BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI

Petition for rate increase by
Florida Power & Light Company.
_________________________________/

VOLUME 8
PAGES 1715 - 1955

PROCEEDINGS: HEARING

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

DATE: Thursday, October 9, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 8:10 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
308	As identified in the CEL		1718
101-113	As identified in the CEL		1951
332-333	As identified in the CEL		1951
335	As identified in the CEL		1952
344	As identified in the CEL		1952
369	As identified in the CEL		1952
439	As identified in the CEL		1952
538	As identified in the CEL		1952
584	As identified in the CEL		1952
591	As identified in the CEL		1952
610	As identified in the CEL		1952
751	As identified in the CEL		1952
588	As identified in the CEL		1952
932	As identified in the CEL		1952
1013	As identified in the CEL		1952
1052	As identified in the CEL		1952
1102-1106	As identified in the CEL		1952
1143	As identified in the CEL		1952
858-860	As identified in the CEL		1953
862-866	As identified in the CEL		1953

P R O C E E D I N G S

(Transcript follows in sequence from Volume 7.)

CHAIRMAN LA ROSA: All right. Let's get back at things.

So obviously, we are going to gauge the next couple of hours to see what our timeframe looks like. So we will go through the next witness and ask then I may ask some questions to see kind of where every one is at and then maybe determine what the rest of the early evening looks like.

So let's give it back to FPL, you may call your next witness.

MS. MONCADA: Thank you, Mr. Chair. Actually just one item before we call the next witness. With respect to the immediately preceding witness, Ms. Fuentes, we failed to mention that we would like to move in exhibit -- what has been marked on staff's exhibit list as 308. We mentioned it in the beginning, but just forgot to list it at the end.

CHAIRMAN LA ROSA: No objections to that? All right, so moved.

(Whereupon, Exhibit No. 308 was received into evidence.)

MS. MONCADA: Thank you.
FPL calls Ina Laney.
CHAIRMAN LA ROSA: Ms. Laney, do you mind standing and raising your right hand.
Whereupon,

INA LANEY

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

CHAIRMAN LA ROSA: Excellent. Thank you.

EXAMINATION

BY MS. MONCADA:

Q Good afternoon, Ms. Laney. Would you please state your full name and business address for the record?

A Ina Laney. 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. My position is Senior Director of Financial Forecast, Strategy and Analysis.

Q Did you prepare and cause to be filed 54 pages of direct testimony on February 28th, along with errata?

A Yes.

Q Did you also prepare and cause to be filed 49 pages of direct testimony on July 9th?

A Yes.

Q Other than the filed errata, do you have any changes or revisions to your direct or rebuttal testimony?

A No.

Q If I asked you the same questions contained in those testimonies, would your answer be the same?

A Yes.

MS. MONCADA: Mr. Chairman, I would like to move Ms. Laney's direct and rebuttal testimony into the record.

CHAIRMAN LA ROSA: So moved.

MS. MONCADA: Thank you.

(Whereupon, prefiled direct testimony of Ina Laney was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF INA LANEY

Filed: February 28, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Ina Laney. 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" or the "Company") as the Senior Director of Financial Forecast, Strategy, and Analysis.

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 various regulatory filings.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science degree in Business Administration and a Bachelor of Science degree in Economics from the Academy of Economic Studies of Moldova. I also hold a Master of Business Administration from Harding University in Searcy, Arkansas. I joined NextEra Energy, Inc. in 2015 and have held several positions of increasing responsibility, including Manager of Cost and Performance and my current position as Senior Director of Financial Forecast, Strategy, and Analysis. Prior to NextEra Energy, Inc., I held various roles with Entergy Services, Inc. where I was responsible for preparation of cost-of-service studies, revenue requirement analyses, rider updates, and other rate-related filings. I have previously provided testimony in various dockets before the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Federal Energy Regulatory Commission ("FERC") and the Florida Public Service Commission ("Commission" or "FPSC").

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit IL-1 List of MFRs Sponsored or Co-sponsored by Ina Laney
- Exhibit IL-2 2025 FPL Annual Budget Planning Process Guideline
- Exhibit IL-3 MFR F-5 Forecasting Flowchart and Models
- Exhibit IL-4 MFR F-8 Major Forecast Assumptions
- Exhibit IL-5 FERC Uniform System of Accounts Changes
- Exhibit IL-6 Tax Credit Transfer Cumulative Revenue Requirements Impact
- Exhibit IL-7 Drivers of the Increase in Revenue Requirements 2023-2026
- Exhibit IL-8 FPL's Adjusted O&M Benchmark
- Exhibit IL-9 Tax Credit Rates
- Exhibit IL-10 Capital Investments Inflation Impact
- Exhibit IL-11 Drivers of the Increase in Revenue Requirements 2026-2027
- Exhibit IL-12 Tax Adjustment Mechanism Accounting
- Exhibit IL-13 Tax Adjustment Mechanism Amount

I am co-sponsoring the following exhibit:

- Exhibit SRB-7 Solar and Battery Base Rate Adjustment Mechanism, filed with the direct testimony of FPL witness Bores.

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

A. Yes. The minimum filing requirements ("MFR") that I sponsor and co-sponsor are listed in Exhibit IL-1.

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 FPL's projected MFRs are based;

(2) Explain the impacts on the forecast due to FERC Order 898, Accounting and Reporting Treatment of Certain Renewable Energy Assets ("FERC Order 898");

(3) Explain the major tax assumptions used in development of the forecast and projected MFRs;

(4) Explain the major cost drivers since 2023 that necessitate a 2026 Projected Test Year increase effective January 1, 2026 (the "2026 Base Rate Increase");

(5) Explain the major cost drivers from 2026 to 2027 that necessitate a 2027 Projected Test Year increase effective January 1, 2027 (the "2027 Base Rate Increase");

(6) Describe two essential elements included within the four-year rate plan proposed by FPL witness Bores: (i) the Tax Adjustment Mechanism ("TAM"), and (ii) the investment tax credit ("ITC") component of the 2028 and 2029 Solar and Battery Base Rate Adjustment ("SoBRA") mechanism.

Q. Please summarize your testimony.

A. During the period of FPL's 2021 Rate Settlement (2022-2025) approved by the Commission on December 2, 2021, in Order No. PSC-2021-0446-S-EI, Docket No. 20210015-EI, FPL has made significant improvements in lowering base operating costs and at the same time has made investments in its infrastructure to support growth and maintain reliability. By the end of 2025, FPL's revenue requirements continue to increase, such that FPL will not be able to maintain adequate earnings in 2026 and beyond without rate relief. Accordingly, FPL is requesting base rate increases in both 2026 and 2027 based on fully supported projected test years.

The MFRs filed in this proceeding have been prepared according to FPL's rigorous, established planning and forecasting process, 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 in this proceeding. FPL's forecast and MFRs also reflect revisions to the Uniform System of Accounts ("USOA") in accordance with FERC Order 898 which became effective January 1, 2025.

FPL's forecast is based on current tax law, including the 2017 Tax Cuts and Jobs Act ("TCJA") and the 2022 Inflation Reduction Act ("IRA"). FPL's projected test years and proposed 2026 and 2027 base rate increases reflect the benefits of a number of tax elections allowed by the TCJA and the IRA. My testimony describes in detail the major tax assumptions and the elections made by FPL for the benefit of its customers.

FPL's proposed 2026 Base Rate Increase is needed to address increased revenue requirements since 2023, the year last used for establishing base rates. The primary drivers of the change in revenue requirements are: (1) capital investment initiatives that support system growth, maintain reliability, and ensure regulatory compliance; (2) the impact of the amortization of the Reserve Amount authorized by the 2021 Rate Settlement; (3) a change in the weighted average cost of capital; (4) unprotected excess accumulated deferred income taxes ("ADIT") fully amortized by the end of 2025; (5) inflation and customer growth; (6) the impacts of the depreciation and dismantlement studies; (7) IRA tax credits that partially offset the increase in base revenue requirements; (8) revenue growth that partially offsets the increase in base revenue requirements; and (9) productivity gains that also partially offset the increase in base revenue requirements. As calculated on FPL witness Fuentes's Exhibit LF-4, absent a rate increase in 2026, FPL's projected earned return on equity ("ROE") falls to 8.84%, substantially below FPL's cost of equity as discussed by FPL witnesses Coyne and Bores.

FPL's proposed 2027 Base Rate Increase reflects the projected increase in base revenue requirements from 2026 to 2027. The primary drivers of this increase are: (1) capital investment initiatives that support additional customer growth, including deployment of solar generation and battery storage facilities, as well as investments to maintain reliability and improve the customer experience; (2) an increase due to the net effect of the flow through of ITCs associated with the battery storage projects, partially offset by the production tax credits ("PTCs") associated with the solar investments; (3) an increase in the weighted average cost of capital; (4) the impact of inflation and customer growth; and (5) revenue growth, that partially offsets the increase in base revenue requirements. As calculated on FPL witness Fuentes's Exhibit LF-4, without an increase in revenue in 2027, FPL's earned ROE is projected to fall by more than 100 basis points from the 2026 requested ROE of 11.90%. With no rate increase in 2026 and 2027, FPL's ROE in 2027 is projected to be 7.34%, substantially below the requested ROE as discussed by FPL witnesses Coyne and Bores.

Lastly, the Company's proposed four-year rate plan, as described in detail in FPL witness Bores's direct testimony, will enable FPL to forgo general base rate increases in both 2028 and 2029 while providing customers with rate stability through at least January 2030. My testimony focuses on two essential elements of FPL's four-year rate plan:

- The TAM is a non-cash mechanism that would allow FPL to flexibly amortize a specified amount of two unprotected deferred tax liabilities ("DTL"): tax repairs and mixed service costs. This mechanism will help offset the increasing revenue requirements in 2028 and 2029.
- The ITC-related components of the 2028 and 2029 SoBRA: FPL intends to claim PTCs on the 2028 and 2029 solar facilities and opt-out of normalization on the ITCs related to the 2028 and 2029 battery storage projects.

The four-year rate proposal provides long term rate stability for customers, regulatory efficiency, and will also allow the Company to focus on continuing to improve service delivery and value to our customers.

II. FORECASTING AND MFR PREPARATION PROCESS

Q. What role did you play in the development of FPL's forecast?

A. In my role as FPL's Senior Director of Financial Forecast, Strategy and Analysis, I have overall responsibility for developing the O&M budget, the capital expenditure budget, and the total company per books financial forecast. As part of this responsibility, guidance was provided to the business units to ensure that corporate assumptions were followed. A copy of the guidance is provided as Exhibit IL-2. I am also a member of the budget review committee ("Review Committee") responsible for reviewing the forecasts to ensure reasonableness and completeness for planning purposes. Key members of the Review Committee, in addition to me, are the FPL President and Chief Executive Officer, the FPL Vice President of Finance, the FPL Chief Operating Officer, the FPL Vice President of Financial Planning and Rate Strategy, and the NEE Executive Vice President of Finance and Chief Financial Officer.

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

A. FPL has provided forecast years 2025, 2026 and 2027 for use in this proceeding. Based upon the conclusion of the term of the 2021 Rate Settlement on December 31, 2025, the Company is proposing that new rates be effective January 1, 2026, at a level sufficient to cover the Company's revenue requirements in 2026. FPL proposes a 2026 Projected Test Year in this proceeding, in order to best reflect the Company's revenues, costs and investment during the year in which those new rates are proposed to go into effect. The 2025 plan year is included as the Prior Year, consistent with the Commission's filing requirements.

FPL also is proposing a 2027 Projected Test Year, which will provide for new rates effective January 1, 2027, at a level sufficient to cover the Company's revenue requirements in 2027. Accordingly, FPL has filed a complete set of MFRs for calendar year 2027, which provide all revenues, costs and investments and reflect the Company's projected financial position in that year.

Q. Please summarize the process used to develop the 2026 and 2027 forecasts and MFRs.

A. FPL follows a rigorous and long-standing process in the development and approval of its O&M and capital expenditures budgets, financial forecasts and MFRs, as reflected in Exhibits IL-2 and IL-3. Beginning in 2013, FPL incorporated into the planning process a step specifically focused on generating and evaluating productivity and efficiency improvement ideas – an initiative known initially as "Project Momentum." This project was originally intended to be a one-time event, but due to its success, the Company incorporated key attributes of Project Momentum into its annual planning process. This process has continued to evolve over time and, in 2017, the initiative became known as "Project Accelerate." Project Accelerate generated the next wave of operating efficiencies through the implementation of new technologies and automation of manual processes. Project Accelerate was followed by Project Velocity which continues today. Every business unit is engaged in identifying and evaluating sustainable opportunities to gain efficiencies in business practices, reduce costs, increase revenue and improve customer value. These benefits primarily result from streamlining of processes, deployment of technology to enable automation and other actions that are focused on significant improvements in operating efficiency. As FPL witness Reed demonstrates, FPL has been best-in-class in non-fuel O&M cost performance among all peer groups for the last decade and it continues to look for opportunities to improve. The cumulative savings that FPL has generated since 2013 as a result of these productivity initiatives are fully reflected in the forecasts in this filing. Understandably, as FPL has been on this productivity journey for over 10 years, it is experiencing diminishing incremental levels of savings, primarily because many of the highest-impact opportunities for savings already have been identified and implemented; however, the cumulative impact of these efforts has been significant.

The next step in the planning process was the development and approval of the Company's planning and budget assumptions. These include assumptions for inflation, customer and load growth, and new service accounts. These assumptions were prepared by various subject matter experts, reviewed and approved by me, and ultimately evaluated and approved by the Review Committee. The major forecast assumptions are listed in MFR F-8, which is Exhibit IL-4 to my direct testimony. Once approved, these assumptions, together with detailed budget instructions, were issued to the operating and staff units of the Company in the 2025 FPL Annual Budget Planning Process Guideline ("Planning Process Guidelines"), provided as Exhibit IL-2. The 2025 planning process resulted in the 2025 O&M and capital budgets, and the O&M and capital expenditures forecasts for 2026 and 2027. All business units entered their forecast for O&M and capital into FPL's SAP system at the work breakdown structure ("WBS") level. Each standalone project or activity is required to have a unique WBS element which maps all activities and costs to the required FERC account. Changes to FERC USOA functionalization are described later in my testimony.

Using the assumptions and Planning Process Guidelines, the business units prepared a budget presentation that described their business unit objectives and goals, key initiatives and specific business unit level assumptions, and included a preliminary funds request to support those business objectives. Business unit executives discussed their budget presentations with a subset of the Review Committee in detailed, individual sessions. These sessions offered the executives the opportunity to present their plans and funding requests and receive feedback.

Upon completion of these individual sessions, there were subsequent follow-up discussions to resolve items raised during the individual review sessions. Final approvals were made in late 2024. Accordingly, the final plans/forecasts approved by FPL's Review Committee reflect the Company's current and best assessment of the 2026 Projected Test Year and the 2027 Projected 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 expenditures budgets, other key components of the financial forecast were developed, including the energy sales and revenue forecasts. The energy sales forecast is the subject of FPL witness Cohen's direct testimony.

Other inputs into the financial forecast were provided by other subject matter experts. These inputs include other base revenues, various working capital items, taxes other than income taxes, production and investment tax credits, and financing plans, each forecasted differently, depending on the specific nature of the input. 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 the financial forecast?

A. All of the above-mentioned items were provided as inputs into FPL's Financial & Regulatory Information System ("FRI"). FRI is a utility financial forecast and regulatory model developed by Utilities International, Inc. ("UI") that is widely used in the industry. FPL has used the UI platform for 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, 120015-EI, 160021-EI, and 20210015-EI as well as the present proceeding.

A key attribute of the UI platform is the common data repository ("CDR"), which houses forecast per book inputs, including all the plant-specific asset information. The CDR includes capital-related calculations, including depreciation expense and Allowance for Funds Used During Construction. Additional calculations are performed in the FRI model that produce a total company balance sheet and income statement at a FERC account level and lead to the development of the FPL forecasted regulatory results (i.e., total company per book net operating income ("NOI"), rate base, and capital structure) in the same manner as it does for historical regulatory amounts included in FPL's Earnings Surveillance Reports ("ESR").

Once the FRI model calculates the per book forecast, the results are passed to the Cost of Service module in UI. As described by FPL witness DuBose, the total per book regulatory results are used in the development of jurisdictional separation factors. Those factors are then transferred back to FRI, so that retail jurisdictional NOI, rate base and capital structure can be calculated within the forecast module. Commission and Company adjustments, which are supported by FPL witness Fuentes, are then applied in FRI where jurisdictional-adjusted amounts are calculated.

The jurisdictional-adjusted results for NOI, rate base and capital structure are then utilized to develop the cost of service study. The cost of service study calculates the revenue requirements at the individual rate class level and is the subject of the direct testimony of FPL 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 business unit, as well as the MFR sponsors and co-sponsors. Exhibit IL-3 contains a flowchart of the forecasting process and models.

Q. Has FPL followed the same process for developing all forecast years, including the 2026 Projected Test Year and 2027 Projected Test Year as it did for the 2025 plan year?

A. Yes. As described above, FPL prepares forecasts of O&M expense for the plan year plus two additional years at an activity level. All three years (2025, 2026 and 2027) are prepared at a monthly level of detail. Capital expenditures forecasts are prepared for the plan year, 2025, plus four additional years, 2026 through 2029, at an activity (i.e., project) level of detail. All five years are prepared at a monthly level of detail. Additionally, the capital expenditures forecast for all five years is the basis of the related external financial disclosure in the Company's 10-K and 10-Q filings with the Securities and Exchange Commission and is subject to an internal Sarbanes-Oxley review and approval process.

Q. Do the Company's forecasts of revenue requirements in 2026 and 2027 provide a reasonable basis for evaluating the Company's projected deficiency?

A. Yes. FPL's forecasts are the products of a rigorous process involving a multi-year planning horizon. The total company per book forecasts for 2025 Prior Year, 2026 Projected Test Year and 2027 Projected Test Year were developed, reviewed, and ultimately approved in late 2024, and the resulting MFRs were developed and approved in early 2025. The assumptions and process used in developing these plan/forecasts are robust and reasonable, and the plans/forecasts can be relied upon for rate setting.

III. FERC UNIFORM SYSTEM OF ACCOUNTS

Q. Were there any changes to the USOA that impacted the forecast in this proceeding?

A. Yes. On June 29, 2023, FERC issued Order 898, Accounting and Reporting Treatment of Certain Renewable Energy Assets.[1] This order revises FERC's USOA by adding functional detail concerning the accounting treatment of certain renewable and storage technologies and creating new accounts for renewable energy credits ("REC") as well as certain hardware, software, and communication equipment. In addition to impacts to the balance sheet, the FERC Order 898 has created new functionalized income statement accounts corresponding to the balance sheet changes. According to FERC,

[1] Final Rule, 183 FERC ¶ 61,205, Docket No. RM21-11-000 (June 29, 2023).

the changes will provide uniformity, consistency, and transparency in accounting and reporting for investments in renewable and storage technologies.

Q. What is the effective date of FERC Order 898?

A. The FERC Order 898 is effective January 1, 2025.

Q. Please describe the FERC Order 898 balance sheet impacts.

A. The FERC Order 898 requires implementation of new categories for balance sheet FERC utility accounts:

- Creation of two new sub-functions and accounts within the Production Plant function of USOA: Solar Production and Other Renewable Production
- Creation of Energy Storage Function and accounts
- Creation of computer hardware, software, and communication equipment accounts for all functions

The changes listed above are also reflected in FPL's projected rate base. Refer to Exhibit IL-5, Pages 1 and 2, for a detailed listing of balance sheet account changes.

Q. Please describe the FERC Order 898 income statement impacts.

A. The FERC Order 898 requires implementation of various new FERC accounts:

- Creation of three maintenance accounts per function and subfunction
- Creation of new accounts to record Gains and Losses from Disposition of RECs and Unbundled RECs
- Creation of new O&M accounts for new functions Energy Storage and Other Renewable functions
- Changes to existing O&M accounts

The changes listed above are also reflected in FPL's projected net operating income. Refer to Exhibit IL-5, Pages 3 through 5 for a detailed listing of income statement account changes.

