FPL

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February 28, 2025

VIA ELECTRONIC FILING
Adam Teitzman, Commission Clerk
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20250011-EI
Petition by Florida Power & Light Company for Base Rate Increase

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above docket is FPL's Petition for Base Rate Increase and Rate Unification. This letter includes an index of the documents that we will e-file today in support of FPL's requested relief.

The testimony and exhibits of FPL's supporting witnesses, which include FPL's 2025 Depreciation Study and 2025 Dismantlement Study, together with the Minimum Filing Requirements and a Request for Confidential Classification, are being filed under separate cover.

Please let me know if you have any questions regarding this submission.

Sincerely,

John T. Burnett
Vice President & General Counsel
Florida Power & Light Company

(Document 1 of 30)

CERTIFICATE OF SERVICE
Docket 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service this 28th day of February 2025 to the following:

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By: ______________________
John T. Burnett

I. PETITION, DIRECT TESTIMONY AND EXHIBITS

Doc. No.	Title/Description
1	Petition by Florida Power & Light Company for Base Rate Increase
2	Direct Testimony of Armando Pimentel, Jr.
3	Direct Testimony of Scott R. Bores and Exhibits SRB-1 through SRB-8
4	Direct Testimony of Ina Laney and Exhibits IL-1 through IL-13
5	Direct Testimony of Eduardo De Varona and Exhibits EDV-1 through EDV-5
6	Direct Testimony of Dawn Nichols and Exhibits DN-1 through DN-3
7	Direct Testimony of Thomas Broad and Exhibits TB-1 through TB-7
8	Direct Testimony of Dan DeBoer and Exhibits DD-1 through DD-5
9	Direct Testimony of Tim Oliver and Exhibits TO-1 through TO-6
10	Direct Testimony of Andrew W. Whitley and Exhibits AWW-1 through AWW-8
11	Direct Testimony of John J. Reed and Exhibits JJR-1 through JJR-15
12	Direct Testimony of Jessica Buttress and Exhibits JB-1 through JB-6
13	Direct Testimony of James M. Coyne and Exhibits JMC-1 through JMC-11
14	Direct Testimony of Liz Fuentes and Exhibits LF-1 through LF-6
15	Direct Testimony of Keith Ferguson and Exhibits KF-1 through KF-7
16	Direct Testimony of Ned W. Allis and Exhibits NWA-1 through NWA-4
17	Direct Testimony of Tara DuBose and Exhibits TD-1 through TD-5
18	Direct Testimony of Tiffany C. Cohen and Exhibits TCC-1 through TCC-6

II. MINIMUM FILING REQUIREMENTS

Doc. No.	Title/Description
19	MFRs, 2026 Projected Test Year, Vol. 1 of 6, Section A, Executive Summary
20	MFRs, 2026 Projected Test Year, Vol. 2 of 6, Section B, Rate Base
21	MFRs, 2026 Projected Test Year, Vol. 3 of 6, Section C, Net Operating Income
22	MFRs, 2026 Projected Test Year, Vol. 4 of 6, Section D, Cost of Capital
23	MFRs, 2026 Projected Test Year, Vol. 5 of 6, Section E, Cost of Service and Rate Design
24	MFRs, 2026 Projected Test Year, Vol. 6 of 6, Section F, Miscellaneous
25	MFRs, 2027 Projected Test Year, Vol. 1 of 6, Section A, Executive Summary
26	MFRs, 2027 Projected Test Year, Vol. 2 of 6, Section B, Rate Base
27	MFRs, 2027 Projected Test Year, Vol. 3 of 6, Section C, Net Operating Income
28	MFRs, 2027 Projected Test Year, Vol. 4 of 6, Section D, Cost of Capital
29	MFRs, 2027 Projected Test Year, Vol. 5 of 6, Section E, Cost of Service and Rate Design
30	MFRs, 2027 Projected Test Year, Vol. 6 of 6, Section F, Miscellaneous

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's Petition for Base Rate Increase	Docket No. 20250011-EI Filed: February 28, 2025

<u>FLORIDA POWER & LIGHT COMPANY'S PETITION FOR BASE RATE INCREASE</u>

Florida Power & Light Company ("FPL or the "Company"), pursuant to the provisions of Chapter 366, Florida Statutes (2024) and Rules 25-6.0425, 25-6.043, 25-6.04364 and 25-6.0436, Florida Administrative Code (2024) ("F.A.C."), respectfully petitions the Florida Public Service Commission ("Commission") for approval of base rate increases in 2026 and 2027 pursuant to a four-year rate plan modeled after the series of Commission-approved multi-year plans that have served customers exceptionally well. The Commission's constructive multi-year rate orders have provided FPL the means to achieve industry-leading performance by allowing the Company to focus on delivering outstanding customer value, while also maintaining the strong credit rating and balance sheet that are essential to ensuring customer needs can be met even when capital markets and business environments are challenging. FPL's proposal in this case is designed to meet the same objectives.

Specifically, FPL proposes a four-year rate plan to run from 2026 through 2029, consisting of (i) an increase in rates and charges sufficient to generate additional total annual revenues of $1,545 million to be effective January 1, 2026; (ii) an increase in rates and charges sufficient to generate additional total annual revenues of $927 million to be effective January 1, 2027; (iii) a Solar and Battery Base Rate Adjustment ("SoBRA") mechanism that authorizes FPL to recover costs associated with the installation and operation of solar generation and battery storage facilities in 2028 and 2029 upon a demonstration of a resource or economic need; (iv) a non-cash mechanism that accelerates the flowback of certain deferred tax liabilities (or "DTL") to customers, which would operate in a similar manner to the non-cash mechanisms that were integral to FPL's prior multi-year rate settlements; (v) a storm cost recovery mechanism modeled after terms previously approved as part of various FPL rate settlements, updated to reflect changes in costs; and (vi) a mechanism to address potential changes to tax laws or regulations, which the President and Congress have highlighted as a priority.

FPL also proposes to maintain its long-standing equity ratio and requests approval of a return on common equity ("ROE") range of +/- 100 basis points based on an 11.90% midpoint to set rates and for all other regulatory purposes. FPL also requests approval of its 2025 Depreciation and Dismantlement Studies pursuant to Rules 25-6.0436 and 25-6.04364, F.A.C., authority to establish capital recovery schedules associated with early-retired plant and authority to invest in a long-duration battery pilot that will advance FPL's efforts to optimize its fleet for the benefit of customers. The 2026 and 2027 revenue requirement calculations reflect the costs associated with these requests.

FPL's four-year plan will allow the Company to continue focusing on ways to deliver outstanding customer value. Over the 2025 through 2029 period, the typical residential customer bill is estimated to increase at a compound annual growth rate of 2.5% and would remain approximately 25% below the projected national average.

The testimony and exhibits of FPL's witnesses and the minimum filing requirements ("MFR") schedules accompanying this Petition, which are incorporated herein by reference, describe the need for rate relief and detail how the four-year rate plan will benefit all customers. In further support of this Petition, FPL states as follows:

Introduction of Petitioner

1. Any pleading, motion, notice, order or other document required to be served upon FPL or filed by any party to this proceeding should be served upon the following individuals:

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2. This Petition seeks to initiate proceedings that may involve disputed issues of material fact. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, paragraph (c) and portions of paragraphs (e), (f) and (g) of Rule 28-106.201(2), F.A.C., are not applicable to this Petition. It is not known which, if any, of the material facts set forth in the body of this Petition, or in the accompanying testimony, exhibits or MFR schedules, may be disputed by others planning to participate in the proceeding initiated by this Petition. All other requirements for petitions filed under Rule 25-106.201, F.A.C. have been met in the body of this Petition.

