar	340
Sanford Unit 5	071	INDIANTOWN COGENERATION	205	INTERSTATE SOLAR	264	Flowers Creek Solar/Yoder (land)	341
Sanford Unit 4	072	TURKEY POINT UNIT #3 Uprates	243	Twin Lakes Solar	265	Heritage Family Farms (land)	342
Sanford U4/U5 Common	073	TURKEY POINT UNIT #4 Uprates	244	KROME SOLAR	266	Yoder (land) / Flowers Creek Solar	343
Ft. Lauderdale Unit 4	080	ST LUCIE UNIT #1 Uprates	251	Wildflower Solar	267	Gerald Bishop (land) / Solar	344
FT LAUDERDALE Gas Turbines - Blackstart	081	ST LUCIE UNIT #2 Uprates	252	Blue Cypress Solar	268	FPL Evolution Hub-45th St (Solar)	377
Ft Lauderdale Simple Cycle Peakers U6	082	Tesoro Groves	289	Loggerhead Solar	269	Blue Lagoon Floating - Solar	380
DANIA BEACH ENERGY CENTER	083	Turkey Point U6/U7 Common	291	Barefoot Bay Solar	270	Van Der Veer (land/solar site)	381
Ft. Lauderdale Unit 5	084	WEST COUNTY ENERGY CENTER UNIT	292	Indian River Solar	271	Optimum Ranch (land for solar)	382
Ft. Lauderdale Common	085	WEST COUNTY ENERGY CENTER UNIT	293	Miami Dade Solar	272	Horus (land for solar)	383
Ft. Lauderdale U4/U5 Common	086	WEST COUNTY ENERGY CENTER COM	294	Echo River Solar	273	Melvin Family Trust (land for solar)	384
FLORIDA GAS PIPELINE	090	Turkey Point U3/U4 Common	295	DE SOTO POWER PLANT COMMON	274	Chipola Solar (FKA Shelton 3628)	385
Ft Myers Total Site Common	110	Martin U1/U2 Common	296	Pioneer Trail Solar	275	McArthur Farms (land/solar)	386
Ft. Myers Unit 2	112	Martin U3/U4 Common	297	Northern Preserve Solar	276	Crystal Mine Solar (fka Hamrick)	387
Ft Myers Simple Cycle Peakers U3	113	MARTIN PLANT FUEL OIL PIPELINE	298	Commonwealth Solar	277	Prairie Creek Solar (fka Chapman)	388
Ft. Myers Unit 3	114	Transmission - Gen Step Up (GSU)	401	Sunshine Gateway Solar	278	Cypress Pond Solar (fka WSR)	389
Ft. Myers Common	115	TRANSMISSION - OTHER RETAIL	402	Blue Heron Solar	279	Future Solar Site	775
Ft Myer Gas Turbines - Blackstart	116	TRANSMISSION - OTHER WHOLESALE	403	Sweetbay Solar	280	Unidentified Solar	993
Ft. Myers U2/U3 Common	117	Okeechobee Hydrogen Pilot	408	Tesoro Groves Solar	281		
Port Everglades Energy Center Common	120	SJRPP Unit 1	500	Weyerhaeuser Solar	282		
Port Everglades Energy Center Unit 5	121	SJRPP COAL CARS	501	Ryland Solar	283	**Gulf Power Sites**	
Port Everglades Gas Turbines	122	SJRPP UNIT 2	502	Skinner Solar (aka Trailside Solar)	284	GULF CRIST PIPELINE	611
CAPE CANAVERAL	130	SJRPP COAL TERMINAL	503	Lakeside Solar	285	GULF CRIST COMMON	612
Cape Canaveral Unit 3	131	SJRPP U1/U2 Common	504	Cattle Ranch Solar	286	GULF CRIST UNIT 4	613
Turkey Point Unit 1	139	Scherer Unit 4	505	Okeechobee Solar	287	GULF CRIST UNIT 5	614
Turkey Point Total Site Common	140	Steam Common	771	Southfork Solar	288	GULF CRIST UNIT 6	615
TURKEY POINT UNIT 5	141	Other Generation Common	772	Jebbie Solar	300	GULF CRIST UNIT 7	616
TURKEY POINT UNIT #3 EPU	142	Active Fossil Fleet	777	Davis & Davis LLP	301	GULF DANIEL COMMON	617
TURKEY POINT UNIT 3	143	Active Nuclear Fleet	778	Palm Bay Solar	302	GULF DANIEL UNIT 1	618
TURKEY POINT UNIT 4	144	ALL Active GEN Fleet	779	Willow Solar (Del Monte)	305	GULF DANIEL UNIT 2	619
TURKEY POINT UNIT #4 EPU	145	INTANGIBLE PLANT FT LAUDERDALE	908	Elder Branch (Del Monte (north) solar	306	GULF SCHERER COMMON	620
TURKEY POINT UNIT 6	146			Nassau Solar (aka Crawford Dia)	307	GULF SCHERER UNIT 3	621
TURKEY POINT UNIT 7	147	**Energy Storage**		Union Springs Solar (aka Plum Creek)	308	GULF SCHOLZ PLANT	622
TURKEY POINT COMMON #6 & #7	148	Dania Beach Energy Storage	374	Norris (land for solar)	309	GULF PACE PLANT	623
TURKEY POINT COMMON EPU	149	Babcock Ranch Solar Battery Storage	375	Trucane Sugar	310	GULF PERDIDO LANDFILL	624
ST LUCIE COMMON	150	FIU Microgrid Energy Storage	376	Orange Blossom	311	GULF SMITH UNIT 3	625
ST LUCIE UNIT 1	151	FPL Evolution Hub-45th St (Battery)	378	Lakewood Park	312	GULF SMITH PLANT CT	626
ST LUCIE UNIT 2	152	Turkey Point Clean Energy Center	379	Southeast Grove	313	GULF SMITH COMMON	627
ST LUCIE COMMON EPU	153	Wynwood Energy Storage Center	400	Rayonier Atlantic Timber	314	GULF CRIST SIMPLE CYCLE CT'S	628
ST LUCIE UNIT #1 EPU	154	Citrus Solar Battery Storage Center	404	St Joe Company	315	GULF MASON SOLAR	650
ST LUCIE UNIT #2 EPU	155	Manatee Energy Storage Center	405	Sundew Solar	316	GULF BLUE SPRINGS SOLAR	651
ST LUCIE UNIT 1 STOREROOM	156	Echo River Energy Storage Center	406	Ridge Farm North 320	317	GULF YODER SOLAR	652
ST LUCIE UNIT 2 STOREROOM	157	Sunshine Gateway Energy Storage Center	407	First Citrus	318	GULF M. BATES SOLAR	653
ST. LUCIE WIND	160	Unidentified Battery Storage	994	Roper (land for solar)	319	GULF SLAVIC SOLAR	654
Manatee Total Site Common	170			Nail Ranch	320	GULF J. WALKER SOLAR	655
Manatee Unit 3	171	**SOLAR SITES**		Woodland III	321	GULF BLACKWATER SUB - SOLAR EG	656
Manatee Unit 1	173	MANATEE PV SOLAR	172	B&E Holdings	322	GULF HERMAN WALKER SOLAR	657
Manatee Unit 2	174	MARTIN SOLAR ENERGY CENTER	188	St Lucie River Farms 969	323	GULF COTTON CREEK SOLAR	658
Manatee U1/U2 Common	175	DESOTO SOLAR ENERGY CENTER	192	AW Hatcher Farms Inc	324	GULF NORTH ESCAMBIA SOLAR	659
Martin Total Station Common	180	SPACECOAST SOLAR ENERGY CENTEI	193	Babcock Ranch Reserve Solar	325	JOHN B DOREMUS JR TRUST	660
MARTIN UNIT 1	181	BABCOCK RANCH SOLAR PV.	197	Jones Road LLC (aka Lincoln Energy)	326	VSP (Volunteer Solar Partnership)	661
Martin Unit 8	182	CITRUS PV SOLAR	199	Discovery Solar Energy Center	327		