Q. Did FPL reflect the impacts of FERC Order 898 in its filing in this proceeding?

A. Yes. FPL maintains its books and records in accordance with FERC's USOA found in the Code of Federal Regulations, Title 18, Subchapter C, Part 101, which defines what is to be charged to each FERC account and provides instructions on how to account for certain transactions/activities. The FPSC has adopted the USOA to be used by electric companies within its jurisdiction via FPSC Rule 25-6.014, Records and Reports in General, for FPL's retail base rate filings and all FPSC audits. The impacts of FERC Order 898 are reflected in FPL's MFR schedules for the Prior Year Ended December 31, 2025, the 2026 Projected Test Year Ended December 31, 2026, and the 2027 Projected Test Year Ended December 31, 2027.

IV. MAJOR TAX ASSUMPTIONS

Q. What is the basis for FPL's tax-related assumptions for the 2026 Projected Test Year and the 2027 Projected Test Year?

A. Both FPL's 2026 Projected Test Year and 2027 Projected Test Year forecasts are based on current tax law. This includes the tax impacts that flow from the 2017 TCJA and the IRA that was signed into law in 2022.

Q. What tax rate is assumed pursuant to the TCJA?

A. The TCJA prescribes a federal corporate income tax rate of 21%. FPL applied this tax rate in calculating its income tax expense.

Q. Please describe the principal provisions of the IRA that impact FPL's revenue requirements.

A. The IRA extended and expanded federal income tax benefits for renewable energy projects, including updating Internal Revenue Code ("IRC") Section 45 Electricity Produced from Certain Renewable Resources (covers PTC) and Section 48 Energy Credits (covers ITC), and adding new Section 45Y Clean Electricity Production Credit and Section 48E Clean Electricity Investment Credit.

The IRA extended and modified IRC Section 45 which authorizes a tax credit for electricity produced from certain renewable sources at qualified facilities, including solar plants, during the 10-year period beginning on the date the facility was placed in service. Before the IRA took effect, the availability of PTCs for solar projects had expired December 31, 2005 and 30% of the cost of the solar projects was subject to ITC. With the enactment of IRA, owners of solar projects may elect the PTC in lieu of the ITC for all solar projects that enter service as of January 1, 2022. And, effective January 1, 2023, the IRA also provides a PTC benefit for clean hydrogen technology.

The IRA also extended and modified the availability of ITCs for certain investments in renewable property (sometimes referred to as "qualifying property"). Specifically, the IRA expanded ITC eligibility to include several additional technologies, including standalone energy storage (battery storage projects). The ITC is calculated as a percentage of the eligible cost of the property placed in service during the taxable year.

Lastly, effective January 1, 2023, the IRA established a 15% Corporate Alternative Minimum Tax ("CAMT") applicable to corporations under certain circumstances.

Q. Please describe the PTCs available for solar projects.

A. With the enactment of the IRA, FPL reviewed the benefits of both PTCs and ITCs for solar facilities. Given the fact that PTCs are available for 10 years following the in-service date of a solar facility, FPL determined that PTCs are more beneficial to customers and elected to claim PTCs for all its solar additions in the 2026 and the 2027 Projected Test Years. PTCs incentivize solar investments by granting a tax credit based on the amount of energy the facilities produce. PTCs are recorded as a reduction of operating income tax expense, thereby reducing revenue requirements.

FPL's customers already have benefited from the PTCs approved by the IRA that was signed into law less than a year after the 2021 rate case settlement was approved. Over the 2022 through 2025 settlement term, FPL's customers benefited directly from PTCs that reduced base revenue requirements associated with the 2022 and 2023 rate base solar projects and the 2024 and 2025 SoBRA projects for a total of approximately $480 million.

Q. Please explain how solar PTC amounts are calculated.

A. Under the IRA, the solar PTC base rate amount is 0.3 cents (as adjusted for inflation) per kilowatt hour ("kWh") of electricity produced from qualified energy facilities. This rate can be increased if the project either (1) started construction prior to January 29, 2023, or (2) satisfies a prevailing wage requirement and an apprenticeship requirement, known as the "labor standards." The PTC rate increases by an additional 10% if the qualified facility meets the domestic content requirements or is located in an energy community as defined in IRC Section 45 or 45Y. The Company intends to meet the requirements to qualify for the enhanced solar PTC rate. Additionally, some FPL solar sites will be located in applicable energy communities. Refer to Exhibit IL-9 for the PTC rate calculation.

Q. What amount of solar generation did FPL assume for its PTC calculation?

A. FPL's calculation assumes the same solar generation assumptions developed for use in FPL's Ten-Year Site Plan for 2025 through 2034 to be filed in April 2025. From 2022 through 2024, 52 FPL solar sites, totaling 3,874 MW closed to plant-in-service. An additional 24 sites totaling 1,788 MW are expected to enter service in 2025 and 2026 and 16 sites totaling 1,192 MW in 2027. Together, these solar facilities are projected to produce a total of approximately 12,377,224 MWh of generation in 2026 and 14,215,394 MWh of generation in 2027.

Q. Please describe the PTC benefits for clean hydrogen projects.

A. Clean hydrogen PTCs are available for a 10-year period for hydrogen produced after 2022 at facilities that started construction before 2033. Credits are based on the amount of hydrogen produced.

Q. Please describe the calculation of PTC rate for clean hydrogen projects.

A. The hydrogen PTC rate is calculated by multiplying the amount of green hydrogen produced by the base credit rate, which is $0.60 per kilogram of hydrogen. The credit amount is further increased if the project either started construction prior to January 29, 2023, or satisfies the labor standards. FPL intends to meet the requirements to qualify for the enhanced hydrogen PTC rate. Refer to Exhibit IL-9 for the calculation of the hydrogen PTC credit rate.

Q. What amount of hydrogen generation did FPL assume for its PTC calculation?

A. On December 31, 2023, FPL placed in service a 25 MW green hydrogen project at its existing Okeechobee Clean Energy Center, a pilot authorized under the Settlement Agreement in Docket No. 20210015-EI. FPL estimates that this project will produce 2,372,852 kilograms of hydrogen in 2026 and 2,533,872 kilograms of hydrogen in 2027.

Q. How are ITCs different from PTCs?

A. ITCs differ from PTCs in two principal ways. First, the amount of the ITC is based on the cost of the qualifying investment, not the amount of annual generation or production. Second, while PTCs from qualifying sites are generated annually as the projects continue to operate, the entire ITC amount is generated in the year the qualifying investment is placed in service. Under the IRA, ITCs are available for solar facilities and standalone storage. As described above, owners of solar generating facilities have the ability to elect either PTCs or ITCs.

Q. Please describe how ITCs are calculated under the IRA.

A. The ITC base rate is 6% for eligible solar generating facilities and standalone energy storage property placed in service during the taxable year. This rate can increase to 30% if the project either (1) started construction prior to January 29, 2023, or (2) satisfies the labor standards. Furthermore, the ITC rate is increased by an additional 10% if the eligible property meets the domestic content requirements or is located in an energy community as defined in IRC Section 48 or 48E. The Company intends to

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meet the requirements to qualify for the enhanced ITC rate. Additionally, some FPL battery storage projects will be located in designated energy communities and the incremental ITC benefit is reflected in the forecast and MFRs.

Q. How is the amortization of ITCs accounted for under the IRA?

A. Historically, FPL has fully normalized ITCs with the tax benefits spread over the book life of the assets. However, under the IRA, the project owner can opt out of normalization and elect to flow the full ITC benefit to customers in the year in which the battery project enters service. This allows customers to get the immediate benefit of the tax credit and is economically beneficial on a cumulative present value of revenue requirement basis.

Q. How does FPL plan to account for ITCs associated with the battery storage projects subject to the IRA?

A. FPL intends to elect out of the normalization method of accounting and proposes using the flow-through method for ITCs related to battery storage projects under its four-year proposal. Compared to the normalization method, this election has the effect of lowering revenue requirements significantly in the year of the flow-through. A high-level impact of flow-through vs. normalization accounting is reflected below:

	Impact: Flow-Through vs. Normalization ($ Millions)	2026	2027
1	**Flow-Through Method**		
2	ITC Generated	($587)	($364)
3	Depreciation Loss on the 50% ITC Basis Adjustment[2]	$74	$46
4	Tax Expense under Flow-Through Method	($512)	($318)
5	**Normalization Method**		
6	ITC Amortization[3]	($9)	($40)
7	Depreciation Loss on the 50% ITC Basis Adjustment[4]	$1	$5
8	Tax Expense under Normalization Method	($8)	($35)
9	Net Tax Expense Impact (Line 4 – Line 8)	($504)	($283)
10	Jurisdictional Separation Factor	0.96094	0.96168
11	**Net Revenue Requirements (Decrease) / Increase** (Line 9 * Line 10 / 0.74655)	**($649)**	**($365)**

Q. Please explain how FPL's projected test years reflect the transferred tax credits.

A. IRC Section 6418 Transfer of Certain Credits, a provision of the IRA, allows eligible taxpayers to transfer all, or a portion of tax credits, including PTCs and ITCs, to unrelated taxpayers for cash. The 2026 and 2027 Projected Test Year forecasts assume that FPL utilizes tax credits in the allowed amount of up to 75% of FPL's standalone federal income tax liability and is reimbursed at full value for these credits. FPL transfers tax credits generated in the current year but not utilized on its standalone federal income tax return and is reimbursed at discounted credit value for these credits.

[2] Tax basis is reduced by the amount of 50% of ITC generated. The tax effect of the amount of depreciation loss is incurred in the year the asset is placed in service.
[3] ITC amortization period is 20 years and assumes it commences with commercial operation date of the project.
[4] Assumes amortization over the twenty-year useful life of battery storage projects.

C12-1843

Q. Does FPL project that it will generate enough tax credits to reach the 75% limit?

A. Yes. In fact, FPL projects in the 2026 Projected Test Year and the 2027 Projected Test Year its tax credits will exceed the 75% cap. This will result in a tax credit carryforward 13-month average balance that is projected to grow to $324 million in 2026 and to approximately $1.2 billion in 2027.

Q. What impact does the increase in the tax credit carryforward have on the 2026 revenue requirement?

A. The tax credit carryforward is a deferred tax asset which has an upward impact on revenue requirements.

Q. Please explain how FPL can mitigate the impact of a tax credit carryforward.

A. FPL proposes to eliminate the carryforward by transferring, i.e., selling, any excess credits to third parties at a discount and applying the proceeds against the tax credit carryforward balance. The difference between the value of the credit and the amount received from the sale, known as the "valuation allowance," is recorded as an increase in operating income tax expense.

Q. What discount rate is FPL proposing to use?

A. FPL proposes to sell its excess ITCs at a 92% value, or an eight percent discount, and its excess PTCs at a 95% value, or a five percent discount. In determining the discount rate, FPL relied on an independent third party's tax credit market analysis.[5] The higher market sales discount percentage on the ITC as compared to the PTC is due to the inherent uncertainty with final construction costs and in-service dates on ITC eligible

[5] Crux 2024 Mid-Year Transferable Tax Credit Market Intelligence Report

projects such as battery storage, whereas the PTC is based on actual production volumes for projects already in-service.

Q. Is selling the tax credits at a discount beneficial to customers?

A. Yes. FPL has compared the return on the lower deferred tax balance plus the valuation allowance expense against the return on the higher deferred tax balance that would result from a tax credit carryforward without selling the excess credits. As reflected in Exhibit IL-6, selling the tax credits at discount in 2026 and 2027 results in a $39 million lower cumulative revenue requirement for customers by the end of 2027 as a result of a lower deferred tax asset balance.

Q. What happens in the event FPL cannot transfer an eligible tax credit?

A. Any portion of an eligible credit that is not transferred will remain as a deferred tax asset and will be applied to the subsequent years' standalone federal income tax liability.

Q. Please describe CAMT.

A. Effective January 1, 2023, the IRA established a 15% CAMT on the adjusted financial statement income. Corporations with an average book income over the preceding three years exceeding $1 billion are subject to CAMT. Companies that meet the threshold must pay federal income taxes based on the greater of the CAMT calculation or regular tax calculation.

Q. Is FPL projected to be in a CAMT position in 2026 and 2027?

A. No.

C12-1845

V. DRIVERS OF 2026 BASE RATE INCREASE

Q. What is the total amount of FPL's requested 2026 Base Rate Increase and how is it calculated?

A. FPL's requested base revenue increase for 2026 is $1.545 billion and is determined as the difference between FPL's projected net operating income of $4.580 billion and FPL's required net operating income of $5.732 billion multiplied by the revenue expansion factor of 1.34115. For further detail regarding the calculation of these revenue requirements, please refer to FPL witness Fuentes's testimony.

Q. What are the primary drivers of the net increase in revenue requirements in the 2026 Projected Test Year relative to actual results for 2023, the last test year used for setting rates?

A. The primary drivers of the change in revenue requirements are depicted on Exhibit IL-7 and are: (1) capital investment initiatives that support system growth, maintain reliability, and ensure regulatory compliance; (2) the impact of the amortization of the Reserve Amount authorized by the 2021 Rate Settlement but not available in the 2026 Projected Test Year; (3) the change in the weighted average cost of capital; (4) the unprotected excess ADIT fully amortized through 2025; (5) the impact of inflation and customer growth; (6) the increase resulting from FPL's 2025 depreciation study; and (7) the increase resulting from FPL's 2025 dismantlement study. The projected growth in base revenue requirements is partially offset by several drivers that, relative to actual results in 2023, reduce the growth in base revenue requirements: (8) IRA tax credits; (9) revenue growth; and (10) incremental productivity gains. Each of these drivers will be discussed individually, and they are summarized as follows:

Capital Initiatives	$1,839 million
Loss of Reserve Amortization	$336 million
Change in Weighted Average Cost of Capital	$256 million
Unprotected Excess ADIT Amortization	$167 million
Inflation and Customer Growth	$134 million
Depreciation Study	$122 million
Dismantlement Study	$56 million
IRA Tax Credits	($983) million
Revenue Growth	($360) million
O&M Productivity (net of Costs to Achieve)	($47) million
Other	$24 million
TOTAL	$1,545 million

Q. Please describe the capital initiatives that impact 2026 revenue requirements.

For the period from 2024-2026, FPL's retail rate base is forecasted to increase approximately $13.6 billion, primarily as a result of inflation and the investments made to support system growth, maintain reliability, and ensure regulatory compliance. Exhibit IL-7, page 2 of 2 depicts the revenue requirements in 2026 resulting from each of these capital initiatives. The impacts of inflation are described in the "Inflation and Customer Growth" section below and quantified in Exhibit IL-10 to my direct testimony.

C12-1847

Capital Requirements for Growth and Expansion

Capital Requirements for Growth and Expansion, in this analysis, represent the capital revenue requirements associated primarily with the transmission and distribution infrastructure needed to support the addition of new service accounts to the system and/or major new construction projects. For the period 2024 through 2026, FPL estimates that it will add approximately 352,000 new service accounts. FPL will have invested more than $6.4 billion in infrastructure to support system growth, including the addition of new service accounts, upgrades to existing infrastructure, and/or installation of new facilities over the 2024 to 2026 period. The total increase to revenue requirements in 2026 related to system growth and expansion is $562 million. The expenditures incurred to support growth and system expansion are explained by FPL witnesses De Varona and Oliver.

Generation Investments

FPL is investing approximately $1.4 billion for the installation of twelve 74.5 MW solar facilities that are projected to enter service during 2026. These projects, which are described in greater detail by FPL witness Oliver, are projected to provide up to 894 MW (nameplate) of generation necessary to meet customer load while also providing significant fuel savings for our customers and will continue FPL's strategy of building low-cost generation for our customers. The revenue requirement associated with the capital investment in these solar facilities is approximately $144 million. Net of projected PTCs and after accounting for O&M expenses, the revenue requirement is

$77 million of the base revenue increase in 2026, which is expected to be partially offset in 2026 and later years with fuel savings.

FPL is investing approximately $2 billion for the installation of 1,419.5 MW battery storage projects estimated to enter service during 2026. These projects will increase system reliability and flexibility, as described by FPL witness Whitley. The revenue requirement associated with the capital investment in these battery storage projects is $81 million. Net of the ITCs and after accounting for O&M expenses, these projects represent a *reduction* to the base revenue requirement of approximately $578 million in 2026.

In addition to the solar and battery storage projects FPL expects to place in service in 2026 described above, FPL's total capital initiatives revenue requirement of $527 million associated with generation investments includes a $227 million capital revenue requirement associated with the 2024 and 2025 SoBRA projects for which FPL requested and received approval of base rate changes,[6] and $75 million associated with the battery storage project FPL anticipates will be placed in service in October 2025.

Capital Requirements for Reliability, Grid Modernization and Other Support

FPL will invest about $3.7 billion from 2024 to 2026 to continue providing excellent reliability and to support the transmission, distribution, nuclear, and generation systems. As described by FPL witness De Varona, FPL will continue deploying

[6] Order No. PSC-2023-0343-FOF-EI and Order No. PSC-2024-0481-FOF-EI

innovative technology to further leverage our existing smart grid to avoid outages and reduce restoration time, thereby maintaining outstanding reliability. Additionally, FPL is rebuilding the 500 kV transmission structures to ensure the continued reliable performance of the electric system in Florida. These investments represent about $325 million of the revenue requirements increase in 2026.

Generation Fleet Capital Maintenance

The Generation Fleet Capital Maintenance driver of $231 million of the requested base revenue increase relates to investments that ultimately contribute to a more cost-efficient and reliable generation fleet operation as described in more detail by FPL witnesses Broad and DeBoer.

Regulatory Compliance

Investments for information technology infrastructure and cyber security include technology and systems to ensure the Company's assets and critical information are safeguarded. These include expenditures related to increased compliance costs for North American Electric Reliability Corporation and FERC reliability matters, as well as relocation of facilities as required by state agencies and local municipalities, as discussed by FPL witness De Varona. These areas represent capital expenditures of $942 million from 2024 to 2026. In total since 2024, investments resulting in a compliant, reliable and efficient infrastructure, represent about $135 million of revenue requirements in 2026.

Q. Please explain the impact of the amortization of the depreciation reserve and its effect on the 2026 revenue requirements.

A. The 2021 Rate Settlement allowed FPL to amortize up to $1.45 billion, including the $346 million that FPL forecasted to have remaining at the end of the prior settlement period. The $1.45 billion was defined in the 2021 Rate Settlement as the "Reserve Amount." Amortization of the Reserve Amount is recorded as a credit to depreciation expense and a debit to the accumulated depreciation reserve (i.e., an increase to rate base).

For the settlement period of 2022 to 2025, by amortizing the non-cash Reserve Amount, the Company has been able to offset variability in operating costs and revenues while continuing to invest to support the significant customer growth and maintain an adequate earned ROE.

As described in more detail by FPL witness Bores, the significant customer growth, high interest rates, and high levels of inflation, among other factors, resulted in FPL amortizing $227 million of the Reserve Amount from 2022 to 2023. In 2025, FPL projects that it will amortize all of the remaining Reserve Amount, approximately $845 million.

When comparing the 2026 Projected Test Year to 2023 actual results, the amortization of the Reserve Amount during the 2022 to 2025 settlement period affects the 2026 revenue requirements in two ways. First, the $227 million reduction in 2023 revenue requirements from amortization of the Reserve Amount 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. The combined effect of both of these impacts is that 2026 revenue requirements are $336 million higher than 2023.

Q. Please explain the difference in weighted average cost of capital and its effect on the 2026 revenue requirements.

A. As noted on MFR D-1a, the 2026 requested rate of return is 7.63%, which is 27 basis points higher than the 7.36% actual earned rate of return for FPL for 2023. The increase in the weighted average cost of capital is primarily driven by higher debt and equity weighted cost rates. The increase in the weighted cost of debt is driven primarily by higher interest rates since 2023, as described in detail by FPL witness Bores. The increase in the equity weighted cost rate is primarily due to higher ROE. FPL is requesting an overall mid-point ROE of 11.90%, as described by FPL witnesses Coyne and Bores.

Also contributing to the increase in debt and equity weighted cost rates is the reduction in deferred income tax and investment tax credit balances, which are driven by (i) amortization of TCJA-related excess deferred income taxes since 2018, and (ii) the continued amortization of ITC balances associated with solar and battery projects that pre-date enactment of the IRA.