3. FPL is a corporation with its headquarters located at 700 Universe Boulevard, Juno Beach, Florida, 33408-0420. A wholly owned subsidiary of NextEra Energy, Inc., FPL is an investor-owned utility operating under the jurisdiction of this Commission pursuant to the provisions of Chapter 366, Florida Statutes (2024). FPL serves customers throughout both peninsular and Northwest Florida, providing electric service to more than 6 million customer

accounts, or approximately 12 million people. As one of the state's largest taxpayers, FPL represents a major component of Florida's economy.

<u>FPL Consistently Delivers Excellent Value to Customers</u>

4. FPL has a proven track record of making strategic, forward-looking investments that provide its customers with long-term savings and excellent reliability. Creating this exceptional value is a function of making responsible decisions and staying focused on the delivery of safe and reliable service. FPL has steadfastly adhered to its core strategy: (i) a relentless focus on efficiency and productivity; (ii) thoughtful selection of investments that contribute to lower operations and maintenance ("O&M") expenses, lower fuel costs, and maintain or improve customer value; (iii) sound financial policies, including a strong balance sheet; and (iv) a willingness to innovate and embrace new ideas, technologies and programs.

5. Year-over-year execution of this strategy has produced undeniable results. FPL has continuously outperformed its peers across numerous operational and cost categories, ranking as best-in-class or top decile nationally despite facing a demonstrably greater than average set of challenges. Every aspect of FPL's operations contributes to its exceptional energy value proposition: reliable transmission and distribution infrastructure, efficient fossil, solar and nuclear generation, award-winning customer service, and lower-than-average bills. Said simply, FPL provides the best value in the nation based on the combination of price, reliability and resiliency.

6. *Transmission and Distribution*. FPL consistently has been the top performer among Florida investor-owned utilities in terms of reliability, achieving its best-ever Commission transmission and distribution System Average Interruption Duration Index ("SAIDI") in back-to-back years in 2023 and 2024. FPL's excellent distribution performance has particularly benefitted FPL's Northwest customers, whose service reliability has improved by 63% since 2018. FPL

currently provides industry-wide, top-decile national service reliability. In fact, in 2023, FPL's Distribution SAIDI was 59% better than the national average. Among other things, investments in smart grid technology have enhanced service quality. In 2024 alone, FPL's smart grid devices helped avoid 2.7 million customer outages, including 800,000 during Hurricanes Debby, Helene and Milton.

7. *Fossil and Solar Fleet*. FPL's strong fossil and solar fleet performance continues to produce significant customer savings. The average heat rate of FPL's non-nuclear generation fleet in 2023 was 6,505 Btu/kWh compared to an industry average of 9,218 Btu/kWh. This means that the industry's generation on average is nearly 30% less efficient than FPL's fleet, a fact that has translated into substantial savings for FPL customers. Indeed, FPL's heat rate improvements since 2001 have saved customers approximately $16.4 billion cumulatively in fuel costs. Additionally, FPL's generation fleet performance has been best-in-class in terms of forced outages between 2021 and 2023, resulting in greater availability of efficient generating capacity for our customers. This means that FPL customers receive power more often from highly efficient generation, thereby compounding the fuel savings while also reducing emissions.

8. *Nuclear Performance*. FPL's nuclear generation produced over $3.4 billion in fuel savings between 2021 and 2024 when compared to the fossil fleet. These cost savings are passed directly to FPL customers through lower fuel charges. FPL's nuclear fleet also has performed at a high capacity factor and remains a key element contributing to FPL's favorable air emissions profile. The Company has continued taking steps to extend the benefits that its nuclear units provide. Turkey Point received subsequent license renewal from the Nuclear Regulatory Commission ("NRC") for 20 years of additional operating life for Units 3 and 4 through 2052 and 2053, respectively. FPL expects it will soon receive its second subsequent nuclear license renewal

from the NRC, this time for 20 years of additional operating life for St. Lucie Units 1 and 2, through 2056 and 2063, respectively.

9. *Customer Service.* FPL has been recognized for outstanding customer satisfaction by several independent national surveys. Among its awards: (i) in 2024, J.D. Power's U.S. Electric Utility Residential Customer Satisfaction Study ranked FPL second in the region among large utilities and in the top decile nationally; and (ii) in 2023, FPL was honored by Escalent as a Trusted Business Partner based on a business customer survey that rated FPL strongly for overall utility value. Other recognitions are described in the accompanying materials.

FPL's Cost Control Activities Have Mitigated the Requested Base Rate Increase

10. FPL's performance in terms of cost efficiency is well-established. For more than ten straight years, the Company has ranked best-in-class compared to all Florida utilities, large utilities nationally, and the Straight Electric Group.[1] FPL has been particularly strong in controlling its total non-fuel O&M expenses, a category that covers all four primary operating functions (generation, transmission, distribution and customer service) and includes all administrative and general functions. This has translated into tangible and quantifiable customer benefits. In 2023 alone, FPL's annual non-fuel O&M expense was $2.9 billion less than an "average" utility, which means a typical FPL residential customer saved about $24 a month compared to customers of an average performing utility.

11. FPL's long-standing superior O&M performance is projected to lead to a *further reduction* in O&M-related revenue requirements. The Company's total O&M is projected to be

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[1] As employed in the analysis performed by FPL witness Reed, "large utilities" consist of 11 large electric utility holding companies with at least two million electric customers and net generation comprising 40 percent or more of total energy sales. The "Straight Electric Group" consists of 28 similarly sized electric-only utilities with ownership in generating resources.

$47 million lower in 2026 than its 2023 actual base O&M benchmark, adjusted for inflation and customer growth. FPL's annual cost efficiency identification process has been the primary driver of this cost reduction.

FPL's Four-Year Plan

12. FPL proposes a four-year plan, modeled after several Commission-approved multi-year rate settlements, that will serve as a platform for continued excellent performance while keeping bills as low as possible. The stability brought about by multi-year plans has allowed FPL to focus on executing its strategy of making smart, long-term investments and identifying cost control measures, all while successfully weathering major storms and enduring unanticipated economic and business conditions. In just the past decade, FPL has continued to deliver value in the face of constrained capital markets, a once-in-a-generation global pandemic, rising inflation, and major supply chain disruptions.

Success under the Settlement Framework Approved in 2021

13. The Commission's approval[2] of FPL's most recent multi-year rate plan (the "2021 Rate Settlement") acknowledged that:

> FPL has delivered high value service to its customers at a relatively low cost. Residential rates are at least 20 percent lower than the national average and below those charged by other Florida investor-owned-utilities. FPL has lower operation and maintenance expenses, with the best non-fuel O&M cost performance in the industry. The framework approved in the 2021 Settlement Agreement will foster continuation of these efficiencies, consistent with the legislative direction in Section 366.041(1), F.S.

[2] Order No. PSC-2021-0446A-S-EI, as amended by Order PSC-2021-0446A-S-EI and supplemented by PSC-2024-0078-FOF-EI ("Order 2024-0078").