- **Major Project Designation**
  - A specific project is considered a Major project when the total cost over the life of the project is $10 million or more
  - A Major project should be identified with a Level 1 WBS Element
  - Stratify a Major project into sub-activities using separate Level 3 WBS elements for the following reasons:
    - When a project comprises individual sub-projects that have individual total lifetime costs of $10 million or more
    - When the sub-projects have different in-service dates, regardless of their respective sub-project cost
    - To identify demolition or removal costs (see below for further guidance)
    - To identify asbestos removal costs (see below for further guidance)
    - To identify land held for future use (see below for further guidance)
    - When the business unit finds a further breakdown to be a meaningful way to forecast the project
  - Use "Y" to indicate a Major project and "N" if not a major project

- **In Service Date (ISD)**
  - The date a Major project will be completed and go into service
  - ISDs are used for Major projects only; it is not necessary to provide or maintain ISDs for minor projects
  - The ISD is used by the Financial Forecasting Model (FFM), which is a non-SAP system. The FFM uses the ISD to determine when a project's Construction Work In-Progress (CWIP) balance should be reclassified to Plant In-Service and for initiating Depreciation. The FFM only requires a MM/YYYY ISD format. However, the SAP convention for entering dates is the MM/DD/YYYY format. To reconcile the formatting differences and to minimize the need to update changes in ISDs the following guidance is provided.
  - Creating a new major capital WBS Element
    - Enter the ISD in the format MM/DD/YYYY
    - Always enter the <u>last day of the month</u> that the project will go into service
    - Examples
      - Enter 06/30/YYYY for a June ISD
      - Enter 08/31/YYYY for an August ISD
  - Revising the ISD for an existing major capital WBS Element
    - Revise the ISD only when the month or year has changed; it is not necessary to revise the ISD to reflect a change in the day of the month within the same month
    - When revising an ISD always enter the <u>last day of the month</u> that the project will go into service

- Examples
  - If the current ISD is 06/15/2022 and the new ISD is 06/30/22, no change is required
  - If the current ISD is 06/15/2022 and the new ISD is 07/15/22, revise the ISD to 07/31/22