In total, the net effect of the items mentioned above results in increased revenue requirements of $256 million.

Q. Please describe the impact of unprotected excess accumulated deferred income tax amortization on the 2026 projected revenue requirements.

A. In December 2017, after the enactment of the TCJA, FPL remeasured all of its deferred income tax balances as a result of the change in the federal corporate income tax rate. This remeasurement resulted in FPL recognizing excess accumulated deferred income taxes ("EADIT"). EADIT can be classified into two categories: "protected" and "unprotected." Protected excess deferred income taxes relate to method and life timing differences in depreciable property and are subject to IRC normalization requirements that govern the time over which the excess must be reversed for the benefit of customers. Excess deferred income taxes that are not subject to normalization requirements are referred to as "unprotected."

In Docket No. 20180046-EI, the Commission approved 10-year straight-line amortization for property-related unprotected EADIT and capped the amortization at 10 years for non-property-related unprotected EADIT. As part of the Settlement Agreement in the 2021 Rate Case, FPL was authorized to accelerate the amortization of remaining unprotected EADIT that would have been amortized in 2026 and 2027 and instead amortize it ratably in 2022-2025.

When comparing the 2026 Projected Test Year to 2023 actual results, the amortization of EADIT during the 2022 to 2025 settlement period is no longer available in 2026 and will therefore increase the 2026 revenue requirements by $167 million compared to 2023.

Q. Please describe the Inflation and Customer Growth driver and explain its cumulative effect on the 2026 revenue requirements.

A. Inflation represents the increased costs for goods and services in 2026 compared to the cost of the same goods or services in 2023. Changes to the Consumer Price Index ("CPI") since 2023, including the forecast through 2026, indicate that inflation will have added 7.98% to the cost of goods and services in 2026 relative to 2023. The forecast of CPI is derived from third party subject matter experts and is discussed in more detail by FPL witness Cohen. The CPI, however, represents a generic measure of *all* goods and services. As described in more detail in FPL witness Bores's testimony, inflation has had a more profound impact on the prices of equipment, materials, and supplies FPL uses in providing day-to-day service.

FPL is projecting approximately 4.3% cumulative growth in total customers during the period 2024 through 2026, as supported by FPL witness Cohen. FPL will incur additional non-fuel base O&M costs associated with providing operational and administrative support to its growing customer base. The impact of non-fuel base O&M inflation and customer growth over the 2023 to 2026 period on 2026 revenue requirements is estimated to be $134 million. Refer to Exhibit IL-8 for the calculation of inflation and customer growth O&M impact over the 2023 to 2026 period.

Inflation has an impact both on capital investments and non-fuel base O&M. Using the CPI, inflation added approximately $3.3 billion to the cost of capital investments over the 2022 to 2025 period, which equates to approximately $474 million in revenue requirements, as reflected on Exhibit IL-10.

Q. Please explain the impact of the 2025 Depreciation Study and its effect on 2026 revenue requirements.

A. The Commission requires that all investor-owned utilities file a depreciation study every four years. FPL's current depreciation rates were approved in Order No. PSC-2021-0446-S-EI[7] in Docket No. 20210015-EI. As described in further detail by FPL witnesses Allis and Ferguson, FPL has made significant investments since the approval of the last study, thus requiring an increase to FPL's current depreciation expense. This increase related to depreciation expense also results in a modest reduction in rate base. The net impact of the proposed depreciation rates included in the 2025 Depreciation Study results in an increase in retail base revenue requirements of $122 million.

Q. Please explain the impact of the 2025 Dismantlement Study and its effect on 2026 revenue requirements.

A. FPL's current dismantlement accrual is based on 2021 Dismantlement Study prepared and filed in FPL's last rate case. As described in further detail by FPL witnesses Allis and Ferguson, the increase in the revised annual accrual primarily reflects new solar plants and battery storage assets that have been or will be constructed since the 2021 Dismantlement Study. This increase related to dismantlement accrual also results in a

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[7] As amended by Order PSC-2021-0446A-S-EI and supplemented by PSC-2024-0078-FOF-EI

modest reduction in rate base. The net impact of the proposed dismantlement accrual is an increase in retail base revenue requirements of $56 million.

Q. Please describe the impact of the IRA Tax Credits on the 2026 Projected Test Year revenue requirement.

A. The IRA tax credits described in detail earlier in my testimony will decrease the 2026 projected revenue requirement by a total of $983 million, of which the PTCs represent $385 million, and the ITCs represent $660 million. These decreases in revenue requirements are partially offset by the $63 million higher 2026 revenue requirements associated with the valuation expense on transferred tax credits. As explained in more detail earlier in my testimony, the valuation expense is necessary to mitigate the increase in deferred income tax asset and revenue requirements and by 2027 is a net benefit to customers.

Q. Please describe the impact of the PTCs included in the 2026 Projected Test Year revenue requirement.

A. As described earlier in my testimony, FPL will elect to take PTC benefits for its solar projects, rather than ITCs, and expects that it will generate more PTCs in 2026 compared to 2023, thereby decreasing 2026 revenue requirements. FPL projects to generate a total of $382 million PTCs in the 2026 Projected Test Year, or approximately $300 million more than it generated in 2023. Of the total PTCs generated in 2026, $374 million stem from solar projects and $7 million stem from clean hydrogen. The increase in PTCs reduces revenue requirements by $385 million.

Q. Please describe the impact of the ITCs included in the 2026 Projected Test Year revenue requirement.

A. As described earlier in my testimony, FPL's installation of 1,419.5 MW of battery storage projects to be placed in service in 2026 are ITC-eligible. The total amount of projected ITCs generated from these projects is $587 million. As I mentioned previously, FPL intends to opt-out of normalization and will instead apply flow-through accounting. Doing so has the effect of reducing the 2026 revenue requirement by $660 million.

Q. Please describe the impact of Revenue Growth and its effect on 2026 revenue requirements.

A. FPL is projected to have higher retail sales in 2026 compared to 2023, as supported by FPL witness Cohen, resulting in an increase in retail base revenues and a corresponding decrease in 2026 revenue requirements of $322 million. Other base revenues are projected to have increased by $38 million, resulting in a corresponding decrease to revenue requirements. The overall impact of increases to retail revenues is a $360 million decrease of FPL's 2026 revenue requirements.

Q. Please describe the impact of FPL's productivity initiatives on 2026 revenue requirements.

A. FPL is projecting a reduction in revenue requirements of $47 million when comparing the Company's projected 2026 base O&M to its actual 2023 base O&M. As shown on Exhibit IL-8, this analysis begins with 2023 actual expenditures as the base year and follows the benchmarking methodology reflected on the Commission's MFR C-41, to calculate a 2026 "benchmark" level of O&M. This reduction in base O&M relative to the benchmark 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 these significant savings (known as cost to achieve). Project Velocity is the main catalyst that has contributed to FPL's tremendous success in lowering its operating costs since the last base rate case. This has allowed FPL to continue to provide superior service to its customers at a lower O&M cost in 2026, adjusted for inflation and customer growth, relative to 2023. FPL's non-fuel O&M per kWh cost position already was best in class as a result of previous productivity gains, yet the improvements made through Project Velocity resulted in FPL improving upon its best-in-class position among the benchmarked peer utilities described by FPL witness Reed.

VI. DRIVERS OF 2027 BASE RATE INCREASE

Q. What is the total amount of FPL's requested base revenue increase in the 2027 Projected Test Year?

A. As reflected on FPL witness Fuentes's Exhibit LF-2, FPL's requested base revenue increase for 2027 is $927 million. For further detail regarding the calculation of these revenue requirements, please refer to FPL witness Fuentes's testimony.

Q. Why is the 2027 Projected Test Year necessary?

A. As I will describe below, FPL will continue to make investments for the benefit of customers, which will significantly increase revenue requirement in 2027. As reflected on FPL witness Fuentes's Exhibit LF-4, assuming the approval of FPL's requested 2026 revenue increase and without a 2027 Base Rate Increase, FPL's ROE is expected to drop more than 100 basis points, putting it below the bottom of the requested ROE range. Assuming FPL's 2026 request is granted in full, the 2027 Base Rate Increase reflects only the incremental revenue need in 2027 to achieve a projected ROE equal to the requested midpoint of 11.90%. The drivers of the increase in revenue requirements in 2027 versus 2026 are depicted in Exhibit IL-11.

Q. How does the 2027 Projected Test Year benefit customers?

A. The 2027 Projected Test Year allows the Company to avoid filing another rate case in 2026 for new base rates effective in January 2027. Filing back-to-back rate cases would require FPL to expend significant time and resources – time that is better spent finding additional ways to create value for FPL's customers. If base rate proceedings were to become an annual requirement, customers would bear additional costs, and the Company would be investing significant resources into rate proceedings instead of finding additional opportunities to drive out costs and create long-term value for customers.

Q. What are the primary drivers of the net increase in the 2027 Projected Test Year revenue requirements?

A. The primary drivers of the increase in revenue requirements in 2027 are: (1) capital investment initiatives for solar generation and battery storage facilities, supporting system growth, improving the customer experience, and maintaining a compliant and reliable system; (2) an increase due to the net effect of ITCs associated with the battery storage projects, partially offset by the incremental PTCs associated with the solar investments; (3) a change in the weighted average cost of capital; (4) the impact of inflation and customer growth; partially offset by (5) revenue growth. Each of these drivers will be discussed individually, and they are summarized as follows:

Capital Initiatives	$809 million
Net IRA Tax Credits	$169 million
Change in Weighted Average Cost of Capital	$31 million
Inflation and Customer Growth	$27 million
Revenue Growth	($108) million
TOTAL	$927 million

Q. Please describe the capital initiatives that impact the 2027 revenue requirements.

A. FPL's retail rate base is forecasted to increase $5.6 billion in 2027 compared to 2026, which translates to a base revenue requirement increase of approximately $809 million, primarily as a result of the investments made to replace the customer service and billing system that is reaching the end of its serviceable life, invest in low-cost solar generation and battery storage, and investments that support system growth and maintain reliability. Exhibit IL-11, page 2 of 2, depicts the revenue requirement in 2027 resulting from each of these capital initiatives.

As described in greater detail by FPL witness Whitley, FPL's resource planning process reflects the need to add sixteen 74.5 MW solar generating facilities in 2027. The total 1,192 MW of nameplate capacity associated with these 2027 facilities will help FPL meet its generation capacity needs. These sixteen solar generating facilities have a capital revenue requirement of $124 million and a total net revenue requirement of $67 million (after accounting for O&M expenses and PTC), which will be further offset by fuel savings. To continue to ensure the reliability of our generation fleet, FPL will also add 819.5 MW of additional battery storage. The 2027 capital revenue requirement associated with these battery storage projects is $99 million, for a net revenue requirement *reduction* of $279 million associated with the 2027 battery storage projects (after accounting for O&M expenses and ITC). Lastly, the 2026 solar and battery storage projects are projected to be placed in service various months of the year, with only partial revenue requirement captured in the 2026 Projected Test Year. The increase in the capital revenue requirements in 2027 associated with the 2026 projects represents approximately $232 million.

As described in further detail by FPL witness Cohen, FPL projects to add approximately 114,000 new service accounts within its service area in 2027. Capital requirements for growth in this analysis represent the revenue requirements associated with the transmission and distribution infrastructure needed to support the addition of new customers to the system during 2027. In order to support future growth, FPL will make incremental capital investments which will result in an increase of $91 million in revenue requirements for 2027.

As described in further detail by FPL witness Nichols, FPL's existing Customer Information System ("CIS") is reaching its end of serviceable life. FPL plans to replace the existing CIS and its integrated systems with a new customer service platform. The project is projected to be completed by December 2027, with functionality entering service throughout 2027. FPL will incur approximately $751 million of capital expenditures, which will result in an increase of $85 million in revenue requirements for 2027.

FPL will invest approximately $444 million during 2027 in order to continue to comply with a variety of policies, standards, orders and requirements of regulatory commissions and agencies, as well as to harden the infrastructure and improve FPL's cyber resilience. These investments increase the 2027 revenue requirement by approximately $78 million.

During 2027, the Company will invest approximately $1.4 billion in order to continue to provide excellent reliable service to our customers through the continued modernization and maintenance of our system and the further deployment of smart devices to avoid and/or mitigate outages. These reliability investments increase the 2027 revenue requirement by approximately $55 million.

Lastly, FPL also projects an increase in base revenue requirements of approximately $46 million for the period 2026 to 2027 related to investments in our generation fleet made to maintain reliability, as described in more detail by FPL witness Broad.

Q. Please describe the impact of IRA tax credits on the 2027 revenue requirements.

A. The IRA tax credits will result in an increase of $169 million in revenue requirements in 2027 compared to 2026, of which $250 million increase relates to ITC tax credits, partially offset by a $72 million decrease in revenue requirements associated with the incremental PTC tax credits generated in 2027 compared to 2026, and $9 million lower revenue requirements due to lower valuation allowance expense.

Q. Please describe how ITCs will impact the 2027 revenue requirements.

A. ITCs will have a two-part impact in the 2027 Projected Test Year. As I have explained, FPL intends to use flow-through accounting, which provides the full ITC benefit to customers in a single year as opposed to normalization, which would spread the benefit over twenty years. In 2027, FPL will need to address both the ITCs generated from the 2027 battery storage projects, as well as the conclusion of the 2026 ITCs.

FPL projects to place in service 819.5 MW of battery storage projects in 2027, which will generate approximately $364 million ITC. Similar to the 2026 battery storage projects, FPL plans to elect out of normalization and apply flow-through accounting method related to the ITC generated in 2027. These ITCs will decrease the 2027 revenue requirements by $410 million.

Also in 2027, the $587 million of ITCs generated in 2026 are no longer available to reduce FPL's tax expense because the entire amount was flowed through in the prior year. The loss of the 2026 ITCs plus the incremental ITCs generated in 2027 results in a net revenue requirement increase of $250 million.

Q. Using flow-through accounting for the ITCs had an upward impact in 2027. Does that mean normalization would have been more beneficial for customers?

A. No. The flow-through benefits and impacts on 2026 and 2027 must be considered together. Had FPL normalized the ITC amortization in both years, FPL's revenue requirement would have decreased by a combined total of $46 million, compared to the $410 million net revenue requirements reduction realized by using flow-through accounting.

Q. Please describe how PTCs generated in 2027 will impact that year's revenue requirements.

A. FPL projects to generate $437 million in PTCs during the 2027 Projected Test Year, or $56 million more than it generated in 2026. Of the total PTCs, $46 million stem from the 2027 projects placed in service during 2027. The increase in PTCs reduces revenue requirements by $72 million.

Q. Please explain the change in the weighted average cost of capital and its effect on the 2027 revenue requirements.

A. As demonstrated on MFR D-1a, the 2027 weighted average cost of capital is 0.02% higher than the 2026 weighted average cost of capital. The difference is primarily attributable to an increase in the cost of long-term debt. The higher weighted average cost of capital is projected to increase the 2027 revenue requirements by $31 million.

Q. Please describe the impact of inflation and customer growth on the 2027 O&M revenue requirements.

A. As described previously, inflation represents the increased cost of goods and services in 2027 as compared to 2026. The CPI projection for 2027 indicates that goods and services will cost 2.12% more relative to 2026. In addition, as described by FPL witness Cohen, the Company projects to add an additional 70,480 retail customers in 2027. The impact of inflation and projected customer growth on O&M in 2027 results in a $27 million increase in revenue requirements.

Q. Please describe the impact of revenue growth on the 2027 revenue requirements.

A. Retail base revenue resulting from projected increased sales reflects modest growth, resulting in a decrease in 2027 revenue requirements of $108 million.

Q. Are the Company's forecasts for 2027 reasonable and reliable for setting rates in this proceeding?

A. Yes. Similar to the 2026 Projected Test Year, the basis and process used in developing the 2027 test year forecasts are robust and reasonable, and the resulting forecasts of revenue requirements can be relied upon for rate setting. FPL's forecasts are the product of a rigorous process involving a multi-year planning horizon that I describe in detail earlier in my testimony.

VII. FOUR-YEAR RATE PLAN

Q. Please refer to the four-year rate plan described by FPL witness Bores. Are there specific elements that you plan to describe?

A. Yes. I will be describing two essential elements of FPL's four-year rate plan: (i) the TAM, and (ii) the ITC-related components of the 2028 and 2029 SoBRA.

Tax Adjustment Mechanism

Q. Please generally describe the purpose of the TAM.

A. The TAM is a non-cash flexible amortization mechanism. Similar to the Reserve Surplus Amortization Mechanism ("RSAM") that has served FPL customers well for many years, the TAM will allow FPL to avoid general base rate increases in the final two years of the four-year term while also providing the opportunity for FPL to earn a fair and reasonable return while managing risks and uncertainties over the four-year term.

Q. Please describe why FPL needs a non-cash mechanism in 2028 and 2029.

A. FPL projects that, without base rate adjustments in 2028 and 2029, the Company's ROE will fall below the proposed authorized range, meaning the Company will be unable to earn a fair return and would be forced to return to the Commission to seek an incremental base rate increase to be effective January 1, 2028. FPL's proposed four-year rate plan, as described in detail in FPL witness Bores's direct testimony, will enable FPL to forgo general base rate increases in both 2028 and 2029 while providing customers with rate stability through at least January 2030.

Q. Please describe how the non-cash mechanism will benefit customers.

A. Over the period of its last four rate settlements, FPL's revenue requirement has been met through a combination of cash rate increases and the use of RSAM to reach the mid-point ROE. A new rate plan now is needed to cover FPL's current and prospective revenue requirements. FPL is seeking authorization for the TAM to offset additional revenue requirements expected during 2028 and 2029, thus avoiding additional general base rate increases until January 2030 at the earliest.

Although the TAM provides for only non-cash earnings, within the context of FPL's proposal to not seek a general base rate increase for 2028 and 2029, the TAM as proposed provides sufficient assurance of adequate book earnings to allow the Company to commit to its four-year plan. FPL has demonstrated over many years and several multi-year rate plans, that regulatory stability and rate certainty over a multi-year period enables the Company to continue to improve the value proposition for customers.

Q. FPL has used the RSAM since 2010. Why is FPL now proposing a new non-cash mechanism instead of continuing to use RSAM?

A. FPL used the RSAM framework over the last four FPL settlement agreements, i.e., 2010, 2012, 2016, and 2021, and it has been a constructive part of FPL's ability to continue to deliver value for customers for over a decade. As described in FPL witness Allis's direct testimony, FPL's 2025 Depreciation Study shows that FPL has a reserve deficit rather than a reserve surplus, meaning that use of an RSAM is not practical for FPL's proposed four-year rate plan.

Q. Please generally describe TAM.

A. FPL has historically normalized unprotected deferred tax liabilities over the lives of the related assets. When the DTLs reverse over the life of the assets, they provide customers a reduction in deferred tax expense. Under the proposed TAM, the Company proposes to accelerate the period of reversal. Specifically, FPL seeks authorization to flow certain DTLs back to customers over the four-year rate period.

The TAM involves the flexible amortization of a specified amount of two unprotected DTLs: tax repairs and mixed service costs. FPL's proposed treatment would accelerate the period over which the reduction in deferred tax expense flows to customers. In support of the four-year rate plan, FPL is requesting to accelerate the recording of this reduction in deferred tax expense to help offset the increasing revenue requirements in 2028 and 2029. As noted by FPL witness Bores, FPL's four-year rate plan offers customers base rate stability through at least January 2030. This stability is being accomplished by deferring cash rate increases in 2028 and 2029 even though FPL's revenue requirements will continue to increase. The acceleration of recording the reduction in deferred tax expense related to these two unprotected deferred income tax liabilities will help offset the increasing revenue requirements and is a key component of FPL's proposed four-year plan and ability to manage the uncertainty over that length of time.

Q. Please describe how FPL's proposed TAM will operate.

A. The TAM is an accounting mechanism that will draw from a balance of unprotected DTLs, and similar to RSAM, will allow FPL to respond to changes in its underlying revenues and expenses to maintain an FPSC-adjusted ROE within the ROE range authorized by the Commission.