Order 2024-0078 at p. 36. The financial strength afforded by the terms 2021 Rate Settlement enabled FPL to meet the Commission's expectations successfully. Since 2022, FPL has further lowered O&M costs and, in 2024, its typical residential bill was the lowest in the Southeast and 32% below the national average.

14. Key elements of the "framework" referenced by the Commission include: (1) FPL's long-standing equity ratio; (2) an ROE reflective of market conditions; (3) a mechanism that provides interim recovery of storm restoration costs; (4) a provision to address changes in tax law; (5) a solar base rate adjustment mechanism; and (6) the Reserve Surplus Amortization Mechanism ("RSAM"), which is a flexible, non-cash mechanism that stabilizes earnings and "allows the Company to address unexpected situations and changes in circumstances" and was necessary to avoid multiple, pancaked rate cases. Order 2024-0078 at p. 17.

15. The financial strength, stability, and flexibility afforded by the 2021 Rate Settlement fostered FPL's ability to navigate through a difficult environment unlike any FPL has experienced in recent history, characterized by historic inflation and significant increases in interest rates and unanticipated, significant population growth in Florida. To illustrate:

- From the time FPL notified the Commission of its 2021 rate case through end of 2024: (a) the rate of inflation as measured by the consumer price index ("CPI") cumulatively increased 21%, hitting annual levels not seen since the 1980s. Goods and services necessary to run an electric utility were impacted by inflation more significantly than the consumer goods measured by CPI; and (b) FPL added about 275,000 new customers.

- In addition, the 30-year Treasury bond yield increased by more than 180%, and the federal funds rate moved from a range of 0.00% to 0.25% in March 2022 to a range of 5.25% to 5.50% by July 2023.

This confluence of factors required FPL to invest in more electric service infrastructure than originally anticipated when FPL filed its rate case, while the cost of components and labor necessary to install the infrastructure was also far higher than FPL expected both at the time it projected revenue requirement needs in its 2021 rate case and when it entered the 2021 Rate Settlement. The impact of inflation was further compounded by higher costs to finance the construction of new infrastructure. FPL's strong credit rating and balance sheet were necessary for the Company to meet these unanticipated challenges and raise capital on reasonable terms to serve existing and new customers.

16. FPL's financial strength over the current settlement period underpinned its ability to keep bills low. One prominent example was FPL's proactive measure to moderate bill impacts associated with a $2 billion fuel under-recovery incurred in 2022 when the natural gas market was highly volatile and accented by significant prices spikes. Under those extraordinary circumstances, the Company voluntarily forwent a fuel mid-course correction with a compressed recovery. Instead, FPL proactively sought and obtained approval to spread recovery over 21 months, thereby substantially reducing customer bill impacts.

Continuing the Value Proposition over the Next Four Years

17. FPL's proposed four-year rate plan is largely a continuation of key elements featured in its prior multi-year settlements: (i) rates that provide an increase in total annual revenues of $1,545 million and $927 million beginning January 1, 2026 and January 1, 2027,

respectively; (ii) a SoBRA mechanism that would allow FPL to adjust rates in 2028 and 2029 for the limited purpose of recovering the reasonable costs associated with solar generation and battery storage and the related tax credit impact; (iii) continuation of the storm cost recovery mechanism adjusted modestly to reflect recent storm restoration costs and experience; and (iv) a mechanism to address a potential change in tax law. To defer additional general base rate increases until 2030, FPL requests a non-cash mechanism that accelerates the reversal of certain deferred tax liabilities.

18. FPL also requests the continuation of the well-established financial policies that have served as the foundation for FPL's successful strategy that delivers exceptional customer value. Specifically, FPL requests continued use of its historical capital structure and an ROE midpoint of 11.90%, which reflects how market conditions have changed since FPL entered into its 2021 Rate Settlement, as well as anticipated future market conditions. The value customers have received since the 2021 Rate Settlement was approved is indicative of what can be achieved under FPL's proposed four-year rate plan. In 2024, FPL had the lowest residential customer bill in the Southeast among other investor-owned utilities, while also providing the region's most reliable electric service.

Test Years and Supporting MFRs

19. *Test Years*. FPL has provided its forecasts of 2026 and 2027 for use in this proceeding. The Company proposes that new rates be effective January 1, 2026, at a level sufficient to cover the Company's projected revenue requirements in 2026 (the "2026 Projected Test Year"). The 2026 Projected Test Year is based on forecasted data for a 12-month period that matches average revenues and expenses with average rate base investment. Accordingly, 2026 should be the test year for FPL's 2026 base rate increase in order to best reflect the revenues, costs and investment during the year in which those new rates are proposed to go into effect.

20. FPL also proposes new rates to be effective January 1, 2027, at a level sufficient to cover the Company's projected revenue requirements in 2027 (the "2027 Projected Test Year"). The 2027 Projected Test Year is based on forecasted data for a 12-month period that matches average revenues and expenses with average rate base investment. Accordingly, 2027 should be the test year for FPL's 2027 base rate increase because it will best reflect the revenues, costs and investment during that year.

21. Use of 2026 and 2027 as its Test Years is consistent with Commission rule, Commission precedent, and Florida law. Rule 25-6.140(1)(a), F.A.C., requires that a company notify the Commission of its selected test year and expressly contemplates that a utility may use a projected test year. Moreover, the Commission has long held that the use of projected test years is appropriate, and the Supreme Court of Florida has recognized that the Commission has the authority to do so. *See, e.g.*, *Southern Bell Tel & Tel. Co. v. Public Serv. Comm'n*, 443 So. 2d 92, 97 (Fla. 1983). The Court "long ago recognized that rates are fixed for the future and that it is appropriate for [the Commission] to recognize factors which affect future rates and to grant prospective rate increases based on these factors." *Citizens v. Fla. Pub. Serv. Comm'n*, 146 So. 3d 1143, 1157 n.7 (Fla. 2014) (quoting *Floridians United for Safe Energy, Inc. v. Pub. Serv. Comm'n*, 475 So. 2d 241, 242 (Fla. 1985)).

22. In addition, pursuant to Section 366.076(2), Florida Statutes and Rule 25-6.0425, F.A.C., the Commission "may in a full revenue requirements proceeding approve incremental adjustments in rates for periods subsequent to the initial period in which the new rates will be in effect."

23. *Minimum Filing Requirements*. Contemporaneous with this Petition, FPL submits a full set of MFRs for both the 2026 Projected Test Year and 2027 Projected Test Year, reflecting

all expenses, investments and revenues FPL expects for each projected test year. The MFRs also provide forecasted information for 2025 as the Prior Year and 2024 as the Historical Year, consistent with the Commission's filing requirements.

24. Preparation of the full set of MFRs for each test year and development of the budgets that underlie them involved a forecasting and planning process that was subject to a level of scrutiny necessary to ensure reliability for use in setting rates. Internal and external subject matter experts provided inputs and processed data through financial models widely used in the industry.

Strategically Planning for Growth

25. Continued growth and the need for additional generation are among the principal drivers of FPL's increased revenue requirements. FPL projects to add 335,000 more customers through the end of 2029. To meet this new growth and maintain operational reliability, FPL must invest in generation, transmission, and distribution. Each of FPL's new customers deserves the same outstanding reliability and low bills that existing customers have long experienced.

26. FPL has been examining a variety of options to meet its obligations, including expansion of its natural gas and nuclear generation fleet over the long term as the technology and equipment become available. To meet its growing needs in the near term, FPL intends to install cost-effective solar generation and battery storage facilities that will provide reliable capacity and energy.