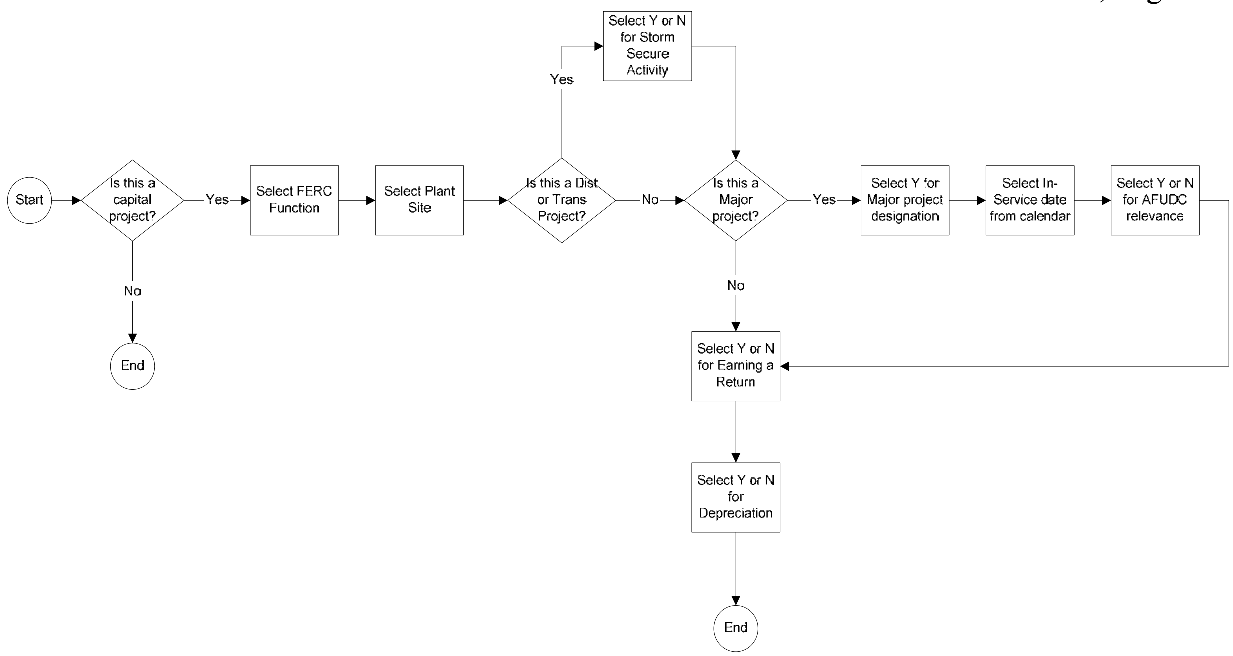
- **AFUDC Relevance**
  - Indicates eligibility for an accounting treatment known as Allowance for Funds Used During Construction
  - Used only for a WBS element designated as a Major Project; check with Accounting to make the determination for AFUDC eligibility
  - Enter "Y" if the project is AFUDC relevant and "N" if not
  - AFUDC rates and thresholds are different for standalone FPL and standalone Gulf Power.
    - AFUDC forecasts are calculated through Utilities International (UI) and provided as inputs to each of the Capital scenario.
    - AFUDC will be recalculated for the combined scenario for 2022-2026.

- **Earning a Return**
  - A project is considered earning a return if it meets any of the following requirements
    - Project receives AFUDC
    - Project is Clause related (ECCR, ECRC, Capacity, New Nuclear, Gas Reserves)
    - Project is Automated Meter Reading Infrastructure (AMI) related
  - Enter "Y" if the project is earning a return and "N" if not

- **Depreciation Status**
  - Use "Y" if depreciable and "N" if non-depreciable
  - Land is the only capital expenditure that is non-depreciable; land should be in a separate WBS with a code of "N"

- **Storm Secure**
  - Applicable for Power Delivery projects only
  - Enter "Y" if a Storm Secure project and "N" if not

- **Flow Diagram for Assigning Corporate Defined Attributes**
  - The following is a flow diagram to help guide in the set-up of WBS elements and projects using the “Corporate” defined WBS attributes for Capital projects