FPL requests approval to recognize a TAM regulatory liability and an equal, offsetting TAM regulatory asset as of January 1, 2026. The regulatory liability represents the full amount of the reduction in deferred tax expense projected to be provided to customers over the proposed four-year rate plan. The regulatory asset, which will initially equally offset the regulatory liability, represents the amount of deferred taxes that will be recovered in future periods over the average life of the underlying assets. The amortization of the regulatory asset will begin upon its recognition on the Company's books and records. Exhibit IL-12 provides an illustrative representation and additional details associated with the TAM accounting entries.

Similar to RSAM, in each monthly ESR period, the Company proposes to record debits or credits to increase or decrease, respectively, its operating income tax expense, maintaining an ROE within the authorized range. I provide more details below.

Q. Please discuss the concept of a DTL.

A. 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 ("GAAP") 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 due to the Internal Revenue Service ("IRS") differs from the period in which that tax liability is recognized for accounting and ratemaking purposes. The same tax liability amount is recognized for both IRS and ratemaking purposes but is paid or recovered over different periods of time. All DTLs reverse over time and converge to zero over the life of the underlying item that gave rise to that balance.

Q. Please describe the tax repairs deferred tax liability.

A. In general, a taxpayer may immediately deduct amounts incurred for repairs and maintenance to tangible property if the amounts are not otherwise required to be capitalized. However, it is common for these types of costs to be capitalized and depreciated for book purposes. For tax purposes, the costs are considered deductible repair expenses and not capitalized unless they are incurred for either (a) betterment of the property, (b) restoration of the property, or (c) to adapt the unit of property to a new or different use. The cumulative difference between book depreciation expense and the tax repairs deduction multiplied by the statutory tax rate gives rise to a deferred tax liability.

Q. Please describe the mixed service costs deferred tax liability.

A. IRC Section 263A requires taxpayers to capitalize into the cost of real and tangible property both the direct costs of acquiring the property and the proper share of indirect costs allocated to such property, which may differ from the amounts capitalized for book purposes. FPL performs a calculation to determine the amount of indirect cost that should be capitalized for tax purposes and compares it to the amount of costs capitalized for book purposes for the same period. The cumulative difference between the two methods generates a temporary difference that is deducted (i.e., expensed) in the current year tax return. The cumulative difference between book depreciation expense and the mixed service cost deduction multiplied by the statutory tax rate gives rise to a deferred tax liability.

Q. Please describe how these deferred tax liabilities are currently recovered in the ratemaking process.

A. FPL currently normalizes tax timing differences related to tax repairs and mixed service costs over the remaining useful life of the assets. These deferred tax liabilities are currently included in FPL's capital structure with a zero cost of capital. Over time,

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deferred income tax expense offsets the Company's current income tax expense as the deferred tax liabilities reverse over the remaining life of the asset.

Q. What is the projected tax repairs and mixed service cost deferred tax liability balance as of January 1, 2026?

A. As of January 1, 2026, FPL is projected to have an approximately $2 billion deferred tax liability related to tax repairs and mixed service costs.

Q. What deferred tax liability amount does the Company propose to use for the TAM over the 2026-2029 period?

A. The DTL amount must be sufficient to afford FPL the opportunity to achieve the mid-point ROE through 2029. FPL proposes to utilize the actual tax repairs and mixed service cost DTL balance on FPL's books and records as of January 1, 2026 during the four-year rate plan for a total of up to $2 billion as the amount available for use as TAM ("TAM Amount").

As reflected on Exhibit IL-13, FPL's base rate revenue requirements are projected to grow approximately $957 million in 2028 and approximately $843 million in 2029. After accounting for additional base revenues projected to be received under FPL's proposed SoBRA mechanism, FPL will still require incremental base revenue in the amounts of approximately $661 million in 2028 and $577 million in 2029 to earn at the established mid-point return on equity, or a total of $1.9 billion. Additionally, as I described earlier, the amortization of the regulatory asset representing the recovery of deferred taxes in future periods will begin upon the recognition of the regulatory asset. The amortization of the regulatory asset will amount to $133 million in 2028 and 2029.

Thus, \$2.033 billion is a measure of the amount necessary to afford FPL the opportunity to earn the mid-point return on equity in both 2028 and 2029 without new incremental rates being established. FPL is requesting a \$2 billion TAM Amount, which is slightly less than the amount that would allow FPL to earn at the mid-point ROE.

Q. Please describe how the Company intends to use the TAM over the four-year term.

A. Similar to the RSAM, FPL requests authority to use TAM flexibly at its discretion from 2026 through 2029. It will be incumbent on FPL to manage its business such that its earnings do not exceed or fall below the authorized ROE range. 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, in any accounting period, at its sole discretion, to achieve the pre-established ROE for that period. However, during the four-year rate period, the Company cannot credit (i.e., decrease) operating income tax expense that would cause the TAM amount to be reduced below \$0. Similarly, FPL 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.

Q. Where will the proposed regulatory asset and liability be reflected for ratemaking purposes?

A. Both the regulatory asset and the regulatory liability will be included in FPL's capital structure at zero cost.

Q. Are there any IRS regulations or other accounting rules that must be considered prior to changing the amortization period?

A. No. Both the tax repairs and the mixed service costs DTLs are unprotected deferred income taxes not subject to IRS normalization rules; therefore, the Commission has the discretion to establish any amortization period it deems appropriate and could approve the proposed amortization as part of the four-year rate plan.

<u>ITC-related components of the 2028 and 2029 SoBRA</u>

Q. What amount of solar and battery generation does FPL propose to recover through the SoBRA mechanism?

A. As described by FPL witnesses Oliver and Bores, FPL requests approval to petition to adjust base rates to recover the cost of approximately 1,490 MW and 1,788 MW of solar facilities that enter commercial operation in 2028 and 2029, respectively, and 596 MW of battery storage projects to be placed in service each year in 2028 and 2029.

Q. What tax credit treatment does FPL propose for solar and battery storage additions?

A. Under current law, FPL intends to claim PTCs on the 2028 and 2029 solar facilities and ITCs on the 2028 and 2029 battery storage additions.

Q. Please describe the ITC adjustment component of the SoBRA proposed by FPL.

A. As I have described throughout my testimony, FPL intends to elect out of normalization and, instead, flow through the full ITC benefit in the first year of all battery storage facilities added during the 2026 through 2029 period, such that the full ITC will flow through to customers as a one-time revenue requirement reduction in the year the facility enters service. Conclusion of the one-time ITC flow-through in the year following the year the unit enters service requires a revenue requirement increase. All other things being equal, there will be an under recovery of revenue the following year in the absence of this restoration.

In the year battery storage projects are placed into service, they receive a one-time tax credit benefit due to the flow-through tax election. FPL proposes that the SoBRA reflect both the reduction from the first-year flow-through and the necessary increase once the flow-through is depleted, beginning with the conclusion of the $295 million ITC impact from 2027. The credit/restoration netting will continue as new battery storage facilities enter service in 2028 and 2029. This means that the revenue requirement for the 2028 and 2029 SoBRA will reflect the conclusion of the 2027 and 2028 ITCs, respectively, as well as the addition of the full amount of ITCs associated with the battery storage assets to be installed in 2028 and 2029, respectively.

Q. Does this conclude your direct testimony?

A. Yes.

Maria Jose Moncada
Assistant General Counsel
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April 29, 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:

Florida Power & Light Company attaches for electronic filing an errata sheet for the prepared direct testimony of witness Ina Laney and Ms. Laney's Exhibits IL-12 and IL-13, which were originally filed on February 28, 2025.

Please feel free to contact me if you have any questions regarding this filing.

Sincerely,

s/ Maria Jose Moncada
Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company

cc: Counsel for Parties of Record

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C12-1874a

CERTIFICATE OF SERVICE
Docket No. 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 29th day of April 2025 to the following:

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By: *s/ Maria Jose Moncada*
Maria Jose Moncada
Florida Bar No. 0773301

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ERRATA SHEET

WITNESS: INA LANEY
DIRECT TESTIMONY DATED FEBRUARY 28, 2025

Page	Line	Change
51	12	Change “$2 billion” to “$1.717 billion”
	20	Add “or $925 million after-tax” after “$1.9 billion”
	23	Change “$133 million in 2028 and 2029” to “$229 million over the four-year period”
52	1	Change “Thus, $2.033 billion” to “Thus, $1.717 billion”
	3	“$2 billion” to “$1.717 billion”
	3-5	Strike “, which is slightly less than the amount that would allow FPL to earn at the mid-point ROE”
	19	“$2 billion” to “$1.717 billion”

Exhibit No.	Page No.	Change
IL-12	1 of 1	Replace originally filed Exhibit IL-12 with attached Exhibit IL-12 Errata
IL-13	1 of 1	Replace originally filed Exhibit IL-13 with attached Exhibit IL-13 Errata

(Whereupon, prefiled rebuttal testimony of Ina Laney was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF INA LANEY

Filed: July 9, 2025

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INTRODUCTION

Q. Please state your name and business address.

A. My name is Ina Laney. My business address is Florida Power & Light Company ("FPL" or "the Company"), 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. Have you previously submitted direct testimony in this proceeding?

A. Yes.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit IL-14 – CPVRR Flow-Through vs. Normalization
- Exhibit IL-15 – RSAM Customer Bill Impact

I am co-sponsoring the following exhibit:

- Exhibit LF-11 – FPL's Notice of Identified Adjustments filed May 23, 2025 and Witness Sponsorship, filed with the rebuttal testimony of FPL witness Fuentes

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to rebut the incorrect assertions from intervenor witnesses regarding: (1) the need for the 2027 Projected Test Year (Florida Rising, League of United Latin American Citizens, Environmental Confederate of Southwest Florida ("FEL") witness Rábago); (2) the reliability of the forecast FPL proposes to use to set rates for 2026 and 2027 (Office of Public Counsel ("OPC") witness Schultz); (3) the reasonableness of FPL's operations and maintenance expense ("O&M") and capital budgets (OPC witness Schultz); (4) the reasonableness of property tax millage rate forecast (OPC witness Schultz); (5) the proposed treatment of

Investment Tax Credits ("ITC") FEL witness Rábago,); (6) the characterization of FPL's equity return as a percentage of revenues (OPC witness Lawton), and the accounting for the proposed Tax Adjustment Mechanism ("TAM") (OPC witness Devlin and Florida Retail Federation ("FRF") witness Georgis).

Q. Please summarize your rebuttal testimony.

A. FPL has provided forecast test years 2026 and 2027 for use in this proceeding. Both projected test years are supported by a full set of Minimum Filing Requirements ("MFRs"). The forecast demonstrates that the 2027 Projected Test Year is necessary to avoid falling more than 100 basis points below the allowed midpoint return on equity ("ROE"), and approving it is consistent with Florida Public Service Commission ("Commission") policy and past practice. FPL has robust methodologies for developing the forecasts for 2026 and 2027, involving input from various business units and undergoing multiple levels of review. This comprehensive process is aimed at mitigating any financial incentives to overestimate costs, which has been a point of contention from intervenors. FPL's historical variances stem from legitimate operational changes rather than systematic over-forecasting, thereby reinforcing the credibility of the forecasted expenses for maintenance and other operational activities. The financial forecasts for 2026 and 2027 were derived from a comprehensive process and should therefore be deemed reasonable and reliable for setting rates in the upcoming years.

My testimony addresses concerns raised by OPC witness Schultz about FPL's projected maintenance costs. OPC witness Schultz's assessment does not challenge any specific maintenance costs or activities but recommends reductions in non-nuclear and nuclear generation maintenance. I highlight the flaws in OPC witness Schultz's approach and explain that his methodology is overly simplistic. In fact, based on historical averages, I argue that these expenses should be adjusted upward. Focusing on capital additions, I point out that the capital forecasting methodology used by FPL involves detailed planning and prudent investment and argue for the approval of FPL's forecasted capital additions as essential to accommodating growing customer demand, maintaining service reliability, and compliance with regulatory requirements. Despite assertions to the contrary, our capital forecasts are sound and necessary for maintaining service quality and adhering to regulatory mandates.

Similarly, the suggested reductions to property tax expense by OPC witness Schultz are based on an oversimplified understanding of changing local economic conditions and legislative influences affecting tax rates. OPC witness Schultz suggests a decline in effective property tax rates based on recent trends, but I argue these adjustments are based on historical assumptions that do not account for current economic conditions in Florida, such as growth and increased budget needs. I defend the forecasted property tax rates as reasonable and reflective of the economic realities of FPL's service area.

Addressing insurance expenses, specifically liability insurance, I refute proposed cuts by highlighting our prudent approach based on industry trends and expert assessments. In a volatile insurance market, particularly influenced by wildfire losses, our strategies include negotiating favorable terms and adjusting coverage to mitigate cost impacts while maintaining essential protection for both customers and the Company. On Directors and Officers ("D&O") liability insurance, I counter the notion that such insurance primarily benefits shareholders, stressing its role in sustaining qualified executive leadership, which directly translates to improved service quality for our customers. The Commission's historical lack of directives for FPL to remove D&O expenses further supports our position.

My rebuttal testimony supports the benefits of FPL's proposed accounting for the ITC flow-through approach, highlighting foreseeable customer advantages. Specifically, I address FEL witness Rábago's concerns about the matching principle and suggest that the normalization approach would only delay the pass through of benefits to customers, thus failing to balance immediate customer advantages with the true cost of service over time. I argue that the flow-through method significantly benefits customers by providing substantial revenue requirement reductions compared to the normalization model with a CPVRR benefit of approximately $612 million over the life of the projected 2026 and 2027 energy storage facilities. Additionally, I clarify misconceptions regarding the transferability of ITCs and explain that credit transferability provides immediate value by converting credits into cash, reducing deferred tax assets, and ultimately lowering revenue requirements.

The analysis presented by OPC witness Lawton regarding equity returns misinterprets the impact on customer bills by focusing on percentage metrics. It is crucial to consider the comprehensive customer benefits delivered through efficient operations, leading to lower overall costs despite equity returns. Our approach consistently results in superior customer value, demonstrated by competitive bills and industry-leading reliability, affirming that our financial strategy is both valid and customer-centered.

The TAM proposed by FPL has drawn several concerns from intervenors, particularly regarding its accounting treatment and rationale. I dispute OPC witness Devlin's proposal to utilize the primary deferred tax liability ("DTL") account for the TAM mechanism, explaining that this account reflects the tax obligations payable to taxing authorities in the future, and using it would result in altering deferred tax liability balances, which is not permissible. The appropriate accounting for the TAM involves recognizing a TAM Regulatory Liability, reflecting the tax benefit provided to customers over the proposed four-year rate plan, and a TAM Regulatory Asset, reflecting the recovery of these benefits over approximately 30 years. Intervenors such as OPC witness Devlin and FEL witness Rábago suggest that accelerating the flow-back of DTLs could lead to intergenerational inequity and potentially violate the matching principle. These criticisms overlook broader regulatory objectives, such as maintaining base rate predictability and minimizing frequent rate increases. The TAM is designed to provide immediate benefits to customers and aims to avoid further rate increases in 2028 and 2029, extending predictable rates over FPL's four-year rate plan.

I. PROJECTED TEST YEARS AND FINANCIAL FORECAST

Q. FEL witness Rábago recommends that the Commission reject FPL's 2027 Projected Test Year and states that FPL should make its request and file another petition next year if it believes an increase in 2027 is necessary. Do you agree?

A. No, I disagree with Mr. Rábago. Use of the Company's proposed 2027 Projected Test Year in this proceeding is appropriate under Commission Rule 25-6.0425 – Rate Adjustment Applications and Procedures, and represents an efficient and reasonable basis upon which to establish rates for the Company. Consistent with this rule, the Commission has previously approved the use of "two fully projected test years" in rate cases for FPL, Florida Power Corporation, and Tampa Electric Company in Order Nos. 13537, PSC-92-1197-FOF-EI, and PSC-93-0165-FOF-EI, respectively. The justification for the 2027 Projected Test Year is especially critical in this case due to FPL's commitment to forgo general base rate increases in 2028 and 2029 upon approval of its four-year plan.

Q. Why is the 2027 Projected Test Year necessary, and why is it beneficial?

A. As demonstrated in the Company's filing, FPL projects a $932 million revenue deficiency in 2027.[1] Without the 2027 Projected Test Year, even assuming the Company receives its full requested revenue increase in 2026, the Company projects its ROE in 2027 will fall more than 100 basis points, putting it below the bottom of the allowed range. The 2027 Projected Test Year allows the Company to avoid filing another rate case in 2026 for new base rates effective in January 2027. Filing back-to-

[1] Exhibit LF-12, Page 1 of 6, to FPL witness Fuentes's Rebuttal Testimony.

back rate cases would require FPL to expend significant time and resources – time that is better spent finding additional ways to create value for FPL's customers.

Q. Are the Company's forecasts for 2026 and 2027 reasonable and reliable for setting rates in this proceeding?

A. Yes, FPL's forecasts for the 2026 and 2027 Projected Test Years are reasonable and reliable for setting rates in this proceeding. The basis and process used in developing the forecasts are robust, and the resulting forecasts of revenue requirements are reasonable. FPL's forecasts are the products of a rigorous process involving a multi-year planning horizon that I describe in detail in my direct testimony.

Q. Intervenors claim that FPL has a financial incentive to overestimate costs in its forecasted test years. How do you respond?

A. These claims are unfounded. FPL's forecasts are developed using a transparent process that incorporates input from various business units and undergoes multiple levels of review. Furthermore, FPL is subject to regulatory oversight, including the potential for after-the-fact prudence reviews, which provides a strong incentive for accuracy in forecasting. FPL acknowledges that variances between forecast and actuals may occur, but as multiple FPL witnesses have explained throughout this proceeding, any such variances result from changing circumstances that occur throughout the year. Any suggestion that FPL deliberately overestimates costs fails to recognize the comprehensive processes and controls in place to ensure forecast accuracy.

Q. Do the 2026 and 2027 Projected Test Years comport with OPC witness Devlin's suggestion that the forecasts reflect all efficiencies?

A. Yes, the benefits from all identified cost efficiencies have been fully incorporated into FPL's forecasts. FPL has successfully lowered its operating costs since the last base rate case, despite a high inflationary environment. This has allowed FPL to continue to provide superior service to its customers at a lower O&M expense in 2026, adjusted for inflation and customer growth, relative to 2023. Over the current settlement period alone, FPL created more than $500 million of annual run rate savings for customers, every dollar of which is included in the 2026 and 2027 forecasts.

Q. What steps did FPL take to ensure the forecasts accurately incorporate efficiency savings?

A. Our budgeting process specifically requires business units to incorporate these savings into their budgets. My team reviews each business units' O&M and capital expenditure forecasts to ensure compliance, thereby verifying that the forecasts already reflect all identified productivity improvements and cost savings.

Q. How do you respond to the argument that the Company is "holding back" on cost efficiencies in the 2026 and 2027 forecasts to create "shareholder windfalls"?

A. There is no merit to the argument the Company is holding back on cost efficiencies in the 2026 and 2027 forecasts as there are clear examples that demonstrate that cost efficiencies are carried forward into the forecast:

- As shown on MFR Schedule C-37, the Company's 2026 Projected Test Year O&M is approximately $175 million below the Test Year Benchmark and the Company's 2027 Projected Test Year O&M is approximately $190 million

- below the test year benchmark using the established FPSC methodology for O&M benchmarking.
- Additionally, performing the same benchmark as in MFR C-37, but going back 15 years by using the 2011 actuals as the base year, the Company's filed 2026 Projected Test Year O&M is lower by approximately $881 million, and the Company's filed 2027 Projected Test Year O&M is lower by approximately $917 million compared to benchmark.

All the identified cost efficiencies are fully reflected in the forecasts and lower rates in the current rate filing. This opportunity cannot be realistically repeated year after year, which does not suggest pessimistic forecasting. To the extent that the Company identifies incremental cost efficiencies in the future, customers will receive the benefit in rates in a future rate filing through lower revenue requirements as opposed to creating a "shareholder windfall."

Q. Will the Commission maintain the ability to oversee FPL's earnings in 2027 and future years in the absence of back-to-back rate cases?