27. The 2026 and 2027 Projected Test Years assume application of existing favorable tax treatment for these resource selections. Pursuant to the Inflation Reduction Act ("IRA") and related regulations, FPL is electing production tax credits ("PTC") for its solar generation, and it will receive investment tax credits ("ITC") for battery storage facilities. FPL is also electing

beneficial accounting treatment that flows the ITCs to customers in the year the associated assets enter service rather than over the life of the assets, which will provide an immediate benefit to customers by reducing revenue requirements for the first year of operations. Prudent decisions such as these are foundational to delivering outstanding reliability and low bills to all existing and future customers.

2026 Base Rate Increase

28. FPL's proposed 2026 base rate increase is needed to address increased revenue requirements since 2023, the test year last used for establishing base rates, primarily due to the factors detailed below.

A. Major Factors Necessitating a Rate Increase and Estimate of Revenue Requirements

29. The principal drivers of the change in revenue requirements in 2026 relative to 2023 are: (1) capital investment initiatives that support system growth, maintain reliability, and ensure regulatory compliance; (2) the impact of amortizing surplus depreciation in 2023, which is not available in 2026; (3) the change in the weighted average cost of capital; (4) the impact of having amortized unprotected excess accumulated deferred income taxes ("ADIT") amounts that will not be available in 2026; (5) the O&M impact of inflation and customer growth; (6) increased depreciation expense resulting from FPL's 2025 Depreciation Study; and (7) an increase in the annual dismantlement accrual resulting from FPL's 2025 Dismantlement Study. The projected growth in base revenue requirements is partially offset by: (8) tax credits under the 2022 IRA; (9) revenue growth; and (10) productivity gains. Each of these drivers is discussed below.

30. *Capital Initiatives*. FPL's capital initiatives from 2023 through 2026 support system growth, maintain reliability and ensure regulatory compliance. The costs incurred in support of the capital investments described below have been impacted by historic inflation and

the unexpected significant migration to Florida from around the country, underscoring the importance of maintaining financial strength and flexibility over the next four-year rate period.

a. *Growth and Expansion* ($562 million revenue requirement). For the period 2024 through 2026, FPL will have invested more than $6.4 billion in transmission and distribution infrastructure to support system growth, including the addition of 352,000 new service accounts, upgrades to existing infrastructure and installation of new facilities.

b. *Reliability* ($325 million revenue requirement). FPL will invest about $3.7 billion from 2024 to 2026 to continue providing superior reliability for our customers. FPL will continue deploying innovative technology that further advances our existing smart grid's ability to avoid outages and reduce restoration time. Additionally, FPL is continuing to rebuild its 500 kV transmission system that is nearing the end of its useful life.

c. *Generation*. Generation projects from 2024 through 2026 are providing, or will provide, long-term benefits in the form of lower costs and improved reliability for customers. These include:

i. *2026 Solar* ($144 million revenue requirement). FPL is investing approximately $1.4 billion for the installation of twelve 74.5 megawatts ("MW") solar facilities that are projected to enter service during 2026. These facilities are projected to provide up to 894 MW of generation necessary to meet customer load and reliability standards, while also providing significant fuel savings. The $144 million revenue requirement associated with the capital investment in these solar facilities is offset by projected PTCs, netting to $77 million after accounting for O&M. Revenue requirements are expected to be partially offset by fuel savings in 2026 and beyond.

ii. *2026 Battery Storage* ($81 million revenue requirement). FPL is investing approximately $2 billion to install 1,420 MW of battery storage facilities estimated to enter service during 2026. These facilities are necessary to meet load and reliability needs and will enhance system dispatch flexibility. The $81 million 2026 capital revenue requirement is more than offset by the associated ITCs generated (flowed back in year one) when the facilities enter service, representing a net *reduction* to base revenue requirements of approximately $578 million.

iii. *2024 and 2025 Generation* ($302 million revenue requirement). FPL's capital initiatives revenue requirement also includes the unrecovered portion of its cost-effective 2024 and 2025 SoBRA projects and battery storage facilities projected to enter service in October 2025.

d. *Generation Fleet Maintenance* ($231 million revenue requirement). FPL is making investments that contribute to more cost-efficient and reliable generation fleet operation. For example, FPL plans to upgrade and replace components of its Turkey Point nuclear system controls and a condenser at its St. Lucie nuclear site to maintain safety and improve long-term equipment reliability. In addition, FPL's fossil fleet includes several units that entered service in the mid-2000s and are due for major overhauls to maintain unit and system efficiency and performance.

e. *Regulatory Compliance* ($135 million revenue requirement). FPL's regulatory compliance investments include new cybersecurity technology and systems to ensure the Company's assets and critical information are safeguarded. In addition, from

2024 through 2026, FPL has incurred and will continue to incur regulatory compliance costs associated with increased North American Electric Reliability Corporation and Federal Energy Regulatory Commission reliability requirements as well as local, state and regional requirements.

31. *Loss of Amortization of Depreciation Reserve* ($336 million revenue requirement). The 2021 Rate Settlement allowed FPL to amortize up to $1.45 billion of surplus depreciation (the "Reserve Amount") during the settlement term. When comparing the 2026 Projected Test Year to 2023 actual results, amortization of the Reserve Amount during the 2022 to 2025 settlement period affects the 2026 revenue requirements in two ways. First, significant customer growth, high interest rates, and high levels of inflation resulted in FPL amortizing $227 million of the Reserve Amount from 2022 to 2023. The $227 million reduction in 2023 revenue requirements will no longer be available in 2026. Second, the estimated $1.45 billion of amortization that will have been utilized through 2025 adds to rate base and, therefore, increases revenue requirements in 2026 by $109 million.

32. *Change in Weighted Average Cost of Capital* ($256 million revenue requirement). The 2026 requested rate of return is moderately higher than the rate of return earned in 2023, largely due to higher debt and equity weighted cost rates. In addition, FPL's projected 2026 capital structure reflects reduced deferred income tax and investment tax credit balances.

33. *Unprotected Excess ADIT Amortization* ($167 million revenue requirement). As part of the 2021 Rate Settlement, FPL was authorized to amortize ratably over the 2022 through 2025 period unprotected excess ADIT that would otherwise have been amortized in 2026 and

2027.[3] The excess ADIT amortization amount that was available in 2023 will not be available in 2026, thereby increasing revenue requirements.

34. *Inflation and Customer Growth* ($134 million revenue requirement). Inflation and customer growth has an impact both on capital investments and non-fuel base O&M. Based on changes to the CPI since 2023, including the forecast through 2026, inflation will have added 7.98% to the cost of goods and services in 2026 relative to 2023. While the CPI represents a generic measure of *all* goods and services, inflation has had a far greater impact on the prices of equipment, materials, and supplies necessary to provide day-to-day service. In addition, FPL is projecting approximately 4.3% cumulative growth in total customers during the period 2024 through 2026. FPL will incur additional non-fuel base O&M costs associated with providing operational and administrative support to its growing customer base.

35. *Depreciation Study* ($122 million revenue requirement). FPL's current depreciation expense is based on depreciation rates approved as part of its 2021 Rate Settlement. Investments in generation and infrastructure made since that time and net salvage estimates for distribution plant result in an increase to FPL's current depreciation expense, slightly offset by a modest reduction in rate base.