Special Capital Forecasting Requirements

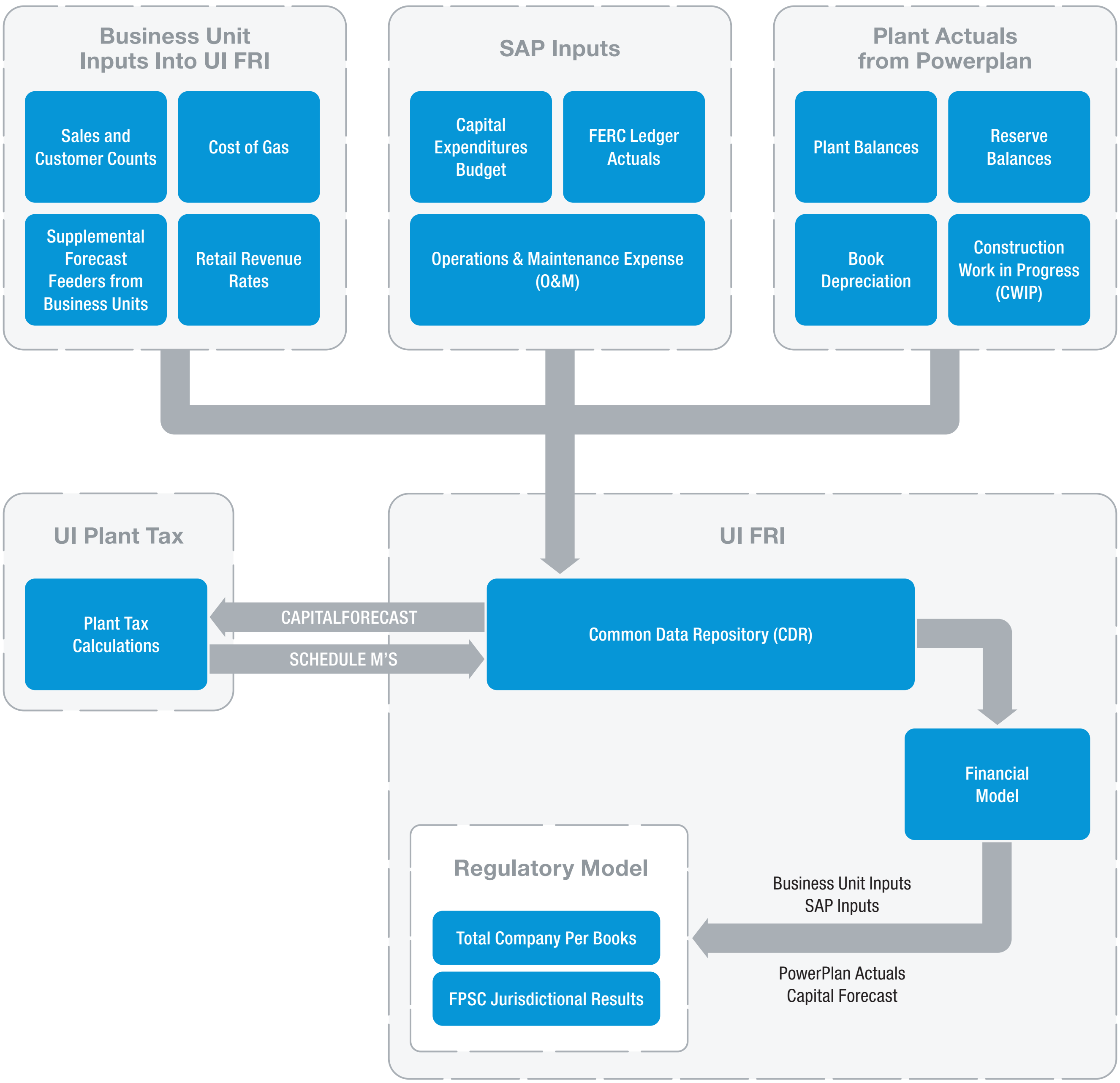
- **Demolition or Dismantlement Costs for a major project**
  - must be forecasted in a separate level 3 WBS element
  - the words Demolition or Dismantlement must appear in the WBS element name and description
  - must have a level 4 WBS element with FERC Indicator 9904 and 100% of the plan assigned to that WBS element

- **Land Held for Future Use**
  - must be forecasted in a separate level 3 WBS element
  - the words Future Use must appear in the WBS element name and description
  - All land purchases for future generation sites should be set up as Major Projects with an In-Service Date for proper treatment by the Financial Forecasting Model (FFM)

- **Asbestos Removal Activity**
  - must be forecasted in a separate level 3 WBS element
  - the words Asbestos Removal must appear in the WBS element name and description
  - must have a level 4 WBS element with FERC Indicator 9904 and 100% of the plan assigned to that WBS element
  - Also, see the Accounting Department memo of July 30, 2009 titled “FPL-2016 Asbestos Removal Accounting Process Reference,” in the “Reference Material” section of the FCOE FP&A e-Web page for additional requirements relative to FIN 47 and FASB 143

- **Retirements**
  - Units must submit a list of major project retirements for individual items of property with historical costs of $10 million or more
  - Identify the month and year of retirement
  - If none, submit notification indicating nothing to report

Florida City Gas Forecasting Process Overview



Florida Public Service Commission

Company: Florida City Gas

Docket No.: 20220069-GU

Explanation: Provide the major assumptions used to develop the projected test year ending 12/31/23.

Type of Data Shown:
Projected Test Year: 12/31/23
Witness: Mark Campbell, Liz Fuentes, Tara DuBose, Kurt S. Howard