A. Yes. FPL is required to submit to the Commission earnings surveillance reports ("ESR") monthly. These reports set forth the level of FPL's earnings and other financial results. The Commission utilizes the ESRs to ensure that FPL is not earning above the allowed ROE range and has the authority to initiate an earnings investigation when appropriate. Through this robust process, the ESRs, effectively and efficiently, have served to protect customers and the Company during multi-year rate plans and "stay outs," and it will serve the same function during the 2027 Projected Test Year and remainder of the four-year rate plan being proposed in this proceeding.

II. O&M BUDGETS

A. MAINTENANCE EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's generation and transmission maintenance costs.

A. OPC witness Schultz recommends arbitrary reductions to FPL's forecasted maintenance costs across three categories: non-nuclear generation maintenance, nuclear generation maintenance, and transmission maintenance. His recommendation is based primarily on historical budget-to-actual variances from 2020 through 2024, where actual maintenance costs were lower than budgeted costs. OPC witness Schultz applies the five-year average variance percentages to reduce FPL's forecasted maintenance costs for each category. Based on this methodology, Mr. Schultz recommends combined reductions to nuclear and non-nuclear generation maintenance expense of $10.927 million[2] on a jurisdictional basis in 2026 and $9.902 million[3] on a jurisdictional basis in 2027; and reductions to transmission maintenance costs of

[2] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 1 of 2, Line 14.

[3] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 2 of 2, Line 14.

$10.566 million[4] on a jurisdictional basis in 2026 and $13.379 million[5] on a jurisdictional basis in 2027.

FPL witness De Varona addresses OPC witness Schultz's claims related to transmission maintenance costs in his rebuttal testimony, and I will address nuclear and non-nuclear generation maintenance below.

Q. Does OPC witness Schultz identify any imprudent or unreasonable maintenance costs?

A. No. In fact, on page 72 of his direct testimony, OPC witness Schultz expressly states that he is "not taking issue" with any specific maintenance costs or activities.

Q. In the absence of imprudent or unreasonable costs, what is the basis for OPC witness Schultz's recommended reductions in generation maintenance costs?

A. OPC witness Schultz based his conclusions on a comparison of historical budget-to-actual variances for non-nuclear and nuclear generation maintenance costs from 2020 through 2024, as shown in his Exhibit HWS-2, Schedule C-12, Page 1 of 3. He calculated a five-year average variance of 21.82% for non-nuclear generation maintenance and 10.54% for nuclear generation maintenance, and mechanically applied these percentages to reduce FPL's 2026 and 2027 forecasts.

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[4] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 1 of 2, Line 15.
[5] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 2 of 2, Line 15.

D10-554m

Q. How do you respond to OPC witness Schultz's proposed adjustments to generation maintenance costs?

A. OPC witness Schultz's approach to adjusting FPL's generation maintenance costs is overly simplistic and fails to consider several important factors that affect both historical variances and future maintenance needs. A forecast should not rely solely on historical variances between budgeted and actual maintenance costs, as they are not necessarily indicative of the future. Variances often result from legitimate operational decisions and changing circumstances that occur throughout the year. OPC witness Schultz ignores the important context provided by FPL witnesses Broad and DeBoer in FPL's discovery responses regarding these variances.[6] For example, the favorable variances for non-nuclear generation from 2022 through 2024 were due to a combination of outage deferrals, outage work scope reductions, and outage work capitalization – not because the original budget was inflated.

Q. Why is OPC witness Schultz's mechanical application of historical percentages problematic?

A. OPC witness Schultz's approach assumes that future maintenance requirements will mirror past patterns, which is not a valid assumption for several reasons. FPL's generation fleet continues to evolve, with new units being added and older units retired or modernized. These changes affect maintenance requirements. Maintenance needs are cyclical and depend on equipment age, operating conditions, and industry-

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[6] FPL's response to OPC's First Set of Interrogatories, No. 55 Corrected and FPL's responses to OPC's Eleventh Set of Interrogatories, No. 314 sponsored by FPL witnesses Broad and DeBoer.

recommended maintenance intervals. The 2020 through 2024 period represented in the historical data was atypical, with pandemic and post-pandemic supply chain disruptions, workforce challenges, and deferred maintenance that are not representative of normal operations. FPL's projected costs for 2025 through 2027 were not developed strictly through the use of historical information. FPL also considered manufacturer maintenance manuals and contracts for parts and maintenance. Mr. Schultz, by contrast, relies solely on a simplistic application of historical averages.

Q. Are there additional observations you would like to make about the projected generation maintenance expenses?

A. Yes. OPC witness Schultz recommends reductions to FPL's generation maintenance expenses but ignores the embedded efficiencies already present in the forecast. As reflected in the table below, non-nuclear generation maintenance expense is in-line with the historical average with less than 1% difference between the projected 2026 and 2027 amounts and the five-year actual historical average. This is a change well below the projected inflation levels. A reduction to these projected amounts, as proposed by OPC witness Schultz, is unreasonable.

Non-Nuclear Generation ($000)	FPL Budget [7]	Actual Five-Year Average [8]	Budget vs. Actual Five-Year Average Increase / (Decrease)	Percentage Difference
2026	22,035	22,033	2	0.0%
2027	22,304	22,033	271	1.2%
Average	22,170	22,033	137	0.6%

[7] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-12, Page 1 of 3, Lines 9–10.

[8] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-12, Page 1 of 3, Line 7.

D10-554o

Q. How do the nuclear generation maintenance expenses in the 2026 and the 2027 projected test years compare to the five-year actual historical average?

A. Nuclear generation maintenance expense for the 2026 and 2027 projected test years is approximately 30% lower compared to the actual five-year average. Applying Mr. Schultz's logic, this may suggest that these expenses are understated, and an upward adjustment should be made.

Nuclear Generation ($000)	FPL Budget [9]	Actual Five-Year Average [10]	Budget vs. Actual Five-Year Average Increase / (Decrease)	Percentage Difference
2026	62,553	80,491	(17,938)	-22.3%
2027	50,763	80,491	(29,728)	-36.9%
Average	56,658	80,491	(23,838)	-29.6%

Q. Would accepting OPC witness Schultz's recommended adjustments negatively impact FPL's ability to maintain its generation assets?

A. Yes. The maintenance budgets included in FPL's filing represent our best estimate of the resources needed to maintain our generation assets in a reliable and cost-effective manner. Reducing these budgets based on historical variances without considering future needs would constrain our ability to perform necessary maintenance. This could potentially lead to decreased reliability, increased equipment failures, and higher long-term costs.

[9] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-12, Page 1 of 3, Lines 18-19.

[10] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-12, Page 1 of 3, Line 16.

Q. What is your conclusion regarding OPC witness Schultz's proposed adjustments to generation maintenance costs?

A. OPC witness Schultz's recommended adjustments to FPL's generation maintenance costs should be rejected for several reasons:

- He does not identify any imprudent or unreasonable activity or cost.
- The mechanical application of historical variance percentages fails to consider the specific circumstances that led to those variances and the changing nature of FPL's maintenance requirements.
- There are significant efficiencies already embedded in FPL's forecast.
- The forecast is in-line for non-nuclear generation, and significantly lower for nuclear generation, compared to the five-year actual historical average.
- OPC witness Schultz's recommendations, if adopted, could potentially compromise FPL's ability to maintain its assets properly, resulting in increased costs long-term.

FPL's forecasted maintenance costs represent a reasonable projection of the resources needed to maintain our generation assets. The Commission should approve these costs as filed to ensure continued reliable and efficient service to our customers.

B. PROPERTY AND LIABILITY INSURANCE EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's projected insurance expenses.

A. OPC witness Schultz challenges FPL's projected insurance expenses for 2026 and 2027 and recommends reductions of $13.642 million[11] in 2026 and $14.400 million[12] in 2027 on a jurisdictional basis. Specifically, he takes issue with the forecasted amounts for property insurance refunds which show a reduction from 2024 and the forecasted amounts for liability insurance which show an increase from 2024. OPC witness Schultz states that FPL has not provided evidence that would support these increases in insurance costs.

Q. What is the basis for OPC witness Schultz's recommended adjustments to FPL's property insurance expenses?

A. For property insurance, OPC witness Schultz recommends a reduction of $3.702 million[13] in each of the projected test years 2026 and 2027. He calculates this adjustment by comparing the expected 2025 nuclear refund distribution of $225 million against the 2024 distribution of $300 million to arrive at a 25% expected reduction in distribution refunds. Applying the 25% reduction to 2024 refunds yields an estimate of $13.702 million against FPL's estimate of $10 million.

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[11] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 1 of 2, Line 9.

[12] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Page 2 of 2, Line 9.

[13] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 24.

Q. How do you respond to OPC witness Schultz's concerns about the nuclear distribution refund projections?

A. Nuclear refunds are not guaranteed and are determined by the insurance mutual based on industry losses and investment portfolio performance. The actual distributions vary year to year. The nuclear refunds forecast is based on guidance provided by the Nuclear Electric Insurance Limited ("NEIL") and assessments by FPL's risk management department. The expected distribution ranged from $10 million on the low end to $13.879 million[14] on the high end of the range. In 2024, Cedar Hamilton Limited, which supports the traditional insurance program for NEIL, communicated that it experienced higher than expected losses due to wildfires, the largest of which being the Smokehouse Creek Fire in Texas,[15] leading to an expected loss ratio approximately three times higher than the prior year. Consequently, FPL's forecasted refunds reflect a prudent approach given current market conditions, unknown future investment performance and assume that this adverse event would put the upcoming distribution at the low end of the range of $10 million. This prudent approach reflects the uncertain nature of these refunds. The simple approach by OPC witness Schultz of taking the expected 2025 distribution amount of $225 million against the 2024 distribution amount of $300 million to arrive at a 25% reduction ignores that actual intervening loss events impacted the insurance market, specifically insurers' downside risk from expected wildfire losses.

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[14] FPL's response to OPC Eleventh Set of Interrogatories, No. 308, Attachment No. 1 of 3, Amended, included in OPC witness Schultz's Exhibit HWS-7.

[15] Xcel Energy Is Sued Over the Worst Wildfire in Texas History, https://www.claimsjournal.com/news/national/2024/03/04/322322.htm.

Q. What is the basis for OPC witness Schultz's recommended adjustments to FPL's liability insurance expense?

A. For liability insurance, OPC witness Schultz recommends a reduction of $10.475 million in 2026 and $11.156 million in 2027.[16] OPC witness Schultz disagrees with FPL's forecasted liability insurance premiums and instead applies a three-year average increase of 21.66% for 2025, followed by the same percentage increases FPL applied for subsequent years (6.2% for 2026 and 6.5% for 2027).

Q. How do you respond to OPC witness Schultz's concerns regarding the significant increases in liability insurance expense?

A. The 82.8% increase in liability insurance expense, which includes general liability, wildfire liability, and cyber liability, is primarily driven by wildfire liability insurance. Excluding wildfire liability insurance, all other premiums increased by 19.0% from 2024, which is lower than the historical three-year average increase of 21.66% referenced by OPC witness Schultz. The increases in the wildfire liability premium are primarily driven by industry-wide wildfire losses experienced by insurance carriers.

Liability Insurance Expense ($ Millions)	**2024**	**2025**	**Change $**	**Change %**
General Excess Liability	14.7	17.0	2.2	15.0%
Cyber, Fiduciary, Other	1.4	2.3	0.9	60.9%
Total Excluding Wildfire (1)	**$16.1**	**$19.2**	**$3.1**	**19.0%**
Wildfire Liability (2)	-	10.3	10.3	100%
Total Including Wildfire (1)	**$16.1**[17],	**$29.5**[18],	**$13.4**	**82.8%**

(1) Totals may not add due to rounding.
(2) Prior to the 2025 renewal year, wildfire coverage was included as part of FPL's general excess liability coverage and not separately identified.

[16] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 32.
[17] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 9, Column E.
[18] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 25, Column B.

It is important to note that prior to the 2025 renewal year, the cost of wildfire coverage was not separately identified. Due to industry-wide losses and increased risk associated with wildfires, insurers have added incremental wildfire charges to insurance renewals and sub-limited wildfire exposure for the 2025 renewal year.

Q. Please explain the market's response to the significant wildfire losses and the impact on FPL's liability insurance expense.

A. A dramatic shift in the 2024 insurance market occurred where many carriers either reduced their wildfire coverage, eliminated it entirely, or substantially increased prices while reducing their exposure. Several carriers exited this market altogether, which has reduced competition and further contributed to upward price pressures.

The effects of these changes were felt at FPL as the Company's carriers began limiting wildfire liability coverage and mandating higher premiums for wildfire coverage for the upcoming 2025 renewal year. FPL projected that it would lose \$125 million to \$150 million of wildfire coverage under its traditional policy based on industry trends. The cost to replace this coverage was estimated at \$12.5 million to \$15 million based on a 10% rate online ("ROL").[19] As evidenced by historical industry losses, dropping wildfire coverage is not a prudent or reasonable option.

Just as with property insurance, OPC witness Schultz's approach of applying a three-year historical average increase of 21.66% for liability insurance fails to account for

[19] ROL is a measurement of the cost of insurance (premium cost divided by limit). As an example, a 10% ROL signifies a \$10 million premium for \$100 million in limit.

actual structural changes in the insurance market driven by wildfire losses. The mechanical application of historical averages is arbitrary and ignores the reality of current market conditions.

Q. Are these insurance cost increases unique to FPL?

A. No. The insurance cost increases reflect industry-wide trends affecting utilities across the country. Heightened wildfire costs stemming from major industry losses is impacting the entire utility industry. FPL has worked diligently to manage these costs through strategic risk management and negotiations with carriers.

Q. How does FPL ensure its insurance premium forecasts are reasonable?

A. FPL employs a dedicated internal risk management team that forecasts insurance expenses through consultation with our insurance brokers who have extensive market knowledge, analysis of industry trends, evaluation of FPL's specific risk profile, and consideration of historical loss experience. Our forecasts for 2026 and 2027 reflect the best available information at the time of filing and represent a reasonable projection of expected costs.

Q. Has FPL taken steps to mitigate insurance cost increases?

A. Specific to minimizing cost increases for wildfire coverage, the Company obtained a standalone wildfire policy, dropping this coverage from its general excess liability. Opting for a standalone policy provides mitigation from higher insurance rates and future increases. Insurance premiums tend to compound annually and seldom decrease unless a soft market with surplus capacity creates competition. A stand-alone policy provides the Company flexibility by de-linking wildfire coverage from its general excess liability coverage, allowing the Company to shop for better rates or adjust coverage in the future. Without these efforts, the projected costs would be higher.

More generally, FPL continuously evaluates its insurance coverage needs and explores various risk management strategies to mitigate cost increases, including:

- Adjusting deductible levels where appropriate
- Self-insuring certain risks; and
- Negotiating with carriers to obtain the most favorable terms possible.

These efforts demonstrate FPL's commitment to cost containment while maintaining appropriate insurance protection for the benefit of both customers and the Company.

Q. What is your conclusion regarding OPC witness Schultz's proposed insurance expense adjustments?

A. OPC witness Schultz's proposed adjustments should be rejected as arbitrary and ignore market realities that have impacted the insurance industry. FPL's forecasted insurance expenses represent reasonable projections based on the best available information from our insurance brokers and industry experts. The Commission should approve FPL's forecasted insurance expenses as filed.

C. DIRECTORS AND OFFICERS LIABILITY INSURANCE EXPENSE

Q. OPC witness Schultz raises concerns about D&O liability insurance. How do you respond?

A. OPC witness Schultz recommends disallowing the entirety of D&O insurance costs, arguing that such insurance primarily benefits shareholders rather than customers. This position is overly simplistic and fails to recognize the customer benefits of D&O insurance. D&O insurance is necessary to attract and retain knowledgeable, experienced and capable directors and officers. D&O insurance is purchased for the purpose of protecting the company and its directors and officers from normal risks associated with managing the Company. It allows directors and officers to make decisions based on their best judgment and not on the goal of minimizing exposure to potential lawsuits. Qualified and capable directors and officers would be reluctant to assume the responsibilities of managing a company without the assurance that their personal assets would be shielded from legal expenses, settlements or judgments arising from lawsuits. The assets of the Company are likewise protected from lawsuits that could divert capital to cover any losses. Unlike typical corporations, utilities serve customers, employees, and communities alongside shareholders. D&O coverage protects decision-making that balances these diverse interests rather than maximizing shareholder value alone.

Q. OPC witness Schultz claims that FPL "ignored past precedent" by not making a Commission or Company adjustment to remove the D&O insurance. Do you agree?

A. No, I do not. The Commission has never ordered FPL to remove D&O insurance. Mr. Schultz cites no order on point.

Q. Do you agree with OPC's witness Schultz's assertion that D&O insurance costs should be disallowed in their entirety because the benefit of D&O insurance is primarily to shareholders?

A. No. Customers benefit from retaining qualified, capable directors and officers without whom FPL could not deliver the value its customers experience today. Mr. Schultz's claim that shareholders initiate lawsuits is a red herring. Competent candidates must be free to make decisions for the utility based on their business judgment without jeopardizing their personal assets.

Q. Should the Commission include FPL's requested expense for D&O insurance in its revenue requirement calculation?

A. Yes. D&O insurance is an essential and prudent cost to attract and retain skilled leadership and is appropriately included in the Company's determination of revenue requirements in this case. D&O insurance is a necessary part of conducting business for a large corporation. Increasing scrutiny of corporate governance and the related risk exposure of directors and officers make insurance a necessity in maintaining a high-quality board and senior management team.

D. INJURIES AND DAMAGES EXPENSE

Q. Please summarize OPC witness Schultz's claims on injuries and damages expense.

A. OPC witness Schultz makes several claims regarding FPL's request for injuries and damages. First, Mr. Schultz disagrees with the recovery of prior period deferred expenses, claiming that this is retroactive ratemaking. Second, Mr. Schultz claims that $17.949 million is the appropriate annual reserve accrual based on historical averages.

Lastly, he recommends an annual injuries and damages claims expense of $2.521 million[20] based on historical averages.

Q. How do you respond to OPC witness Schultz's claims?

A. FPL witness Fuentes addresses OPC witness Schultz's claims regarding the recovery of prior period deferred expenses and the appropriate amount for the annual reserve accrual. I will address Mr. Schultz's recommendation related to the annual claims expense of $2.521 million, which is approximately $0.719 million lower compared to the $3.240 million[21] projected amount. The application of a historical average does not consider $0.860 million in one-time reimbursements (reduction to expense) received in the historical 2024 period. These one-time reimbursements relate to 2017 and 2018 claims and should be adjusted out for trend analysis as non-recurring items.

Additionally, looking at the current year, the amount of actual claims expense incurred through May 2025 would result on an annualized basis in a projected year-end claims expense of approximately $3.7 million, well above the $3.2 million reflected in the 2026 and 2027 Projected Test Years. This evidences the reasonableness of FPL's forecasted claims expenses for 2026 and 2027.

[20] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-8, Line 2, Column (E).

[21] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-8, Line 5.

D10-554z

III. CAPITAL BUDGETS

Q. Please summarize OPC witness Schultz's testimony regarding FPL's capital additions.

A. OPC witness Schultz makes several claims regarding FPL's capital additions, including that they are "excessive and/or not required," "un-needed," and "overly optimistic." He offers two alternative adjustment approaches: a primary recommendation based on specific plant adjustments identified by OPC witness Dauphinais, and a secondary recommendation based on historical capital addition trends.

Q. How does OPC witness Schultz's testimony relate to that of OPC witness Dauphinais?

A. As OPC witness Schultz explains on page 31 of his testimony, he is incorporating OPC witness Dauphinais's recommendations regarding specific plant additions. OPC witness Dauphinais recommends excluding all solar plant additions for 2026 and 2027 from the rate base, claiming they are not needed. According to Mr. Schultz, this results in a reduction to plant in service of approximately $1.126 billion on a jurisdictional basis in 2026 and approximately $2.302 billion on a jurisdictional basis in 2027.[22]

FPL witness Whitley explains why it is not appropriate to remove the 2026 and 2027 solar plant additions from a resource need and customer benefit standpoint, and I will discuss Mr. Schultz's calculation of the revenue requirements impact associated with this proposed change.

[22] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule B, Line 1, Column (B), Page 1 of 2 for 2026 and Page 2 of 2 for 2027.