36. *Dismantlement Study* ($56 million revenue requirement). FPL's current dismantlement accrual is based on the 2021 Dismantlement Study approved in FPL's last rate case. FPL's updated Dismantlement Study results in an increase to the annual dismantlement accrual primarily due to new solar plants and battery storage facilities that have been or will be constructed since the 2021 Dismantlement Study. The increased dismantlement accrual is slightly offset by a modest reduction in rate base.

[3] The excess ADIT addressed here was generated under the 2017 Tax Cuts and Jobs Act.

37. The following factors reduce FPL's costs, thereby reducing the 2026 Test Year revenue requirements:

a. *IRA Tax Credits* ($983 million revenue requirement decrease). The eligible solar generation assets operating in 2026 produce $374 million in PTCs, and FPL's clean hydrogen generation produces about $7 million in PTCs. Together these PTCs reduce the 2026 Projected Test Year revenue requirements by $385 million. In addition, FPL has elected to flow back in one year the entire $587 million amount of the ITCs associated with battery storage facilities entering service in 2026. Doing so reduces the 2026 Projected Test Year revenue requirements by $660 million, providing customers a significant and immediate benefit. A portion of these credits will be sold at a discount (known as "valuation expense") because FPL cannot apply them toward its stand-alone tax return. The valuation expense for 2026 increases revenue requirements by $63 million.[4]

b. *Revenue Growth* ($360 million revenue requirement decrease). FPL is projected to have higher retail sales in 2026 compared to 2023, lowering revenue requirements by $322 million. Other base revenues are projected to increase by $38 million, resulting in a corresponding decrease to revenue requirements.

c. *Productivity Initiatives* ($47 million revenue requirement decrease). FPL is projecting a reduction in base O&M revenue requirements compared to its 2023 base O&M. This reduction is comprised of $106 million of projected cost savings, partially offset by $59 million in revenue requirements associated with technology investments that will enable FPL to achieve the savings.

[4] Selling the excess tax credits at a discount provides a net benefit to customers on a cumulative basis over 2026 and 2027 by mitigating FPL's deferred tax asset balance known as "carry forward."

B. Resulting Revenue Deficiency

38. FPL's requested 2026 base rate increase is $1,545 million. Absent a rate increase in 2026, FPL's projected earned ROE falls to 8.84%, which is well below the bottom end of FPL's current authorized ROE range as well as the ROE proposed herein.

2027 Projected Test Year

39. A 2027 base rate adjustment is needed to address a significant increase in revenue requirements primarily due to additional investments in new projects initiated for the benefit of customers. The increase also reflects the annualization of revenue requirements for projects that entered service in 2026 but were not covered fully by the requested 2026 base rate increase.

A. Major Factors Necessitating a Rate Increase and Estimate of Revenue Requirements

40. FPL's 2027 Projected Test Year reflects the increase in revenue requirements from 2026 to 2027. The primary drivers of the increase in revenue requirements in 2027 are: (1) capital investments in generation, system growth, reliability, and the replacement of FPL's 30-year old customer information system; (2) an increase due to the net effect of ITCs associated with battery storage projects, partially offset by the incremental PTCs associated with solar investments; (3) a slight increase in the weighted average cost of capital; and (4) the impact of inflation and customer growth. The increase in base revenue requirements is partially offset by revenue growth.

41. *Capital Initiatives*. In 2027, FPL must continue to invest in generation that supports system growth and operational needs, while providing long-term customer benefits such as O&M savings and improved system reliability. Included within these initiatives are:

a. *Generation* ($454 million revenue requirement). To meet additional load driven by customer growth, and to satisfy FPL's operational resource needs, FPL must install 16 cost-effective 74.5 MW solar facilities and approximately 820 MW of battery storage. The cost of these generation additions is offset by solar PTCs and battery ITCs (the entirety of which flows through to customers in the 2027 Projected Test Year), as well as fuel savings in 2027 and future years. The generation-related revenue requirement increase is also attributable in part to the annualization of solar and battery storage projects placed into service in the latter part of the 2026 Projected Test Year. Absent annualization, FPL will under-recover the costs of those large generation projects.

b. *Capital Power Delivery Infrastructure for Growth* ($91 million revenue requirement). FPL will invest in transmission and distribution infrastructure needed to support the addition of approximately 114,000 new service accounts during 2027.

c. *Customer Information System* ($85 million revenue requirement). FPL's 30-year-old Customer Information System ("CIS") is reaching the end of its serviceable life and must be replaced. This system generates FPL's monthly billings and tariff offerings and serves as the informational database FPL's customer care agents rely upon for their interactions with customers. Implementation of a new customer service platform is scheduled to be completed in 2027.

d. *Regulatory Compliance* ($78 million revenue requirement). FPL will continue to make investments necessary to comply with various regulatory bodies' requirements, as well as to harden the infrastructure and improve FPL's cyber resilience.

e. *Reliability Improvements* ($55 million revenue requirement). FPL will continue to make capital investments necessary to maintain reliable service to customers, including the continued deployment of smart devices that reduce outages or restoration time.

f. *Combined Cycle Fleet Enhancements* ($46 million revenue requirement). In 2027, FPL must invest in major overhauls designed to maintain its combined cycle units' excellent efficiency and reliability.

42. *IRA Tax Credits* ($169 million revenue requirement). The 2027 Projected Test Year reflects incremental PTCs and ITCs and accounts for the conclusion of the ITC amount that flowed through in 2026.

a. *PTC*. FPL projects to generate $437 million in PTCs during the 2027 Projected Test Year, or $56 million more than it generated in 2026. The increase in PTCs reduces revenue requirements by $72 million.

b. *ITC*. ITCs will have a two-part impact in the 2027 Projected Test Year. FPL will need to address both the ITCs generated from the 2027 battery storage projects, as well as the conclusion of the 2026 ITCs. In 2027, the $660 million revenue requirement reduction driven by the ITCs generated in 2026 is no longer available because the entire amount was flowed through in the prior year; at the same time, FPL's 2027 battery storage projects will generate $364 million of new ITCs for a $410 million decrease in the 2027 revenue requirements. The loss of the 2026 ITC benefit plus the incremental ITC benefit generated in 2027 results in a net revenue requirement increase of $250 million.

c. *Valuation Expense*. FPL projects a lower valuation expense in 2027 compared to 2026, resulting in a $9 million decrease in revenue requirements.

43. *Change in Weighted Average Cost of Capital* ($31 million revenue requirement). FPL's weighted average cost of capital ("WACC") is slightly higher in 2027 compared to 2026. The difference is attributable primarily to an increase in the cost of long-term debt.

44. *Inflation and Customer Growth* ($27 million revenue requirements). The CPI projection indicates that goods and services will cost 2.12% more in 2027 compared to 2026. In addition, the Company projects to add 70,000 customers in 2027. This growth that must be supported by additional O&M expenditures.

45. *Revenue Growth* ($108 million revenue requirement reduction). FPL projects a growth in sales in 2027, which will partially offset the increase in revenue requirements by $108 million.

B. Resulting Revenue Deficiency

46. FPL's requested 2027 base rate increase is $927 million after accounting for its 2026 request. FPL projects that its earned ROE would fall to 7.34% without the requested rate relief for both the 2026 Projected Test Year and 2027 Projected Test Year. Even with FPL's requested base adjustment for the 2026 Projected Test Year, FPL's jurisdictional adjusted ROE for the 2027 Projected Test Year is projected to fall 171 basis points without the relief requested for the 2027 Projected Test Year. Under both scenarios, FPL's earned ROE would fall below the bottom end of the proposed ROE range.