1	PROPERTY & INVESTMENT:		
		ADDITIONS:	ADDITIONS ARE BASED ON HISTORICAL TRENDS, EXCEPT FOR LARGE PROJECTS THAT ARE ADDED BASED ON THEIR EXPECTED COMPLETION DATES.
		MAJOR ADDITION - LNG FACILITY:	PROJECTED TO CLOSE TO PLANT IN SERVICE IN MARCH 2023.
		RETIREMENTS:	RETIREMENTS ARE BASED ON A HISTORICAL TREND FROM 2015 THROUGH 2020.
		CWIP:	CWIP IS PROJECTED TO INCREASE BY THE MONTHLY CAPITAL EXPENDITURES AND REDUCED BY MONTHLY ADDITIONS.
		GAS PLANT ACQ. ADJ.	THIS BALANCE REPRESENTS THE AGL ACQUISITION ADJUSTMENT, NO CHANGE IS FORECASTED THROUGH THE END OF THE TEST YEAR. PER ORDER NO. PSC-07-0913-PAA-GU.
		ACCUM PROV FOR DEPRECIATION:	THE ACCUMULATED PROVISION FOR DEPRECIATION BALANCE IS PROJECTED TO INCREASE BY DEPRECIATION AT CURRENT APPROVED DEPRECIATION RATES AND REDUCED BY PLANT RETIREMENTS.
		ACCUM PROV FOR ACQ ADJ:	THIS BALANCE REPRESENTS THE AGL ACQUISITION ADJUSTMENT WHICH IS AMORTIZED BY $60,158 EACH MONTH. PER ORDER NO. PSC-07-0913-PAA-GU.
		CAPITAL LEASES:	THE LAST ACTUAL PERIOD BALANCE (12/31/2021) IS CARRIED FORWARD INTO FORECAST, NO CHANGE IS FORECASTED THROUGH THE END OF THE TEST YEAR. THIS BALANCE IS OFFSET BY CAPITAL LEASE LIABILITIES AND REMOVED FOR RATEMAKING PURPOSES.
2	CURRENT AND ACCRUED ASSETS:		
		CASH:	A CASH BALANCE OF $5,000,000 EACH MONTH IS PROJECTED THROUGH THE TEST YEAR.
		CUST. ACCTS. RECEIVABLE:	PROJECTION IS BASED ON THE 2021 HISTORICAL DAYS SALES OUTSTANDING APPLIED TO PROJECTED REVENUE AT PROPOSED RATES.
		ACCUM PROV UNCOLLECT ACCTS:	PROJECTED USING A HISTORICAL TREND FOR WRITE OFF AND RECOVERIES ON PROJECTED REVENUE AT PROPOSED RATES.
		GAS STORAGE	PROJECTED USING A HISTORICAL TREND FOR VOLUMES AND THE AVAILABLE GAS COST CURVE AT THE TIME OF PREPARATION.
		PREPAYMENTS	INCLUDES ANNUAL PREPAID INSURANCE THAT IS PAID ANNUALLY AND AMORTIZED MONTHLY. HOWEVER, THIS BALANCE IS PRIMARILY PREPAID LICENSES AND AMORTIZATION ASSOCIATED WITH THE STARNIK BILLING SYSTEM.
		UNBILLED REVENUE & MISC.	PROJECTED USING A HISTORICAL TREND FOR RESIDENTIAL AND C&I CUSTOMERS.
3	DEFERRED CHARGES:		OTHER REGULATORY ASSETS & MISCELLANEOUS DEFERRED DEBITS ARE COMPOSED PRIMARILY OF SEVERAL ACCOUNTS EXPLAINED BELOW.
		OTHER REG ASSETS - AEP	THE PROJECTED BALANCE IS BASED ON AN EXPECTED RECOVERY OF THE UNRECOVERED BALANCE USING A HISTORICAL TREND. THE FORECAST DOES NOT CONTEMPLATE ADDITIONAL PROJECTS FOR AEP.
		OTHER REG ASSETS - SAFE	REFLECTS THE PROJECTED UNDER - RECOVERY OF SAFE CLAUSE AT PRESENT RATES.
		OTHER REG ASSETS - ECP	REFLECTS THE PROJECTED UNDER - RECOVERY OF ECP CLAUSE AT PRESENT RATES.
		OTHER REG ASSETS - CRA	REFLECTS THE PROJECTED UNDER - RECOVERY OF CRA CLAUSE AT PRESENT RATES.
		OTHER REG ASSETS - DEFER PIPING & CONV COSTS	PROJECTIONS BASED ON THE CURRENT AMORTIZATION SCHEDULES AS OF THE LAST ACTUAL PERIOD OF 12/31/2021. THE FORECAST DOES NOT INCLUDE ADDITIONAL PROJECTED UNRECOVERED PIPING OR CONVERSION COSTS.
		RATE CASE EXPENSE:	ASSUMES FULL RECOVERY OF THE 2018 RATE CASE EXPENSES IN 2022. THE PROJECTED RATE CASE COST FOR THIS CASE IS ASSUMED TO BE $1,991,116 INCURRED IN 2021 AND 2022 WITH A FOUR YEAR AMORTIZATION BEGINNING IN JANUARY OF 2023.
		MISCELLANEOUS DEFERRED DEBITS	PRIMARILY CONSISTS OF A DEFERRED PENSION ASSET WITH ASSOCIATED ACCRUAL BASED ON LATEST ACTUARIAL ESTIMATES.
		ACCUMULATED DEFERRED INCOME TAXES	BASED ON PROJECTED TAXABLE INCOME AND CURRENT FEDERAL AND STATE RATES, TAKING INTO CONSIDERATION PROJECTED PERMANENT AND TEMPORARY TIMING DIFFERENCES.
		UNAMORTIZED LOSS ON REACQUIRED DEBT	PROJECTION BASED ON MONTHLY STRAIGHT-LINE AMORTIZATION OF $12,861 PER MONTH ON BONDS REAQUIRED PRIOR TO FPL'S ACQUISITION OF FCG.
4	COMMON EQUITY:		DURING THE PROJECTED TEST YEAR, FCG INVESTOR SOURCES OF CAPITALIZATION IS PROJECTED TO BE APPROXIMATELY 59.6% EQUITY.
5	LONG-TERM DEBT:		SEE INTEREST RATE AND INTEREST EXPENSE ASSUMPTIONS.
6	NON-CURRENT LIABILITIES:		
	ACCUM PROV PENSION & BENEFITS		PROJECTIONS BASED ON LATEST ACTUARIAL ESTIMATES AT THE TIME OF PREPARATION.
	ACCUM PROV INJURIES & DAMAGES		PROJECTION BASED ON BUDGETED INJURIES AND DAMAGES EXPENSE ACCRUALS.
	ACCUM PROV PROPERTY INSURANCE		PROJECTION BASED ON CURRENT APPROVED ANNUAL STORM ACCRUAL OF $57,500.
	CAPITAL LEASES:		THE LAST ACTUAL PERIOD BALANCE (12/31/2021) IS CARRIED FORWARD INTO FORECAST PERIOD, NO CHANGE IS FORECASTED THROUGH THE END OF THE TEST YEAR. THIS BALANCE IS OFFSET BY CAPITAL LEASE ASSETS AND REMOVED FOR RATEMAKING PURPOSES.