Q. Do you agree with OPC witness Schultz's calculation of the revenue requirement impacts associated with removing all 2026 and 2027 solar plant additions?

A. No, I do not. While OPC witness Schultz calculated the capital revenue requirement (i.e., return on and of rate base and property taxes), he did not make a corresponding adjustment to remove the associated O&M expenses and production tax credits.

Q. OPC witness Schultz's alternative recommendation is based on historical trends in capital additions. Is this approach appropriate?

A. No. OPC witness Schultz's approach fails to consider the fact that historical spending patterns do not necessarily reflect future system needs. Instead, he compares forecasted capital additions to the three-year historical average, identifying the difference as "excess," and then adjusts projected plant by the amount of "excess."

Specifically, OPC witness Schultz claims that there is an "inconsistency" between the changes in capital expenditures, construction work in progress ("CWIP"), and plant additions which suggests the budgeting and planning "are poorly coordinated."[23] He then proceeds to perform various analyses of plant additions,[24] capital expenditures,[25] and CWIP[26] based on historical trends and averages. This type of analysis may be appropriate when analyzing recurring capital spend (e.g., maintenance, additions of new service accounts, etc.), but it is not appropriate when reviewing FPL's *total* capital

[23] OPC witness Schultz Direct Testimony, Page 33.
[24] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule B-2, Page 2 of 3.
[25] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule B-3.
[26] OPC witness Schultz Direct Testimony, Exhibit HWS-6.

additions. OPC witness Schultz's analysis does not consider the composition of FPL's capital initiatives.

Q. Please explain why one should consider the composition of FPL's capital projects when reviewing capital additions.

A. FPL's capital initiatives include a significant number of major projects, which represent over 65% of the outstanding ending CWIP balance in 2026 and in 2027.[27] "Major" projects are projects with a well-defined start and end date (e.g., solar, energy storage, 500 kV transmission project, etc.). In contrast, "minor" projects encompass recurring projects of a similar nature that are not forecasted on an individual basis (e.g., maintenance, addition of new customer service accounts, etc.). Minor projects do not have a discrete in-service date and are therefore projected to close to plant-in-service based on historical pattern of plant additions.

Construction work on major projects extends over one or more years. In the year a project is placed in service, the CWIP balance will *not* correspond to the change in capital expenditures due to the simple fact that CWIP represents *cumulative* capital spend over a multi-year period. At the time the project is placed in service, one would see a large decline in the CWIP balance, with often a fraction of the change in capital spend during that same period. Additionally, the intra-year timing of a major project placed in service significantly impacts the average CWIP balances. As an example, if a $1 billion capital project is added to plant in service in the month of September of a

[27] MFR Schedule B-13.

given year, the plant additions amount will increase by $1 billion, while the 13-month average CWIP balance will decrease by approximately $308 million.

As such, any evaluation that attempts to correlate capital expenditures, plant additions, and CWIP balances without factoring in major projects timelines and the nature of capital expenditures is insufficient. Even OPC witness Schultz acknowledges that the historical trend for plant additions "fluctuated from year-to-year" and "there is no trend of continual increases." This absolutely makes sense, of course, because FPL has a significant number of major projects. OPC witness Schultz's reliance on an oversimplified math exercise led him to incorrect conclusions regarding FPL's forecast.

Q. In summary, what is your assessment of OPC witness Schultz's recommendations regarding capital additions?

A. OPC witness Schultz's claims about FPL's capital additions are unfounded and his recommendations should be rejected. The proposed reductions are arbitrary and fail to consider the specific circumstances that drive FPL's capital investment program. Reducing capital expenditures as proposed would impair FPL's ability to maintain reliable service and meet growing customer demand, potentially leading to higher costs in the long run. His approach overlooks the detailed planning process behind FPL's capital forecast and fails to recognize the legitimate need for infrastructure investment to support customer growth, maintain reliability, and meet regulatory requirements, as was explained by FPL's operational witnesses. FPL's capital forecasting methodology is sound, and the capital additions included in the 2026 and 2027 revenue requirements represent necessary investments to serve customers reliably and cost-effectively. The Commission should approve FPL's forecasted capital additions as filed.

Q. FEL witness Rábago and OPC witness Dauphinais suggest that FPL's forecast is lacking sufficient detail, and FPL does not forecast at the individual project level for growth and system expansion. Is this accurate?

A. No, this is not accurate. Significant capital projects are forecasted at the individual project level, and FPL provided cost by project in response to discovery requests in this proceeding. Certain categories of routine, recurring capital expenditures with similar characteristics, such as regular maintenance, are not considered "significant," and are budgeted at the program level.

Q. OPC witness Schultz claims that FPL's capital budget includes projects with uncertain in-service dates and insufficient justification. How do you respond?

All capital projects included in FPL's forecasts have undergone thorough internal review and have been determined to be necessary to meet customer needs and maintain reliable service. Each major project is supported by detailed plans that identify projected in-service dates and expected benefits. FPL provided cost by project in response to discovery requests in this proceeding. FPL's Ten-Year Site Plan provides a comprehensive view of our long-term capital planning process, which is updated annually to reflect changing conditions.

IV. PROPERTY TAX EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's projected property tax expenses.

A. Mr. Schultz recommends reductions to FPL's projected property tax expenses of approximately $28.2 million in 2026 and $42.6 million in 2027 on a jurisdictional basis.[28] His adjustments are based on two primary assertions. First, OPC witness Schultz claims that FPL's forecasted effective property tax rate should be reduced from the 2024 rate to 1.57%,[29] based on his observation that the effective tax rate has been declining in recent years. Second, he applies this lower rate to a reduced plant balance that corresponds to the plant disallowances recommended by OPC witness Dauphinais.

Q. What is the basis of OPC witness Schultz's adjustment to the effective property tax rate?

A. OPC witness Schultz reviewed the historical effective property tax rates from 2021 through 2024 as provided in FPL's response to OPC's First Set of Interrogatories No. 77 and observed that the effective tax rate had declined over that period.[30] Based on this trend, he recommends using an effective tax rate of 1.57% for 2026 and 2027, rather than FPL's forecasted rate based on 2024 actuals. This adjustment alone results in a reduction of approximately $11 million in 2026 and $12.5 million in 2027.[31]

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[28] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Line 27, Page 1 of 2 for 2026 and Page 2 of 2 for 2027.
[29] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-16, Line 10.
[30] OPC witness Schultz Direct Testimony, Exhibit HWS-7.
[31] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-16, Line 18.

D10-554af

Q. How do you respond to OPC witness Schultz's property tax rate adjustment?

A. OPC witness Schultz's recommendation is flawed for several reasons. First, his adjustment is based on a simplistic extrapolation of historical trends without considering the factors that influence property tax rates and millage rates across FPL's service territory. Property tax rates are determined by local taxing authorities based on their budgetary needs, influenced by multiple unpredictable factors such as legislative decisions, economic shifts, changing public service demands, and the overall taxable value in their jurisdictions. Moreover, the recent declines observed are not typical historically and were largely driven by extraordinary circumstances specific to the time period Mr. Schultz examined, such as Florida's rapid growth which increased the property tax base as real estate values escalated. As this growth plateaus and potentially declines, coupled with consistent or growing budgetary requirements due to inflation and population increases, there is no guarantee this trend will continue.

Second, holding the rate flat is also consistent with the proposed Required Local Effort millage rate for the Florida Education Finance Program,[32] which is being held flat for 2025 and 2026 after several years of reductions which have been one of the drivers of the reduced millage rates. The leveling off of this rate indicates a stabilization trend rather than continued decreases.

[32] Section 1011.62 (4), Fla. Stat. – Funds for Operation of Schools.

D10-554ag

Q. How do you respond to OPC witness Schultz's claim that FPL could seek tax abatements that would further reduce the effective tax rate?

A. OPC witness Schultz selectively references a single project planning document for the proposed Milton Center[33] to suggest that FPL could broadly seek tax abatements across its service territory. This selective example does not support a system-wide reduction in effective tax rates. Tax abatements are project-specific and location-specific. They are not universal policies that can be applied to the entirety of FPL's property tax liability. While FPL diligently pursues appropriate tax optimization strategies, including seeking abatements where available, there is no basis to assume these opportunities would result in a system-wide reduction in the effective tax rate below the 2024 level used in our forecast.

Q. OPC witness Schultz states that he relies on the 4% early payment discount "to continue to drive the effective rate downward." Does he explain what he means by this?

A. No, he does not, so I am unable to determine how he is applying or extrapolating the discount. Paying property taxes in full by the end of November entitles property owners to pay 4%[34] less than the stated property tax balance. For clarity, FPL has historically paid by November to take advantage of the discount. The early payment discount is reflected in the effective property tax rate in FPL's 2024 historical, 2025 prior, and 2026 and 2027 projected test years.

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[33] OPC witness Schultz Direct Testimony, Page 93, Lines 9-12.
[34] Section 197.162 (3), Fla. Stat. – Discount for Early Payment.

Q. Please address OPC witness Schultz's second adjustment related to plant adjustments.

A. OPC witness Schultz's second adjustment applies his recommended property tax rate to a reduced plant balance,[35] that corresponds to the plant disallowances recommended by OPC witness Dauphinais. As I understand it, OPC witness Schultz calculated a ratio of taxable value to total plant based on historical information provided in discovery, and then applied this ratio to the plant adjustments recommended by OPC witness Dauphinais. As explained in the direct testimonies of FPL witnesses Whitley and Oliver, these plant additions are necessary and prudent investments to serve our customers, and therefore, OPC witness Dauphinais's recommended disallowances should be rejected. Consequently, OPC witness Schultz's corresponding property tax adjustment should also be rejected.

Q. What do you conclude regarding OPC witness Schultz's property tax adjustments?

The Commission should reject OPC witness Schultz's property tax adjustments for the reasons I have outlined. FPL's property tax forecasts represent a reasonable projection of the Company's future property tax obligations and should be approved as filed. His second adjustment based on plant disallowances recommended by OPC witness Dauphinais also adjustments should be rejected along with the underlying plant disallowances, which are not justified based on the record in this proceeding.

[35] OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-16, Line 6.

V. INVESTMENT TAX CREDIT TREATMENT

Q. FEL witness Rábago has questioned FPL's proposed treatment of investment tax credits. Please explain why FPL's approach is appropriate.

A. FPL's proposed treatment of ITCs is consistent with applicable tax laws and regulatory principles. As explained in my direct testimony, revenue requirements are appropriately reduced to reflect the ITC flow-through in the year in which the assets are placed into service and increased once the flow-through is depleted. This pattern of decreases and subsequent increases is also properly accounted for in our proposed SoBRA mechanism. This approach ensures transparency and proper rate treatment.

Q. FEL witness Rábago argues that FPL's flow-through method for ITCs creates unnecessary volatility in revenue requirements as well as raises concerns about the matching principle. How do you respond?

A. The flow-through method provides significant benefits to customers by passing through the tax credits in the year they are generated. As shown on Page 23 of my direct testimony, this approach results in substantial revenue requirements reductions compared to the normalization approach of $649 million in 2026 and $365 million in 2027. As shown in Exhibit IL-14, while the flow-through method does create some year-to-year variability, the CPVRR benefit compared to normalization is approximately $612 million over the life of the energy storage facilities projected to be placed in service in 2026 and in 2027. While normalization would create less year-to-year volatility, it would delay passing significant benefits to customers.

Q. FEL witness Rábago claims that customers are "denied" 8% of the value of the ITCs due to the valuation discount on transferred credits. How do you respond?

A. FEL witness Rábago misunderstands the ITC transfers in principle and in application. Transferability allows FPL to receive cash for credits that are not utilized in the current period and would otherwise be carried on the balance sheet as a deferred tax asset and have an upward impact on revenue requirements. FEL witness Rábago incorrectly suggests that the sale of tax credits is somehow related to the one-year flow-through treatment. That is not the case as all tax credits are eligible to be transferred, regardless of the accounting treatment elected.

FPL is not "denying" customers anything. It is mitigating upward pressure on revenue requirements that would otherwise result from deferring these tax credits. The IRS limits the level of credits that can be applied on a tax return at 75% of the taxpayer's liability.[36] Without transferability, credits in excess of the 75% cap would become deferred tax assets that increase revenue requirements. FPL has compared the benefits of transferring excess tax credits (ITCs and Production Tax Credits) versus carrying them forward. The results of the analysis are reflected on Exhibit IL-6 to my direct testimony and demonstrate that selling the tax credits at discount in 2026 and 2027 results in a $39 million lower cumulative revenue requirement for customers by the end of 2027 as a result of a lower deferred tax asset balance. FPL's proposal to sell excess tax credits at a discount is beneficial to customers.

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[36] 26 U.S.C. § 38(c)(1)

VI. EQUITY RETURNS

Q. Please summarize OPC witness Lawton's testimony regarding FPL's equity return as a percentage of revenue.

A. On page 12 of his direct testimony, OPC witness Lawton claims that approximately 50% of FPL's base revenues go toward equity profit, which he refers to as "shareholder profit," and associated federal income taxes. He characterizes this percentage as "disturbing" and presents a comparative analysis with Duke Energy Florida ("DEF"), asserting that DEF's shareholder profit and federal income taxes make up approximately 37% of base rate revenues, compared to FPL's 49.6%.[37]

Q. OPC witness Lawton further alleges that this higher percentage is due to what he describes as "mostly inefficient financing of capital expansion by employing more costly equity rather than lower cost debt." How do you respond to OPC witness Lawton's claim that FPL is using an "inefficient" capital structure with too much equity?

A. OPC witness Lawton's characterization of FPL's capital structure as "inefficient" is incorrect and appears to stem from a short-term perspective that overlooks the long-term benefits to customers. FPL witness Bores addresses the benefits of FPL's proposed equity ratio in his testimony.

Q. How do you respond to OPC witness Lawton's characterization of FPL's equity return as a percentage of revenue?

A. OPC witness Lawton's analysis is fundamentally flawed and misleading. His analysis incorrectly suggests that a higher equity ratio or a higher ROE automatically indicates

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[37] OPC witness Lawton Direct Testimony, Pages 12-13, Tables 5-6.

customers are paying more than necessary. Focusing on the percentage of revenues and income tax allocation to shareholders, provides an incomplete picture of a utility's overall financial structure and efficiency. This approach fails to recognize the significant customer benefits derived from FPL's financial strategy. Contrary to OPC witness Lawton's implications, FPL's superior operational performance demonstrates that shareholders' investments are being efficiently utilized. FPL consistently achieves industry-leading performance in service reliability and cost management. This operational excellence translates into lower overall costs for customers, even after accounting for the return on equity component. An evaluation of total customer bills, rather than percentages of revenue allocated to specific cost components, would offer more accurate reflection of true customer benefit.

Q. Please explain why the total customer bill comparison is a more meaningful comparison.

A. OPC witness Lawton conflates an accounting calculation with a value judgment. The percentage of revenue requirement allocated to return on equity and associated taxes is a mathematical function of FPL's capital structure and governing tax law – not an indication of excess.

The equity return, which OPC witness Lawton calls "shareholder profit," represents the return on investments. These investments provide benefits to customers over the life of the assets. A large portion of this return is re-invested by the shareholders in utility assets, further enhancing customer benefits. The "All Other" expenses are just that – expenses (e.g., non-fuel operation and maintenance expense, taxes other than income taxes, etc.). Of course, there is a certain level of expense that is necessary to maintain and operate the utility system. In general, however, *the lower* the "All Other" component, *the better*. It means that the utility is more efficient. Conversely, higher "All Other" indicates more 'inefficient' use of customer revenue, precisely what Mr. Lawton argues against. Lower expenses translate directly into lower bills for customers over time. Focusing solely on the percentage of revenues allocated to shareholder returns, as OPC witness Lawton does, provides an incomplete and misleading picture.

FPL witness Bores's direct and rebuttal testimonies detail how FPL's financial strategy – including its capital structure and ROE – is not harming customers but instead is part of an overall approach that delivers superior service at competitive rates.

VII. TAX ADJUSTMENT MECHANISM

Q. Have intervenors raised concerns about the TAM proposed by FPL?

A. Yes. Intervenors have questioned the accounting treatment and rationale for the TAM proposed as part of FPL's four-year rate plan. FPL witness Bores addresses in his rebuttal testimony the rationale and policy-related aspects of TAM. I will address in this section of my rebuttal testimony the accounting and calculation-related concerns raised by the intervenors regarding the TAM mechanism.

Q. OPC witness Devlin and FEL witness Rábago suggest that accelerating the flow-back of DTLs creates intergenerational inequity and potentially violates the matching principle. How do you respond?

A. OPC witness Devlin's and FEL witness Rábago's claim that FPL's proposed TAM would violate the matching principle of accounting, which states that expenses should be recognized in the same period as the revenues they helped generate. The implication is that accelerating the amortization of tax timing differences through the TAM would create an intergenerational inequity by allowing current customers to benefit from deferred tax liabilities that would otherwise be flowed back to customers over a longer period. Witnesses Devlin and Rábago overlook broader considerations by focusing narrowly on certain issues. Elements of intergenerational equity and the matching principle must be balanced with other regulatory objectives, including base rate predictability and the avoidance of frequent rate increases.

As a general matter, customer bases are not static – there is always movement of customers into and out of our service territory. Any ratemaking mechanism will have some degree of intergenerational effect. Regarding the TAM specifically, both today's and tomorrow's customers will benefit from it. The benefit to today's customers is obvious and implicitly acknowledged by the intervenors. The TAM is designed to avoid additional rate increases in 2028 and 2029, thereby providing customers lower rates in those years compared to not having the TAM. More predictability over the four-year period of FPL's proposed rate plan is also a benefit. The TAM's benefits also extend beyond 2029. It will allow FPL to continue to make prudent long-term investments by offsetting revenue requirements. Therefore, by definition, customers in future years will benefit from the capacity, reliability or savings generated by those investments.

The TAM represents a reasonable balance of competing regulatory principles that ultimately benefits customers through near-term stable rates and long-term prudent investments. The benefits of rate stability and regulatory efficiency provided by the TAM outweigh the theoretical concerns about intergenerational equity raised by OPC and FEL witnesses.

Q. OPC witness Devlin expresses various concerns over FPL's proposal to establish a Regulatory Asset and Regulatory Liability for purposes of amortizing the TAM Amount. Please summarize his claims.

A. OPC witness Devlin questions FPL's proposed accounting treatment using regulatory asset and liabilities for the TAM, suggesting it lacks regulatory basis. He expresses four concerns: (1) states that FPL has not indicated what order or rule it relies upon for the use of a Regulatory Asset or Regulatory Liability for the TAM; (2) claims FPL has not explained whether the use of a Regulatory Liability doubles the TAM amount; (3) asks whether FPL intends to include the Regulatory Asset in rate base; and (4) questions whether the use of a Regulatory Asset and Regulatory Liability means FPL's DTL balance will forever be preserved. I will address each of these claims.

Q. Has FPL identified a Commission order or rule that authorizes FPL to establish a Regulatory Asset or Regulatory Liability?

A. OPC witness Devlin's concern in this regard is puzzling. My direct testimony and FPL's petition specifically request that this Commission authorize the Company to establish a Regulatory Asset and a Regulatory Liability. In making that express request, FPL believed it was clearly acknowledging that the Commission's authority is required and that the Company would not proceed without it.

Q. Does OPC witness Devlin correctly calculate the effect of amortizing the Regulatory Asset over 30 years?

A. No. He double counts the impact, leading to his miscalculated $3.45 billion effect. My Exhibit IL-12 (Errata) shows that the $1.717 billion TAM Amount will be collected by amortizing the Regulatory Asset over 30 years, which comes to slightly more than $57 million each year. For presentation purposes, line 10 of that exhibit multiplied that $57 million amortization amount by two ("*2") to show the impact of utilizing the TAM in each year of the proposed rate plan. The $115 million figure Mr. Devlin reflects two years of amortization, not one.

Q. Does FPL intend to include the TAM Regulatory Asset in rate base?

A. No. Page 52 of my direct testimony explains that both the proposed regulatory asset and the regulatory liability will be included in FPL's capital structure at zero cost for ratemaking purposes.