Capital Structure and ROE

47. Maintaining a strong financial position under all market conditions, good and bad, is critical for an essential service provider with an obligation to serve. FPL's liquidity and appropriate capital structure has supported FPL's ability to keep the lights on and access capital under terms that benefit customers. The success is attributable, in part, to keeping borrowing costs relatively low and providing competitive returns that encourage investors to continue to provide the capital needed to maintain and enhance FPL's level of service. FPL's four-year plan seeks to

continue these financial policies, updated to reflect today's market conditions, so that FPL's ability to continue delivering exceptional value remains in place over the next four years.

48. The Supreme Court of the United States has determined that a reasonable and adequate ROE is one that is commensurate with returns that would be earned on investments with corresponding risks and "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain and attract capital." *Federal Power Comm'n v. Hope Natural Gas Co*., 320 U.S. 591, 603 (1944). Absent rate relief, the Company projects that it would earn a substandard ROE that falls well below the level needed to "assure confidence in [FPL's] financial integrity . . . so as to maintain and attract capital" and thus fail the test prescribed in *Hope.*

49. *Capital Structure*. FPL requests the continuation of FPL's regulatory capital structure that includes a 59.6% equity ratio based on investor sources. FPL has consistently maintained this equity ratio, and it has been vital to sustaining the overall financial strength that has served customers well. *See* Order 2024-0078 (finding that FPL's "equity to debt ratio is part of FPL's overall strategy to maintain financial strength and flexibility.").

50. FPL's proposed capital structure also is consistent with Commission precedent, which provides that the capital structure used for ratemaking purposes should bear an appropriate relationship to the utility's actual sources of capital. *See, e.g.*, *id*. ("FPL's proposed equity ratio of 59.6% is consistent with the ratios we have approved for FPL over the past twenty years."); Order No. PSC-10-0153-FOF-EI, *Petition for Increase in Rates by Florida Power & Light Company* (Mar. 17, 2010) (approving FPL's requested equity ratio, noting that it was "consistent with the relative level of equity FPL has maintained, on an adjusted basis, over the past decade").

51. *Return on Equity*. FPL proposes to set the Company's approved return on equity midpoint at 11.90%. The authorized range would include the typical 100 basis points on either

side of the 11.90% midpoint. The 11.90% estimated cost of equity reflects capital market expectations looking forward during the term of the proposed four-year rate plan and will enable FPL to continue to access capital on competitive terms through 2029, ensuring the Company can continue to meet customer needs and expectations.

52. *Weighted Average Cost of Capital*. For the 2026 Projected Test Year, FPL calculates a long-term debt cost of 4.64% and a short-term debt cost of 3.80%. When combined with the other components of the capital structure, FPL's total 2026 WACC would be 7.63%. For the 2027 Projected Test Year, FPL calculates a long-term debt cost of 4.69% and a short-term debt cost of 3.79%, resulting in an overall WACC of 7.64%. This overall WACC represents the actual cost of financing FPL's rate base and is the cost of capital reflected in the calculation of revenue requirements.

<u>Solar and Battery Base Rate Adjustments</u>

53. The SoBRA mechanism is an essential part of FPL's four-year plan. Modeled after solar base rate adjustment provisions approved as part of its 2016 and 2021 Rate Settlements, this SoBRA is designed to address FPL's growing resource needs in the second half of the four-year plan.

54. FPL projects, that unless additional resources are installed by 2030, it will have a capacity shortfall of about 1,150 MW. Based on a comprehensive analysis that accounts for loss of load probability and operational reserves, the most cost-effective resource additions available to meet those needs are 1,490 MW of solar and 596 MW of battery storage in 2028 and 1,788 MW of solar and 596 MW of battery storage in 2029.

55. FPL proposes the SoBRA as an efficient mechanism for recovery of costs for solar generation and battery storage projects that enter service in 2028 and 2029 and the impacts of

concluding the one-year ITC flow-through accounting related to battery storage facilities placed in-service in the previous year. Recovery of these incremental base revenue requirements is essential to defer the need for a general base rate increase in those years. The application of the SoBRA mechanism is set forth in detail in FPL witness Bores's Exhibit SRB-7.

56. As proposed, FPL would be authorized to build solar generation and battery storage projects in 2028 and 2029 and recover its costs through a SoBRA by demonstrating either an economic need or a resource need for the projects.

a. *Economic Need*. To demonstrate an economic need, FPL must demonstrate that the solar and battery storage projects FPL plans to install during the in-service year (2028 or 2029) lowers FPL's projected system Cumulative Present Value Revenue Requirement ("CPVRR") compared to the projected system CPVRR without the solar and battery storage projects. FPL would be limited to construction of 1,490 MW of solar projects in 2028 and 1,788 MW of solar projects in 2029 and 596 MW of battery storage projects in each year but may carry over surplus capacity not constructed in 2028 to 2029 if FPL demonstrates an economic need in both years.

b. *Resource Need*. To demonstrate a resource need, FPL must demonstrate that incremental capacity or energy is necessary to satisfy FPL's loss of load probability criterion and ensure sufficient planning and operating reserves through 2030 based on the resource planning methodology presented by FPL witness Whitley. FPL also will demonstrate that the selected combination of solar and battery storage projects is the lowest cost resource available to timely meet the resource need.

57. The process associated with the implementing the SoBRAs requested under FPL's current proposal will be largely the same as the process approved as part of its 2021 and 2016 Rate

Settlements. FPL will demonstrate the need (or needs) at the time it makes its final true-up filing in the Fuel and Purchased Power Cost Recovery Clause Docket the year prior to the projects' expected in-service date (the "SoBRA Proceeding"). In the SoBRA Proceeding, FPL must also demonstrate that the cost of the components, engineering, and construction are reasonable, and will submit for approval: (a) the revenue requirements associated with the generation and associated facilities to be installed during the in-service year, together with the impact of the conclusion of any ITC flowthrough in the previous year; and (b) the appropriate percentage increase in base rates needed to collect the estimated revenue requirements ("SoBRA Factor").

58. Like the SoBRA and generation base rate mechanisms of the past, FPL will provide customers a true-up refund and prospective base rate reduction if the actual capital expenditures are less than the projected costs used to develop the initial SoBRA Factor.

<u>Tax Reform</u>

59. The new administration and Congress elected in 2024 and inaugurated in January 2025 have strongly signaled their intent to enact tax reform. As alluded to above, and detailed in the accompanying testimony of FPL witnesses, FPL's revenue requirement calculations for the 2026 and 2027 Projected Test Years are based on current tax law, including the corporate tax rate, the availability of PTCs and ITCs, and the election of flowthrough accounting, which substantially benefits customers. If new tax laws are passed, FPL requests that the impact of tax reform be handled through an adjustment to its base revenue requirements.

60. FPL's 2021 Rate Settlement included a substantially similar mechanism that FPL employed to reduce base revenues collected from customers by more than $250 million cumulatively from 2022 through 2025. The revenue requirement reduction was made possible by FPL's election of PTCs, rather than ITCs, pursuant to the terms of the 2022 IRA. Like terms

included in the 2021 Rate Settlement, the mechanism FPL proposes to address potential changes in tax law from 2026 through 2029 is inherently neutral. FPL will employ the mechanism whether the change in law increases or decreases FPL's tax liability.