Supporting Schedules: Recap Schedules: G-1 thru G-5

Docket No. 20220069-GU
Major Forecast Assumptions
Exhibit MC-4, Page 1 of 3

Florida Public Service Commission	Explanation: Provide the major assumptions used to develop the projected test year ending 12/31/23.	Type of Data Shown:
Company: Florida City Gas		Projected Test Year: 12/31/23
Docket No.: 20220069-GU		Witness: Mark Campbell, Liz Fuentes, Tara DuBose, Kurt S. Howard

7	CURRENT AND ACCRUED LIABILITIES:		
		ACCOUNTS PAYABLE:	PROJECTION IS BASED ON THE 2021 HISTORICAL DAYS PAYABLE OUTSTANDING APPLIED TO BUDGETED O&M AND CAPITAL EXPENDITURES.
		ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES:	BALANCE REPRESENTS THE PURCHASE OF GAS FROM SUBSIDIARIES SUPPLIED TO PGA CUSTOMERS. BALANCES ARE SETTLED IN THE PRECEDING MONTH.
		NOTES PAYABLE TO ASSOCIATED COMPANIES:	SEE INTEREST RATE AND INTEREST EXPENSE ASSUMPTIONS.
		CUSTOMER DEPOSITS:	PROJECTION IS BASED ON A HISTORICAL TREND APPLIED TO PROJECTED REVENUES AT PROPOSED RATES. SEE INTEREST RATE AND INTEREST EXPENSE ASSUMPTIONS FOR COST RATE.
		TAXES ACCRUED - GENERAL:	REFLECTS SPECIFIC FORECASTS OF THE UNDERLYING TAXES AND THEIR SCHEDULED PAYMENT. THE FORECAST WITH RESPECT TO PROPERTY TAXES RECOGNIZES INCREASED LEVELS OF PAYMENT DUE BASED ON THE INCREASED INVESTMENT THE COMPANY HAS MADE IN RECENT YEARS.
		TAXES ACCRUED - INCOME:	REFLECTS ASSUMED ANNUAL PAYMENT OF TAXES BASED ON THE PROJECTED INCOME FORECAST.
		INTEREST ACCRUED:	BASED ON SPECIFIC FORECASTS OF THE INTEREST ACCRUING ON DEBT AND CUSTOMER DEPOSITS. INTEREST ON DEBT IS SETTLED QUARTERLY. SEE NOTES PAYABLE TO ASSOCIATED COMPANIES, LONG-TERM DEBT, AND CUSTOMER DEPOSITS FOR SPECIFIC COST RATE ASSUMPTIONS.
		TAX COLLECTIONS PAYABLE:	REFLECTS SPECIFIC FORECASTS OF THE UNDERLYING TAXES INCLUDING GROSS RECEIPTS TAX, FRANCHISE, AND SALES TAX AND THEIR SCHEDULED PAYMENTS.
		MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES:	REFLECTS SPECIFIC FORECASTS RELATED TO ACCRUED VACATION, BENEFITS, AND COMPENSATION. DRIVEN PRIMARILY BY ASSOCIATED BUDGET AND EXPECTED PAYMENTS. OTHER ITEMS BASED ON A HISTORICAL AVERAGE WITH A TWO PERCENT INCREASE.
8	DEFERRED CREDITS:		
		OTHER REGULATORY LIABILITIES:	PRIMARILY REFLECTS THE PROJECTED OVERRECOVERY IN PGA CLAUSE BASED ON THE BEST AVAILABLE INFORMATION AT THAT TIME. SIGNIFICANT CHANGES IN COST OF GAS HAVE OCCURRED SINCE THE DEVELOPMENT OF THE FORECAST.
9	REVENUES:		SEE GROWTH AND GENERAL SALES AND CUSTOMER ASSUMPTIONS.
10	COST OF GAS:		THE COST OF GAS SOLD REFLECTS THE FORECAST GAS DEMAND AND THE BEST AVAILABLE GAS COST CURVE AT THE TIME OF PREPARATION.
11	OPERATING & MAINTENANCE EXP:		OPERATING & MAINTENANCE EXPENSES ARE BASED ON THE FCG 2022 COMPANY BUDGET.