Q. OPC witness Devlin states that use of the Regulatory Asset and Regulatory Liability preserves DTLs at current balances and allows FPL to create new Regulatory Assets and Regulatory Liabilities in the future without concern over depletion of the DTLs. Will FPL be able to recycle the DTLs that comprise the TAM requested in this proceeding?

A. No. Mr. Devlin fails to understand that the DTL balance in FERC account 282 and the TAM Regulatory Asset work in tandem and *offset* one another. Specifically, the unamortized balance of the TAM Regulatory Asset will have an offsetting effect on the deferred tax liability in capital structure. On the income statement side, the amortization of the TAM Regulatory Asset will offset income tax expense associated with reversal of the DTL balance in FERC account 282. Therefore, although FPL is not directly adjusting the balance in FERC account 282, the remaining DTL amount is reduced, or "depleted," over time as the TAM Regulatory Asset is amortized.

Q. OPC witness Devlin questions the need for recognizing a Regulatory Asset and Regulatory Liability for the TAM mechanism and proposes instead using the primary DTL account FERC Account 282 – Accumulated Deferred income Taxes-Other Property as part of the TAM. How do you respond?

A. FPL disagrees with the use of this account. The balance in FERC Account 282-Accumulated Deferred Income Taxes-Other Property ("FERC account 282") represents the tax obligation to be paid to taxing authorities in the future. Specifically, Accounting Standard Codification (ASC) 740 – Income Taxes, paragraph 740-10-25-2, requires recording of deferred tax liabilities for the "estimated future tax effects attributable to temporary differences and carryforwards." Said differently, the balance in FERC account 282 must *always* represent the timing differences at enacted tax rates. If Mr. Devlin's approach were adopted, FERC account 282 would no longer represent FPL's future tax obligation.

Q. Given that use of the TAM cannot alter the amount of the obligation reflected in FERC account 282, is FPL required to establish a Regulatory Asset and a Regulatory Liability?

A. There is no express requirement. However, FPL believes it is reasonable to implement the TAM through recognition of a: (1) TAM Regulatory Liability,[38] representing the reduction in deferred income tax expense to be provided to customers over the proposed four-year rate plan, and (2) TAM Regulatory Asset,[39] representing the recovery of the deferred tax benefit over the average remaining life of the assets of approximately 30 years. This is substantially the same as the accounting treatment FPL utilized when it implemented the flow back of excess DTLs following enactment of the 2017 Tax Cuts and Jobs Act.

Q. Will the Commission be able to monitor the balances in the proposed TAM Regulatory Asset and the TAM Regulatory Liability?

A. Yes. FPL will track the monthly balances and the activity (debits and credits) separately for the TAM Regulatory Asset and the TAM Regulatory Liability and will report them in an attachment to the monthly ESRs.

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[38] Accounting Standards Codification (ASC) 980 – Regulated Operations, paragraph 980-405-25-1.

[39] Accounting Standards Codification (ASC) 980 – Regulated Operations, paragraph 980-340-25-1.

Q. OPC witness Devlin claims that the forecast for 2028 and 2029 used to justify the TAM amount of $1.717 billion is based on data that "could be prone to bias and inaccuracy." How do you respond to this allegation?

A. Mr. Devlin's claim is unfounded and contradicted by the evidence. The calculation of the TAM amount is straightforward and transparent as shown in my Exhibit IL-13 (Errata).[40] The revenue requirements that drive the TAM amount are based on identifiable cost drivers, including capital expenditures and O&M forecasts that are the product of the methodologies used for 2026 and 2027, which OPC witness Devlin does not challenge. FPL provided both capital and O&M information 2028 and 2029 in various discovery responses in this proceeding. Lastly, the capital expenditures forecast for all five years is the basis of the related external financial disclosure in the Company's 10-K and 10-Q filings with the Securities and Exchange Commission and is subject to an internal Sarbanes-Oxley review and approval process.

Q. OPC witness Devlin also suggests that your Exhibit IL-13 (Errata) uses a *proposed* ROE of 11.9% which he believes will not be *authorized* by the Commission. How do you respond?

A. OPC witness Devlin's criticism misses a key point about the regulatory process. Naturally, we are using our proposed ROE of 11.90% in our exhibits and calculations because that is what we are requesting in this proceeding. Any regulatory mechanism, including the TAM, will ultimately incorporate whatever ROE is authorized by the Commission. If the Commission authorizes a different ROE, FPL will recalculate the

[40] Errata filing dated April 29, 2025.

TAM amount to reflect the ROE authorized by the Commission and will file the new calculation.

Q. OPC witness Devlin claims that the RSAM resulted in customers paying approximately $46 more per year on a 1,250 kWh residential bill compared to not having the RSAM. Is this accurate?

A. No, this is not accurate. OPC witness Devlin's calculation is based on flawed assumptions and misunderstandings of how the RSAM operates. Specifically, OPC witness Devlin omitted a few important facts in his calculation:

(1) FPL proposed a four-year rate plan in the 2021 Rate Case.[41] As part of the four-year rate plan, FPL developed RSAM adjusted depreciation parameters that resulted in an approximately $203 million lower revenue requirements that is reflected in current customer rates.[42] Said differently, absent the RSAM, FPL's revenue requirements in the 2021 Rate Case would have been approximately $203 million higher, which equates to approximately $26 more per year on a 1,250 kWh residential customer bill.

(2) OPC witness Devlin's calculation assumes that the $1.45 billion represents approximately 3.8% of base revenues over the four-year period pursuant to the settlement agreement in Docket No. 20210015-EI. He then estimates that the RSAM impact on a customer bill in 2026 is $46 a year, or 3.8% of the $101.68 1,250 kWh residential bill at current rates. However, by applying the 3.8% to the residential customer bill, OPC witness Devlin in essence assumes that the

[41] Docket No. 20210015-EI.
[42] Docket No. 20210015-EI, MFR Schedule A-1 (Without RSAM) compared to MFR Schedule A-1 (With RSAM).

RSAM is being recovered over a four-year period. This is incorrect. FPL recovers the $1.45 billion RSAM over the average remaining life of the assets of approximately 33 years, based on the proposed depreciation rates in this proceeding.

Correcting for OPC witness Devlin's omissions produces a materially different bill impact calculation. As reflected in Exhibit IL-15, use of the RSAM during the 2022 through 2025 period *reduces* the 1,250 kWh residential bill in the 2026 Projected Test Year by $2.45 per year compared to a hypothetical "no RSAM" scenario.

Most importantly, OPC witness Devlin ignores the fact that absent the RSAM, FPL would have had to seek base rate increases effective January 1, 2024, and January 1, 2025, which would have resulted in an approximately $1.2 billion increase in customer rates and base revenues in 2024 and 2025.[43] Additionally, OPC witness Devlin's calculation does not account for other benefits of a four-year rate plan described in detail by FPL witness Bores, including the ability to focus on identifying incremental customer value through O&M efficiencies. As discussed earlier in my testimony, since 2022, FPL identified more than $500 million of annual run rate savings, which ultimately translate into lower overall customer bills and lower base revenues.

[43] Docket No. 20210015-EI, Document No. 11881-2021, Hearing Exhibit 620 (SRB-17).

Q. FRF witness Georgis suggests that, since the accumulated DTLs "represents historic over-recoveries from utility customers," the FPL shareholders would benefit "twice'" from the amortizing the DTLs through the TAM. Is this accurate?

A. No, this characterization is completely inaccurate. When DTLs are created and accumulated, they are included in capital structure at zero cost and reduce revenue requirements. This is a benefit to *customers*, and not a benefit to shareholders. And, as explained in my testimony, amortizing the DTLs through use of the TAM significantly benefits customers principally through avoidance of cash increases in 2028 and 2029.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MS. MONCADA:

Q Ms. Laney, you are also sponsoring exhibits IL-1 through IL-15, along with errata IL-12, 13 and 14, and those are the exhibits to your direct testimony, is that correct?

A Yes.

Q And you are also co-sponsoring Exhibit SRB-7, which is included with Mr. Bores' testimony, is that correct?

A Yes.

Q Thank you.

Were these exhibits prepared under your direction or supervision?

A Yes.

Q Thank you.

MS. MONCADA: Mr. Chairman, I would note that these have been presided on staff's list as Exhibits 101 through 113, 131, 307, 332 and 333.

CHAIRMAN LA ROSA: Okay.

BY MS. MONCADA:

Q Thank you. And with that, Ms. Laney, could you please provide a summary of the topics addressed in your testimony to the Commission?

A Yes. Good afternoon, Commissioners. In my direct testimony, I explain the process and assumptions used to prepare the forecast upon which FPL's projected test years are based. I also explain the major cost drivers since 2023 that necessitate FPL's requested rate increases, as well as the accounting mechanics of the tax adjustment mechanism, or TAM, which is a critical component of FPL's four-year rate plan.

My rebuttal testimony refutes the incorrect assertions from intervenor witnesses regarding FPL's forecast. I explained the reasonableness of FPL's operations and maintenance and capital budgets, the proposed treatment of investment tax credits, and the accounting for the proposed tax adjustment mechanism.

I am happy to answer any questions.

Q Thank you.

MS. MONCADA: Mr. Chairman, she's available for cross-examination.

CHAIRMAN LA ROSA: Great.

OPC, you are recognized for questioning.

MS. WESSLING: Thank you, Mr. Chair.

EXAMINATION

BY MS. WESSLING:

Q And good afternoon, Ms. Laney.

A Good afternoon.

Q So your title is the Senior Director of Financial Forecast, Strategy and Analysis for FPL,

correct?

A Yes.

Q And Mr. Scott Bores is your supervisor, correct?

A Not directly, but ultimately I roll up in his organization.

Q Okay. And I will start by asking a question that I asked Mr. Oliver earlier today, and I believe he suggested either Ms. Fuentes or you would be a better witness to answer the question. We asked Ms. Fuentes, and I believe she said she didn't know, so I am going to see if you can help me out here.

Regarding the 2026 and 2027 revenue requirements for the 2026 and 2027 solar and battery additions that FPL is requesting in this case, if for whatever reason those do not go in service within the year that they are stated to go in service, would that mean that customers would still be paying for those resources and revenue requirements in those years even though they weren't getting the benefit of those services in that year?

A I would go back to what Witness Oliver, I believe, stated as well, in the fact that we have been successful at placing in service our solar and battery additions in the past, and so based on where we are today, we don't foresee any delay.

Now, to your question will there be a change in revenue requirements? I would say there is depending on if it's solar or battery. I have not done the math, so I don't want to speculate for battery. However, we use a flow-through accounting, as we proposed in our case. And so I would say in the first year, customers would actually get the benefit from the battery storage project even though the battery storage project is not in service.

Q So regarding solar, then, let's just talk about solar, the costs for the '26 solar are embedded in the revenue requirements for 2026, correct?

A Correct.

Q Okay. And so if any or all of these 2026 solar additions do not go into service in 2026, but the costs for those additions are embedded in rates, it's true that customers will be paying for those additions even though they won't be receiving a benefit for them, is that, accounting-wise, correct?

A I would say all else equal and looking it isolation this, and ignoring the fact that we disagree, you know, we still believe we are on track and there will be no delays, just pure revenue requirements impact, then, yes, that would be -- that's correct.

Q Thank you very much.

And in your role at FPL, it's -- would you agree that it's fair to say that your direct testimony in this case provides an overview of different costs that are being requested in this filing?

A Yes.

Q Okay. And I believe on page 26 of your testimony, which is Case Center page C121847. This is where you list the main drivers for the 2026 revenue requirements, correct?

A Yes. That's correct.

Q And there is a similar page for the -- with a similar looking chart, anyway, for the main drivers for the 2027 driver -- revenue requirements, correct?

A That's correct.

Q All right. And one of the drivers that you identify -- well, let me ask, is payroll a cost that is driving the revenue requirements in 2026 and 2027?

A Can you repeat your question, please?

Q Are -- is O&M payroll a cost that is driving the 2026 and 2027 revenue requirements?

A The O&M payroll is included in revenue requirements, yes.

Q Okay.

A However, if you look at the net impact in the cost drivers, it's -- we were able to offset with productivity savings mostly increasing our O&M.

Q Does your direct testimony provide any identification of employee additions in 2025, 2026 and 2027?

A No. That's the testimony of Witness Buttress.

Q And you oversee the budgeting process, correct?

A I do.

Q And for point of clarification about Project Velocity, which you talk about in your testimony. Project Velocity is not a part of the budgeting process but it is a method for business units to use to meet their overall budget, is that accurate?

A Not exactly. I would say we have been doing this project -- it was called differently. It was started with Momentum, then Accelerate, now Velocity. We have been doing this, Commissioners, since 2013. I look at it as an important part of the overall budgeting process.

Q Okay. Does the budgeting process look to identify efficiencies?

A We look to identify efficiencies on a day-to-day basis every single day.

Q Are you aware of any of efficiencies that have

been identified and reflected in 2025?

A Yes. I believe we provided in discovery the velocity savings that we have been able to identify since the last rate case, and so all of those efficiencies impact revenue requirements here. We have been able to identify over 500 million of efficiencies since the last rate case. All of them reduce rates in this current rate case.

Q And you were deposed in this case a couple of times, I think, so far, right? It's not going to be any more, but you were deposed twice in this case, right?

A Yes.

Q Okay. And I believe your first deposition took place on May 8th, does that sound about right?

A That sounds correct. Yes.

Q Okay. And when you were asked of that -- do you remember being asked at that time if FPL had identified any efficiencies for 2025?

A I do.

Q Okay. Do you remember -- I mean, we can get the transcripts out. I mean, I am happy to do that, if you want to look at that first, but do you remember what you answered there?

A I want to make sure I understand your question. Are you referring to efficiencies that we would specifically -- we would identify this year in 2025?

Q Yes.

A We have not gone through the process yet.

Q Okay. So there have not been any efficiencies identified in 2025 as of yet?

A There are ideas, but we have not been any of the -- gone through the full budgeting process. They are not final yet, no.

Q Okay. Thank you, and thank you for the clarification. If I ask questions, you know, that aren't clear, please let me know and we will get there in another way.

Are you aware of any efficiencies that have been identified and reflected in the 2026 MFRs?

A Not any incremental efficiencies, but again, the 500 million that we have identified since the last rate case, they are fully reflected in 2026 and in 2027, and reduce revenue requirements in this case.

Q But you don't know what the dollar value of the efficiencies are for those that are reflected in the 2026 MFRs?

A I have -- again, the 500 million are fully reflected. When it comes to incremental efficiencies, I have no insight until we actually go through the process.

Q Okay. If an efficiency is identified, or a cost saving is identified at a given point in time, how long before that efficiency is reflected on the company's books?

A It's -- it varies. I don't think there is a timeframe necessarily. It depends on the specific idea, I would say.

Q So some could be incorporated immediately, but others could take years, is that fair?

A I have not -- I can't think of any that took years. I would say we always try to incorporate and reflect them as soon as possible. We understand the importance of those efficiencies for our customers.

Q Ideally, efficiencies identified in one year are reflected in the next year's budget, correct?

A Yes. That would be correct.

Q Okay. And would you agree that any efficiencies identified in 2025 and reflected in 2026 would not benefit customers until FPL's next base rate case?

A Again, what we identify today is fully reflected, 500 million. I think Witness Bores will describe in detail the overall benefits of the four-year plan. But one of the benefits is to allow us to focus on our business and identify incremental value. And so to the extent we identify any efficiencies in 2025 and 2026, '27 and '28 for '29, they will be fully reflected in the next rate case and will lower revenue requirements, very similar to what RSAM did in the prior rate case, and where we are seeing the benefits now.

Q So any of those efficiencies, though, that are identified during the next four years starting January 1st of 2026, customers during the next four years will not receive any benefits for those until at least the next rate case?

A I would disagree. To the extent we identify any efficiencies, it will -- again, it will allow us to fund the investments that we will -- that we will be able the full benefit of our customers. Those investments will benefit customers over 30, 40, 50 years in the future.

Q Well, let me rephrase it, then.

So any efficiencies identified starting January 1st, 2026, through 2029, those efficiencies, to the extent that they would lower revenue requirements, would not be reflected until at least the next base rate case, is that right?

A Again, I am assuming that -- assuming the four-year term is approved and the TAM mechanism is approved, those efficiencies, to the extent we identify any during the time period, they will reduce revenue requirement, which will result in us using less TAM, less deferred tax liabilities, and will allow, at the end of the day, to fund the investments that will benefit customers in the future.

Q All right. I passed out an exhibit, there is a loose piece of paper. It's a legal sheet of paper for you, Ms. Laney. It's on top of the white binder there, and everyone else should have a copy in front of them. It is a confidential exhibit that is on the staff CEL. It's CEL Exhibit 335. Just -- I would just ask everyone to be mindful, there is not a red piece of paper over it like the others, but it does say confidential on it, so please keep track of it, and we will collect it when we are done here. And I would identify this as staff's CEL Exhibit 335.

Ms. Laney, do you recognize this exhibit?

A I do.

Q Okay. I am not going to ask you -- or I am not going to verbalize any of the numbers that are here, but would you agree that this document reflects property and liability insurance expense -- expenses?

A Yes.

Q Okay. And it's common in the industry, the

utility industry, for the insurance providers to issue partial refunds for the nuclear property and liability insurance premiums, correct.

A Can you repeat your question, please?

Q Well, is it summon in the utility industry for insurance providers to issue partial refunds for the nuclear property and liability insurance premiums?

A I don't know if it's common, but looking back to 2021, I see that there was a refund every year.

Q Okay. And refunds tend to fluctuate from year to year, would you agree?

A Yes.

Q All right. And that's because refunds in any one year are based on the previous year's activity?

A Yes.

Q In looking at this chart, and again, without disclosing any numbers, would you agree that there is a line on here for nuclear property insurance refunds and a separate line for nuclear liability insurance refunds?

A Yes.

Q And this chart reflects actuals from 2021 through 2024?

A Yes.

Q As well as forecasted amounts for 2025 through 2029?

A Yes.

MS. MONCADA: Mr. Chair, I am sorry, I want to address this to Ms. Wessling, if I may.

In case it helps with her questioning and being more efficient, I believe, and Ms. Laney can correct me if I am wrong, that the only thing that remains confidential on this page is what is highlighted in yellow, so just in case that helps you with your questioning.

MS. WESSLING: Okay. That's --

CHAIRMAN LA ROSA: Thank you.

MS. WESSLING: -- that's helpful. Thank you.

BY MS. WESSLING:

Q And FP -- the forecasted refunds for 2025 through 2029 are FPL's best estimate as far as what those refunds may be in those years, correct?

A Not exactly. We base -- it's an estimate, that is correct, but it's based on the distributions -- the projected distributions provided by our mutual, as well as based on market performance and losses in the industry.

Q Okay. And FPL has received some information about what the refund for 2025 will be, correct?

A Yes.

Q And FPL has been told that the refund amount

will be greater than the amount forecasted here, correct?

A For what year?

Q 2025.

A For 2025, it's -- I think it's above the one we reflected in the prior year.

Q I apologize, what was that?

A It's above -- it's higher than the one we reflected in the year 2025 prior year.

Q Thank you.

And customer rates are being based on what FPL forecasts for 2025 through 2029, not what the actuals will end up being, right?

A Yes.

Q Okay. And regarding the numbers for 2025 through 2029, FPL has forecasted them all to be the same number, correct?

A Yes. That's correct.

Q In light of the higher than forecasted refund that FPL expects to receive in 2025, and since the company has forecasted the same refund for those '25 through '29, wouldn't it be appropriate to adjust each of the years in the forecast from a consistency standpoint?

A No. No, I would disagree. Nothing that we know of as of today changes our estimate for 2026 through 2029. Again, the projected distributions that we received from our mutual, from Nuclear Electric Insurance Limited, were through 2026. That projected distribution has not changed, and so nothing that we know of today would change our estimate for 2026 through 2029.

Q All right. If we could, I would like to identify CEL Exhibit 344, which is Case Center number E3985.

All right. Ms. Laney, are you familiar with this discovery response?

A Yes. Yes.

Q Okay. And this discovery response includes -- attached to it anyway, are some documents from the insurance provider, correct?

A Yes.

Q If we could scroll down a little further, maybe to the next page that's not part of this actual response. Just keep scrolling. Okay, that's good.