61. If a permanent change in federal or state tax law or regulations occurs prior to the conclusion of the final hearing and timing permits, FPL will quantify the impacts on FPL's base revenue requirements so that the Commission may address the impacts when it resolves FPL's base rate request. If the change in law occurs later, FPL will address the impact in a separate docket. Additional details regarding the procedure and calculations are set forth in Exhibit SRB-8 filed with the testimony of FPL witness Bores.

62. FPL also proposes to address deficient or excess deferred income taxes that may arise from a change in tax law by deferring them to a regulatory asset or liability on the balance sheet and included within FPL's capital structure. If the tax law continues to prescribe the use of the Average Rate Assumption Method, FPL will flow back or collect the protected excess ADIT over the underlying assets' remaining life. If the new tax law does not specify the treatment of unprotected excess ADIT, for amounts other than the excess ADIT related to the Tax Adjustment Mechanism described below, FPL proposes to flow back or collect the amounts over a period of not more than 10 years.

Tax Adjustment Mechanism

63. FPL's proposed Tax Adjustment Mechanism ("TAM") is a non-cash accounting mechanism that accelerates the recording of deferred tax benefits over the four-year rate period by reversing certain unprotected deferred tax liabilities ("DTL"). Like predecessor non-cash mechanisms (*i.e.*, RSAM) approved by the Commission, FPL will use the TAM to respond to changes in its underlying revenues and expenses in order to avoid additional general base rate

increases and maintain its ROE within the authorized range during the four-year rate period. Absent approval of the TAM, FPL anticipates that it will need to seek additional rate relief beginning in 2028. FPL proposes that the TAM be subject to the same fundamental limitations imposed on the RSAM approved in the 2021 Rate Settlement. The terms and application of the TAM are set forth in detail in the testimonies of FPL witnesses Bores and Laney.

64. *Deferred Tax Liabilities*. DTLs represent the tax liability that has been accrued but not paid as of a certain point in time due to differences between accounting under generally accepted accounting principles and accounting for tax. This is the tax effect of what is known as temporary timing differences, which exist when the period in which a tax payment on an asset is due differs from the period in which that tax liability is recognized for accounting and ratemaking. For purposes of the TAM, FPL proposes to draw from two types of unprotected DTLs: tax repairs and mixed service costs.

65. As DTLs reverse, the deferred tax expense is reduced. FPL currently reverses its DTLs associated with tax repairs and mixed service costs over the remaining life of the underlying assets; however, these DTLs are not subject to Internal Revenue Service normalization rules. In support of its rate plan, FPL is requesting to accelerate the recording of this reduction in deferred tax expense over the four-year period. Doing so will help FPL absorb changes in the business and will benefit customers by enabling FPL to offset the increasing revenue requirements in 2028 and 2029.

66. *TAM Amount*. The DTL amount needed to support the four-year plan must be sufficient to afford FPL the opportunity to achieve the mid-point ROE in the plan's last two years. FPL calculates it will need $2.033 billion in 2028 and 2029 in the absence of additional general base rate increases. To that end, FPL proposes to utilize the actual tax repairs and mixed service

cost DTL balance during the four-year rate plan for a total of up to $2 billion – slightly less than the calculated amount – as the amount available for use as TAM ("TAM Amount").

67. *Establishing Regulatory Liability and Asset*. FPL requests approval to recognize a TAM regulatory liability and an offsetting TAM regulatory asset as of January 1, 2026. The regulatory liability represents the full amount of the deferred tax expense benefit projected to be provided to customers over the proposed four-year rate plan. The offsetting regulatory asset represents the amount of deferred taxes that will be recovered in future periods over the average remaining life of the underlying assets. FPL requests approval to commence amortization upon the recognition of the regulatory asset.

68. *Monthly Amortization*. Consistent with how the predecessor RSAM was used, FPL requests authority to use TAM flexibly at its discretion from 2026 through 2029. In each earnings surveillance reporting period, the Company may record debits/increases to deferred operating income tax expense and correspondingly credit/increase the regulatory liability, or credits/decreases to deferred operating income tax expense and correspondingly debit/decrease the regulatory liability. Whether to amortize and, if so, the amount amortized is at FPL's discretion, subject only to the TAM's express limitations.

69. *Limitations*. It will be incumbent on FPL to manage its business such that its earnings fall within the authorized ROE range. Therefore, for any 12-month period reflected in the Company's earnings surveillance reports, FPL may not debit or credit an amount that would result in an ROE greater than the top of the authorized range and FPL *must* debit or credit at least the amount necessary to maintain an ROE of at least the bottom of the authorized range. In addition, the Company cannot credit (*i.e.*, decrease) operating income tax expense that would cause the TAM Amount to be reduced below $0. FPL also may not debit (*i.e.*, increase) operating income

tax expense at any time during the four-year period that would cause the TAM Amount to exceed $2 billion.

Depreciation and Dismantlement

70. FPL's current depreciation rates and dismantlement accruals reflect what was approved by the Commission in the 2021 Rate Settlement. In this proceeding, FPL is seeking approval of an updated 2025 Depreciation Study and an updated 2025 Dismantlement Study included as Exhibits NWA-1 and NWA-2 to the testimony of FPL witness Allis. FPL has made company adjustments to its proposed 2026 and 2027 revenue requirements reflecting the updated results of these studies. If the Commission makes any adjustments to FPL's updated studies, it should recognize the effects of any adjustments on the rate relief granted.

Capital Recovery Schedules

71. FPL has retired or will retire certain assets that are not yet fully depreciated. Pursuant to Rule 25-6.0436, F.A.C., and consistent with Commission practice, FPL requests approval of capital recovery schedules pursuant to which the remaining investment for those retired assets would be recovered over a 10-year period.

72. Exhibit KF-3 to the testimony of FPL witness Ferguson provides a detailed list of the assets for which FPL seeks capital recovery, along with the associated amortization, and delineates between base and clause recovery. FPL requests capital recovery schedules for the following assets: (i) FPL's old 500 kV transmission infrastructure retired in 2024, as well as the continued retirement and cost of removal associated with the 2025 through 2027 portion of the

rebuild project;[5] (ii) the early retired investment associated with Plant Daniel Units 1 and 2;[6] and (iii) the early retirement of FPL's CIS and its integrated system, which, as described above, is reaching the ends of its serviceable life and will be replaced. FPL witness Ferguson provides more detail regarding FPL's requested capital recovery schedules.

Storm Cost Recovery Mechanism

73. FPL requests approval to continue to recover prudently incurred storm costs under the framework approved in its 2021 Rate Settlement,[7] adjusted modestly to move closer toward better reflecting the storm restoration costs experienced over the past eight years. The application of the proposed Storm Cost Recovery Mechanism is set forth in detail in FPL witness Bores's Exhibit SRB-5.

74. Under the proposed storm cost recovery mechanism, if FPL incurs storm costs related to a named storm, it may begin collecting an interim charge based on an amount up to $5 per 1,000 kWh on monthly residential bills (roughly $500 million annually) beginning 60 days after filing a petition for recovery with the Commission. This interim recovery period will last up to 12 months. If costs related to named storms exceed that amount in any one year, the Company may request that the Commission increase the $5 per 1,000 kWh accordingly, with the period of recovery of the additional amount to be determined by the Commission.