Florida Public Service Commission

Company: Florida City Gas

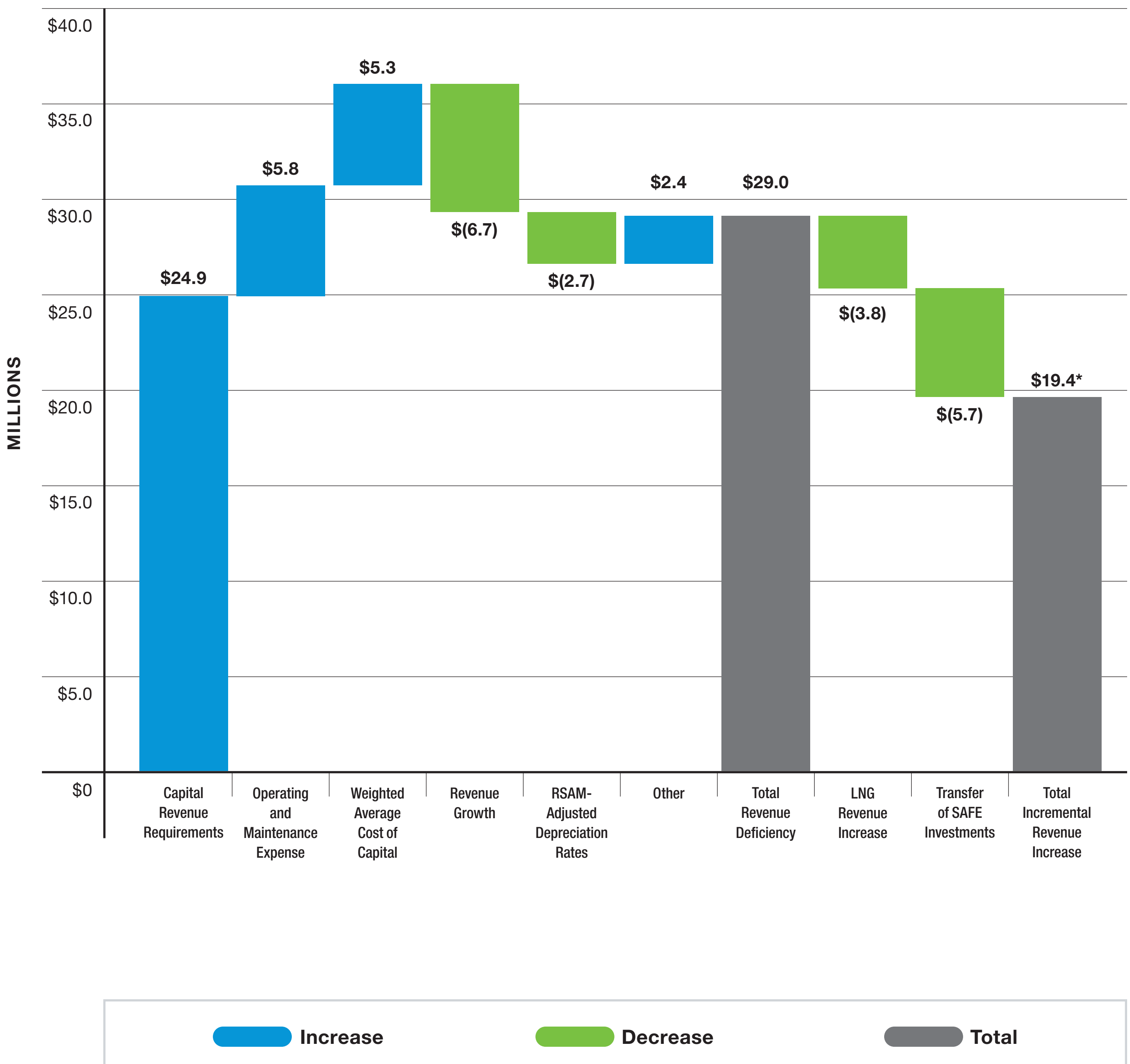
Docket No.: 20220069-GU

Explanation: Provide the major assumptions used to develop the projected test year ending 12/31/23.

Type of Data Shown:
Projected Test Year: 12/31/23
Witness: Mark Campbell, Liz Fuentes, Tara DuBose, Kurt S. Howard

12	CUSTOMER GROWTH:	REFLECTS CUSTOMER ADDITIONS BASED ON HISTORICAL TRENDS. THE DEMAND FORECAST REFLECTS CONSUMPTION PATTERNS BASED HISTORICAL TRENDS, INCLUDING SEASONAL EFFECTS. FOR THE TEST YEAR ENDED DECEMBER 31, 2023, THE PROJECTED CUSTOMER COUNT IS 117,982.
13	INFLATION RATE FORECAST	THE CONSUMER PRICE INDEX (CPI) MEASURES THE PRICE CHANGE OF A CONSTANT MARKET BASKET OF GOODS AND SERVICES OVER TIME. FOR COMPANY PURPOSES, IT IS A USEFUL ESCALATOR FOR DETERMINING TRENDS IN WAGE CONTRACTS AND INCOME PAYMENTS, EXCLUDING CONSTRUCTION WORK. AT THE TIME OF PREPARATION, THE PROJECTED ANNUAL RATE OF CHANGE FOR THE TEST YEAR ENDED DECEMBER 31, 2023 WAS 4.20%.
14	INTEREST RATE	VARIABLE RATE DEBT INTEREST RATES ARE DERIVED FROM THE JANUARY 11, 2022 FORWARD LIBOR CURVE THE INTEREST RATE ASSUMPTIONS FOR LONG-TERM DEBT ARE DERIVED FROM THE DECEMBER 2021 ISSUE OF BLUE CHIP FINANCIAL FORECASTS. THE CUSTOMER DEPOSIT INTEREST RATE COST USES THE THIRD QUARTER 2021 EARNINGS SURVEILLANCE REPORT FILING.
15	DEPRECIATION RATE	CURRENT APPROVED DEPRECIATION RATES PER ORDER NO. PSC-2018-0190-FOF-GU, DOCKET NO. 20170179-GU.
16	PROPERTY TAX - MILLAGE RATE	PROJECTED BASED ON NET PLANT AT YEAR END (ORIGINAL COST LESS ACCUMULATED DEPRECIATION) MULTIPLIED BY 1.8%.
17	DEPRECIATION & AMORTIZATION EXPENSE:	BASED ON MONTHLY TEST YEAR FORECASTED PLANT BALANCES AND CURRENT APPROVED DEPRECIATION AND AMORTIZATION RATES.
18	TAXES OTHER THAN INCOME:	REFLECTS SPECIFIC FORECASTS OF THE UNDERLYING TAXES. THE FORECAST WITH RESPECT TO PROPERTY TAXES ASSUMES INCREASED LEVELS OF EXPENSE DUE TO THE INCREASED INVESTMENTS THE COMPANY HAS MADE IN RECENT YEARS.
19	INCOME TAXES:	INCOME TAXES ARE BASED ON PROJECTED TAXABLE INCOME AND CURRENT FEDERAL AND STATE RATES, TAKING INTO CONSIDERATION PROJECTED PERMANENT AND TEMPORARY TIMING DIFFERENCES.
20	INTEREST EXPENSE:	BASED ON SPECIFIC FORECASTS OF THE INTEREST ACCRUING ON DEBT, CUSTOMER DEPOSITS, AND AMORTIZATION OF LOSS ON REACQUIRED DEBT. SEE LINE 13, INTEREST RATE, FOR COST RATE ASSUMPTIONS. AMORTIZATION OF LOSS ON REACQUIRED DEBT IS RELATED TO PRIOR DEBT REDEMPTION UNDER SOUTHERN COMPANY GAS.

2023 Test Year Base Revenue Request of $19.4 million



Total does not add due to rounding.

Reserve Surplus Amortization Mechanism

1. The Reserve Amount requested in this petition is $25 million.
2. The Reserve Amount is reflective of depreciation reserve surplus shown on Exhibit LF-5(B) sponsored by FCG witness Fuentes. The Reserve Amount shown in Exhibit LF-5(B) reflects approximately $52 million, however the Company is requesting $25 million of the Reserve Amount be available under an RSAM.
3. During February 1, 2023 to December 31, 2026, ("Term"), FCG may amortize any of the Reserve Amount, at its sole discretion, subject to the following:
    a. For any ESR submitted by FCG during the Term for which its Return on Equity on an FPSC Adjusted Basis ("Regulatory ROE") would otherwise fall below 9.75 percent, FCG must amortize at least the amount of the Reserve Amount, if available, required to achieve a Regulatory ROE of 9.75 precent.
    b. FCG may not amortize any Reserve Amount during any twelve-month period that would cause its Regulatory ROE in an ESR to exceed 11.75 percent.
    c. FCG must debit depreciation expense and credit the depreciation reserve[1] in an amount to cause FCG not to exceed a Regulatory ROE of 11.75 percent in any ESR unless such credit to the depreciation reserve would result in FCG exceeding the Reserve Amount of $25 million.
    d. FCG may record credits to depreciation expense and debits to depreciation reserve, or debits to depreciation expense and credits to depreciation reserve in any period at its sole discretion subject to the conditions set forth in 3(a), 3(b), and 3(c).
4. FCG cannot petition for a general increase to base rates during the Term unless the Regulatory ROE falls below 9.75 percent and the Company has recorded a cumulative amount of credits to amortization expense equaling the Reserve Amount.
5. The RSAM will remain available for use by the Company until the effective date of new base rates established in a general base rate proceeding.

[1] *For purposes of the RSAM, the Reserve Amount would be adjusted through the cost of removal component of the depreciation reserve.*