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[5] As part of the 2021 Rate Settlement, the Commission approved the establishment of a regulatory asset for the estimated remaining unrecovered investment and cost of removal for the 500 kV transmission-related retirements during years 2024 and 2025. Amortization of the remaining unrecovered regulatory asset balance was to be addressed in this base rate proceeding.

[6] As part of the 2021 Rate Settlement, the Commission approved the Company's request to reflect the early retired investment associated with Plant Daniel Units 1 and 2 in FPL's accumulated depreciation reserve, with the establishment and amortization of a regulatory asset for the unrecovered balance to be addressed in this base rate proceeding.

[7] The basic framework was prescribed by FPL's 2010 Rate Settlement and continued in the 2012, 2016 and 2021 Rate Settlements.

75. Like its predecessors, the storm cost recovery mechanism proposed here also would be used to replenish the Company's storm reserve in the event it was fully depleted by storm costs. The Company's storm reserve replenishment amount under this proposal is increased to $300 million, which is a modest increase from the $220 million reserve level reached during the 2021 Rate Settlement period, to reflect more closely FPL's restoration experience over the 2016 Rate Settlement and 2021 Rate Settlement periods. Any cost not recovered under this mechanism would be deferred on the balance sheet and recovered in a manner determined by the Commission.

Pilot Program

76. FPL requests approval of a long duration battery storage pilot project in FPL's service area. As utility-scale solar and storage adoption grows, integrating diverse capacity and energy solutions is becoming increasingly important. This pilot represents FPL's commitment to innovation and the future of energy storage. The pilot project will deploy two long-duration batteries, each capable of dispatching up to 10 MW of power and storing a total of 100 megawatt-hours of energy. Expected learnings include, among other things, validation of the storage system's performance and grid reliability, evaluation of alternative storage technologies as complements to conventional lithium-ion batteries, and optimization of charging operations and times to complement FPL's solar energy and conventional batteries during extended periods of high load.

77. FPL anticipates sourcing components domestically and estimates that the pilot project can be put in service in 2027 at an estimated cost of approximately $78 million, which is reflected in the requested base rate increase. As with all battery storage additions planned during the four-year rate period, the capital cost of the long-duration pilot will be partially offset by ITC credits, thereby significantly reducing the net impact to customers.

Customer Bills Under FPL's Four-Year Plan Will Remain Low

78. FPL projects that even with the requested 2026 base rate increase, typical bills for January 2026 would be 20% less in real terms than in 2006. Under FPL's proposed four-year rate plan, the five-year compound annual growth rate of the typical 1,000 kilowatt-hour residential bill increase through the end of the four-year rate proposal on December 31, 2029, is projected to be approximately 2.5% for peninsular Florida customers and approximately 1.1% for Northwest Florida customers. These levels of proposed annual increases are far lower than the projected CPI over the same period. Further, assuming other utilities experience bill increases at their historical rates of increase, typical residential bills for customers would remain 25% below the projected national average.

79. FPL's commercial and industrial ("CI") customers' bills will likewise remain significantly below the national average and below many other Florida electric utilities even with the proposed increases. The increase CI customers are projected to experience will vary depending on each rate schedule's current level of parity. Under FPL's proposal, the typical CI bill will increase between 1% and 5% for peninsular Florida customers and between 0% and 4% for Northwest Florida customers.[8]

Supporting Documents

80. Simultaneous with the filing of this Petition, FPL files and hereby incorporates by reference: (i) the supporting direct testimony and exhibits of FPL's witnesses; (ii) MFRs for the 2026 Projected Test Year containing the information required by Rule 25-6.043(1)(b), F.A.C.; and (iii) MFRs for the 2027 Projected Test Year containing the information required by Rule 25-

[8] Based on the General Service, General Service Demand, and General Service Large Demand 1 and 2 rate classes, which encompass 94% of FPL's CI customers.

6.043(1)(b), F.A.C. FPL compiled the MFRs by following the policies, procedures, and guidelines prescribed by the Commission in relevant rules or in the Company's last rate case.

81. Attached to MFR E-14 are tariff sheets, including new rate schedules designed to produce the additional revenue sought by this Petition and needed to give the Company a fair opportunity to earn a reasonable rate of return in each test year. FPL respectfully requests that the Commission consent to these rate schedules going into operation beginning on January 1, 2026 and January 1, 2027.

WHEREFORE, for the above and foregoing reasons, FPL respectfully petitions the Florida Public Service Commission to:

(1) Accept this filing for final agency action;

(2) Set a hearing as early as possible in order to reduce the risk of possible delays that may be occasioned by hurricane season;

(3) Enter a final decision approving rates on or before October 28, 2025, *i.e.*, within eight months of the filing of this Petition, so as to render the final decision in time to make rates effective by January 1, 2026, following 30 days' notice to customers;

(4) Find and determine that the rates under the current tariffs are insufficient to yield a fair rate of return for FPL beginning January 1, 2026;

(5) Authorize FPL to revise and increase its base rates and charges to generate additional revenues of $1,545 million on an annual basis beginning January 1, 2026;

(6) Determine that FPL's 2026 rates, as proposed, are insufficient to yield a fair rate of return beginning January 1, 2027;

(7) Authorize FPL to revise and increase its base rates and charges to generate additional revenues of $927 million on an annual basis beginning January 1, 2027, incremental to the base rates and charges approved beginning January 1, 2026;

(8) Approve an authorized ROE range based on a rate of return of 11.90% (midpoint) on common equity;

(9) Approve an equity ratio of 59.6% based on investor sources;

(10) Approve the continued use of FPL's storm cost recovery mechanism as set forth in Exhibit SRB-5 and described herein, with a $300 million reserve replenishment amount;

(11) Approve FPL's 2025 Depreciation Study set forth in Exhibit NWA-1 and associated adjustments;

(12) Approve FPL's 2025 Dismantlement Study set forth in Exhibit NWA-2 and associated adjustments;

(13) Approve the capital recovery schedules identified on Exhibit KF-3, and commencement of the associated amortization;

(14) Approve FPL's mechanism to address potential changes in tax law as set forth in Exhibit SRB-8, such that FPL will adjust base rates based upon the impact of a change in tax law that occurs or is effective after the conclusion of this proceeding;

(15) Authorize FPL to invest in a long-duration battery pilot;

(16) Approve the adjustments set forth in FPL's MFRs B-2 and C-3 submitted with this Petition;

(17) Approve the tariff sheets and rate schedules set forth in FPL's MFR E-14 submitted with this Petition, which are based on FPL's cost of service study; and

(18) Approve FPL's four-year rate plan, encompassing 2026 through 2029, including FPL's commitment not to request any permanent general base rate increases for 2028 and 2029, such that in addition to Paragraphs (1) through (17) above the Commission:

(a) Approve the SoBRA mechanism as set forth in Exhibit SRB-7 and described herein, such that FPL will be permitted to adjust base rates to recover the cost of new solar generation and battery storage facilities that enter commercial operation in 2028 and 2029 upon a demonstration of economic or resource need and to recover the revenue deficiency resulting from the conclusion of ITCs flowed-through in the prior year; and

(b) Approve FPL's proposed TAM as described herein and detailed in the testimony of FPL witness Laney filed with this Petition.

Respectfully submitted,

FLORIDA POWER & LIGHT COMPANY

By: *_/ John T. Burnett_*

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service this 28th day of February 2025 to the following:

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