All right. And FPL's risk management team relied on the information in the documents that, in this document and the others that are attached to this discovery response, correct?

A They relied on this document and their expertise about the market and discussions with our brokers.

Q And FPL's risk management team ultimately decided what amounts to forecast for the nuclear refunds for 2025 through 2029, correct?

A They performed an analysis, and they determined based on their knowledge of the market and discussions with the brokers, they determined -- they estimated the amount for 2026 through 2029.

Q And were you involved as part of that team in determining and developing the forecasted amounts for 2025 through 2029?

A I was not involved, but I reviewed it as part of the overall budget.

Q And there are no other members of the FPL risk management team who were involved in determining that number who are witnesses in this case, correct?

A No.

Q Okay. And we can set this exhibit aside now. And again, I just ask everyone to keep track of it so I can collect afterwards.

All right. And in your rebuttal testimony, you stated that -- we will go to page four of your rebuttal testimony, which is Case Center page D10-554D, as in David.

All right. And in your rebuttal testimony, Ms. Laney, you state that FPL's filing is based on a comprehensive process and should, therefore, be deemed reasonable and reliable for setting rates in the upcoming years, correct?

A Yes. That is correct.

Q And you are responsible for the budgeting and forecasting costs reflected in FPL's filing?

A Yes.

Q In your rebuttal testimony, you suggest that Mr. Schultz's adjustment to nuclear costs and property taxes are overly simplified, I believe you say, do you recall that?

A Can you point me to --

Q I believe it's page D10-510. And it looks like page -- or lines 10 through 11. Do you see that?

A Yes.

Q Okay. Did Mr. Schultz rely on historic information in making his recommendations?

A Yes, I believe he did.

Q And if we could go to Case Center page C23-3489, please? This is Mr. Schultz's Exhibit 2 to his testimony.

MR. SCHULTZ: 23 dash?

MS. WESSLING: 23-3489.

BY MS. WESSLING:

Q Have you reviewed this exhibit, Ms. Laney?

A Yes.

Q Okay. And if you could scroll down to the bottom, please?

All right. Do you see the source as being the company's response to OPC, it looks like first either interrogatory or POD attachment 5?

A I do.

Q Okay. So assuming he used the accurate information from that interrogatory, do you have any reason to dispute any of the numbers that are reflected here?

A I don't believe I sponsored the discovery response, so I would rely, I believe it was Witness DeBoer who sponsored it. I don't have any reasons to dispute the numbers. I disagree with how Witness Schultz applied them to the forecast period, however.

Q Fair enough. Okay.

Would you agree that each of the five years reflected show that actual costs were below budgeted costs?

A Yes.

Q And isn't the same budget process used for 2026 and 2027 as the process used in these years?

A Can you repeat your question, please?

Q Is the budget process that FPL used for the 2026 and 2027 projected test years the same budget process that was used in each of the years indicated on this exhibit, correct?

A Yes. We have been using a consistent robust process, yes.

Q Okay. And if we could go to Case Center page D10-554I?

In looking at lines 10 through 20, you state that FPL does not have an incentive to overestimate costs, correct?

A Correct.

Q And it's also your testimony that FPL has a comprehensive process and controls in place to ensure forecast accuracy, correct?

A Yes. That is correct.

Q And those processes and controls were -- that were used for the '26 and '27 projected test years were the same processes and controls that were used in those other years that we were just looking at in HWS-2, correct?

A They were. I would point out it's a forecast, and so variances are not necessarily an indication of a poor forecast. It's important to understand what drives them, and I think Witness DeBoer provided a response in discovery for the specific drivers of those differences.

Q Okay. And if we could look at Case Center page C23-3479? Which is a different page within HWS-2. All right. And if you could scroll down a little bit. All right. And maybe zoom in on the bottom corner. Scroll down a little bit. All right.

And, Ms. Laney, for this particular page of the exhibit, there are a number of discovery responses that Mr. Schultz relied upon in obtaining the data that's used in this exhibit, would you agree?

A Yes.

Q And do you have any reason to doubt or dispute the accuracy of the data that he used from those discovery responses on this page?

A I don't know. I have not reviewed this page.

Q Okay. Looking at line -- if you could scroll up, please -- lines 15 and -- well, actually scroll all the way up to the top me.

This page is about payroll, correct?

A That's what it appears to be, yes.

Q Okay. And then looking at lines 15 and 16, you agree that the actual average employee counts for each year as identified on line 15 are significantly under the plan number on line 16?

MS. MONCADA: Objection. Ms. Laney testified that she has not reviewed this page previously, and this is payroll, which was the subject of Ms. Buttress' testimony.

MS. WESSLING: I thought she said that she hadn't reviewed the discovery responses, or maybe -- Ms. Moncada might be correct, but if I could just ask if she doesn't know, then she can tell me that.

CHAIRMAN LA ROSA: Yeah, I think it's fair to ask the witness if she's familiar with the page.

BY MS. WESSLING:

Q Are you familiar with lines 15 and 16 in this exhibit?

A I have not seen this page, no.

Q Okay.

A I have not looked at it.

Q All right. I will move on.

If we could go to Case Center page 23-3488?

MR. SCHULTZ: What was at that first part?

MS. WESSLING: C23-3488.

BY MS. WESSLING:

Q Have you seen this page of Mr. Schultz's exhibit?

A Yes.

Q Okay. And if you could scroll down, please, to the bottom of the -- okay.

And do you have any reason to dispute that the data obtained from the discovery responses cited at the bottom is not accurate as reflected on this exhibit?

A I do not. I did not sponsor those discovery responses. I believe they were sponsored by Witness Broad, but I do not have any reason to believe that they are incorrect.

Q Okay. And would you agree that Mr. Schultz's recommendation was based on a comparison of FPL's actual to budget variances for the budget was developed using your processes and controls and the historical years?

A Yes. Again, I understand what Witness Schultz did. I disagree with his approach of applying that same logic to the forecast.

Witnesses DeBoer and Broad provided very extensive responses explaining these variances. And as I point out in my rebuttal testimony, at the end of the day, looking at the 2026 and 2027 nuclear generation expense, is below actually 30 percent compared to historical averages, and the fossil generation expense is almost at the same level as historical average, which is an indication that our projected test years are -- if I were to apply the same logic, I would say they are understated.

Q If we could go to Case Center page D10-554R? And this should be pages 18 -- or starting with page 18 of your rebuttal testimony. Let me make sure that I have got that page number right. Yes. Okay.

And on this page, you take issue with Mr. Schultz's recommendation to adjust insurance expense, correct?

A Yes, I do.

Q All right. And would you agree that property insurance difference that you discuss beginning on this page is the Neil, or N-E-I-L insurance refunds?

A Yes.

Q Okay. And am I correct that when forecasting the insurance refund, FPL used the low end of the range for the expected refund?

A Yes. As I mentioned, we used a combination of factors in determining -- in estimating the 2026 and 2027 projected test years. It was a combination of the projected distributions provided by our broke -- by the mutual, it is a combination of the risk management team applying their knowledge of the market.

At the end of the day, these refunds are based on the overall industry losses and market performance, and so we put together our best estimate for 2026 and

2027.

Q And I will wait until we get fully back in Case Center here but --

MR. SCHULTZ: I can still direct. I am just doing --

MS. WESSLING: Oh, thank you. Okay.

BY MS. WESSLING:

Q So if we could go to, I believe it would be Case Center page D10-554S, which should be page 19, the next page of your rebuttal testimony.

And on line eight, I believe, you indicate that the high end of the range is 13.879 million, do you see that?

A Yes.

Q Okay. And is it common practice to reflect the low end of the forecast instead of the midpoint?

A I wouldn't say common practice. Again, we used a combination of factors to determine -- to estimate the nuclear refund for 2026 and 2027. At the end of the day, we used a combination of projected distributions provided by Neil, our discussions with the brokers, our -- the overall market performance and industry losses.

I would point out, I -- further below in my testimony, I explain why we went to the lower range, and that is due to the events that occurred in 2024 in the industry related to wildfires that ultimately impacted the refund. We felt it was an appropriate estimate for 2026 and 2027 to, due to those factors, to assume a lower range.

Q Okay. And let's see here. On lines eight through 12, you indicate that the forecast took into consideration communication from Cedar Hamilton Limited?

A Yes.

Q Is that the broker?

A No. Cedar Hamilton is one of the subdivisions of Neil.

Q Okay. And if we could, I would like to identify CEL Exhibit 584, please? Which is Case Center page F2-1134.

I think we saw this earlier. This attachment for that discovery response is dated 2024 through 2026?

A Yes.

Q Okay. And looking -- we are going to have to zoom in here on the small print at the bottom as much as possible. Are you able to read that either on your screen there or --

A Yes.

Q Okay. All right. Looking at that language at the bottom, what is the distribution approved for 2023?

A 300 million.

Q And what were the guidance distributions for 2024 through 2026?

A 225 million. So it was lower compared to 2023.

Q And keeping those numbers in mind, if we could go to CEL -- or not -- excuse me, not CEL, Case Center C23-3483?

And looking at line three, what is the 2024 refund?

A 15 million.

Q Is the refund for 2023 based on the $300 million declared?

A No, it would have been the one recorded in 2024, it's based on 2023 activity.

Q Okay. All right. And now if we could look at your rebuttal testimony on Case Center page, think I think it's C10-525. I am sorry, yeah, that's D10. My apologies.

This is where you indicate that liability insurance numbers, you state that the increase is primarily driven by wildfire liability insurance?

A Yes.

Q And I would like to identify CEL Exhibit 369. And let's go to Case Center page E59985. And this

interest asked for the insurance quotes, correct?

A Can you repeat your question, please?

Q Sure. This interrogatory asks for the insurance quotes?

A Yes.

Q And is it accurate to say that the forecasts are based on discussions with AON and actual quotes do not exist for the forecasted years?

A I would not say they do not exist. They are not -- we get quotes very close to renewal period so it's not -- you know, it's not -- and that's common in the industry. As soon as we get closer to renewal period, which is later in the year, that's when we start getting quotes.

Q So it's safe to say, then, that actual quotes were not included in your testimony in any location, correct?

A It was our best estimate of the quotes based on -- again, we don't speak to our brokers who are, you know, the day before we renew. We entertain discussions throughout the year. It's something we do. We have a risk management team dedicated to that. They are very involved, and they discuss with brokers and ensure that we understand the market and we negotiate the best premiums for our customers.

Q And this response refers to the responsive document provided, correct? Do you see that?
A Yes.
Q All right. For the documents that were provided with this response, are those AON documents, or are those documents generated by FPL's risk management team? If you want to scroll, we can.
A They are provided by the broker.
Q Just make sure -- well, I guess they are confidential, but the documents that were provided, did you say they were provided by the broker?
A Yes. The information, and then we -- the risk management team compiles them and performs the analysis and estimates the premiums.
Q Okay. And if we could go to your rebuttal testimony at page D10-528? And -- let me see here -- looking at -- one moment.
On this page, you begin your discussion about Mr. Schultz's recommendation regarding directors and officers liability insurance, is that correct?
A Yes.
Q All right. And looking at lines three through 10 of page 24, which is the next page if we scroll down. Is it your testimony that this insurance is necessary to protect officers and directors to make decisions, and

that without it, directors and officers would be reluctant to assume responsibilities of managing a company like FPL?

A Can you repeat your question, please?

Q Just -- I am summarizing it. I am not trying to read it into the record, but here you are saying that directors and officers liability insurance is necessary to protect directors and officers, and that without it, people might be reluctant to assume the responsibility of those roles?

A It's also protecting the company and its directors and officers. I do believe it's a prudent expense, yes.

Q And you have read Mr. Schultz's testimony about this section --

A Yes.

Q -- or this topic, rather?

And looking specifically at lines 11 through 14, you state that unlike typical corporations, utilities serve customers, employees and communities alongside shareholders, do you see that line?

A I do.

Q And that D&O, directors and officers coverage prospects decision-making that balances these diverse interests rather than maximizing shareholder value

alone?

A No. I do believe it's a prudent expense that balances all of the interests.

Q I am sorry, I was just trying to finish the quote there.

A Okay.

Q My question is: Are you aware of any lawsuits where customers have filed a suit against officers and/or directors for their decision-making?

A No.

Q And I would identify CEL Exhibit 610, and that's Case Center page F2-1258.

And are -- did you sponsor this exhibit, or this discovery response?

A Yes.

Q Okay. And you agree that this response states that no customer lawsuits have been filed against officers or directors over the last five years, correct?

A Yes.

Q Would you agree that shareholders are typically the ones who file lawsuits against officers and directors?

A I don't know that.

Q Okay. And going to your rebuttal testimony on page 25, which is Case Center page D10-530. Lines five

through six, you state Mr. Schultz's claim that shareholders initiate lawsuits as a red herring. Do you see that?

A Yes.

Q Do you have any evidence that his statement is inaccurate?

A No, but I did not see any evidence from Mr. Schultz as well in his testimony.

Q Okay. Looking at page 25 of your testimony, you also have a discussion about injuries and damages expense?

A Yes.

Q Is it your testimony that Mr. Schultz's recommendation should be rejected because he used the historical average, which reflects a one-time refund for 2020 -- excuse me, 2017 and 2018, and that based on '25 year-to-date, the forecast by FPL is reasonable?

A No, that's not the reason I am rejecting his proposal. I think history is important. I think we look at history as part of forecasting process. But what's more important is to understand it, and then determine is it reflective of the future?

And so Mr. Schultz, in his proposal, I think, inadvertently missed the fact that we had significant -- or an outlier, I would say, in the historical period, which makes it inappropriate to apply it to forecasted periods.

Q All right.

A And I think I go on to say that even looking at my actuals for injuries and damages claims, and projecting it to the end of 2025, we are higher than what we reflected in the 2026 projected test year, which tells me that the forecast potentially is understated, not overstated.

Q All right. If we could mark Exhibit 591, please? Which is Case Center page F2-1177. If you could zoom in as much as possible.

All right. Regarding injuries and damages, would you agree that from 2021 through 2024, the claims on line 11 have declined every year?

A Yes, for 2024, yes.

Q 2021 through 2024.

A Yes.

Q Okay. Given that the claims have historically declined, is it impossible for claims in 2026 and 2027 to be lower than previous years?

A No, again we based our forecast based on, you know, the best information we had. As I mentioned, looking at 2025 actuals as of May, we are already at 3.7 million, which, to me, is an indication that the 3.2

million we reflected in 2026 is understated.

Q All right. And if we could go to your rebuttal testimony at D10, I believe it's D10-538. Is that page 33? I can't -- yeah, okay.

On lines eight through 13 -- I have questions about property taxes now, switching subjects. Lines eight through 13, is it accurate to say that you have concluded that Mr. Schultz's recommendation of a property tax rate is not reasonable?

A Yes, I disagree with his approach.

Q And you would agree with your statement here that growth plateaus, and that there is a potential for decline in growth?

A Yes.

Q And looking back at the CEL Exhibit 610, which is F2-1259. In this response, you indicate that the company expects that the rate of growth of the property tax base will plateau and potentially decline, and believes that this is already occurring. Do you see that?

A One moment. It's loading. It's a little behind. Yes.

Q All right. If growth is platauxing and potentially declining, why are all of FPL's proposed plant additions necessary?

A This is --

MS. MONCADA: Objection -- Ms. Laney, if you could pause just for one second. Thank you.

I am going to object. Ms. Laney is not a resource planning witness.

BY MS. WESSLING:

Q Do you have an answer to that question?

CHAIRMAN LA ROSA: Hold on a second. Can you restate the question?

BY MS. WESSLING:

Q From a forecasting perspective, if growth is platauxing and potentially declining, why are all of FPL's proposed plant additions necessary?

A I think you may have --

MS. MONCADA: I am sorry, I am going to renew my objection. It is -- by putting the word forecast in there, it doesn't cure the fact that she's asking about the need for plant additions, which was the subject of Mr. Whitley's testimony, and he was on the stand for hours yesterday and could have been asked that question.

MS. WESSLING: Well, and he was asked variations of that question, but I am asking from her perspective, as the forecasting witness for the company, if -- and if she doesn't have an opinion, she can say that, but as the forecasting witness, and we are talking about the projected test years that include planned additions, I just want to ask from her forecasting perspective why these additions are necessary if she has an opinion on that.

CHAIRMAN LA ROSA: Okay. I am going to allow the question, but restate the question, and then, you know, if the witness has an opinion, you know, she will have her opinion, and then if there needs to be a further objection --

MS. WESSLING: Thank you.

CHAIRMAN LA ROSA: -- then I will allow.

BY MS. WESSLING:

Q And you heard my question a couple of times, but, again, from a forecasting perspective, and with this statement in mind about growth platauxing and potentially declining, do you have an opinion on why FPL's proposed plant additions are necessary, again, from a forecasting perspective?

A I don't think there is a relationship. What I am referring to in this response is the growth of the property tax base, and so looking historically, right, the way it works, to the extent the assessment value goes up, usually the counties or districts respond through lower millage rates to get to a more revenue neutral, you know, with revenue neutral approach to minimize the impact on the residents, and so that is changing now. And we all live in Florida, we see that, right.

So the growth of the property tax base, the assessment values are going down, which is an indication that now the rates will start going up. And we are seeing that looking at the Florida -- the required local effort millage rate, that has been going down for a few years, which is not the case in the last one that was approved. It's not being flat. So it's an indication things are changing. Now the balance is going the opposite way.

I would point out also that we provided in discovery the actual property tax millage rate for 2024, which is actually higher compared to the one we reflected in 2026 and 2027.

Q All right. And now switching subjects again to the four-year plan that's being proposed in this case. If you could go to your direct testimony, which is Case Center page C12-1866?

All right. And is it accurate that in FPL's opinion, the four-year plan will enable FPL to forego general base rate increases in both 2028 and 2029 while

providing customers with rate stability through January of 2030?

A Yes. That's one of the benefits.

Q And you would agree with me that FPL has asked for base rate increases in 2026 and 2027, and then for permission to seek SoBRAs in 2028 and 2029, correct?

A Yes.

Q And SoBRA stands for solar base rate adjustment, correct?

A Yes.

MS. MONCADA: I'm sorry, just to clarify for the record. In the context of the four-year plan, it's solar and battery base rate adjustment.

BY MS. WESSLING:

Q SoBRA stands for solar and battery base rate adjustment, correct?

A Yes.

Q Okay. And the adjustments being proposed for 2028 and 2029 would both be adjustments upwards, correct, if approved?

A That's what our estimate shows, yes.

Q Okay.

A Related to solar and battery additions only.

Q Yes.

A Yes.

Q But that they would increase base rates, correct?

A Yes.

Q Okay. And if all --

A They will end up setting fuel savings in fuel clause.

Q Okay. And if all of the increases for 2026 and 2027 general base rates and the '28 and '29 SoBRAs are approved, customer base rates would increase, correct?

A Yes.

Q In each of those years?

A It will be a change in rates, yes.

Q And the change would be an increase, correct?

A Yes.

Q Okay.

A And as Witness Cohen will testify to that, that customer bills will be approximately 2.5 percent through 2029.

Q We will -- if it's okay, we will just let her testify to that and stick with your testimony for right now.

All right. So your testimony also addresses the -- FPL's proposed tax adjustment mechanism, correct?

A Yes. The mechanics and the accounting behind it.

Q Okay. And Mr. Bores also addresses it, correct?

A He addresses the benefits for the tax adjustment mechanism, yes.

Q Okay. The two of you discuss it in your testimony?

A Yes.

Q Okay. And I would like to first ask some questions to sort of -- just to introduce the subject.

In your testimony, you refer to deferred tax liabilities as DTLs, sometimes, correct?

A Yes.

Q Okay. And deferred tax liabilities are federal taxes that will have to be paid at some point in the future?

A Yes. They are taxes that will be due to taxing authorities at some point in the future. That's correct.

Q Okay. And utilities such as FPL are allowed to charge customers for those taxes over time in order to have the money available to pay the taxes when they become due?

A Yes, it's just a timing difference, Commissioners. We collect in rates taxes. They would reside in a different tax liability, which is a benefit to customers. And then when they are due to be paid to IRS, we would -- the company would pay them.

Q And if a utility like FPL collects taxes based off of a certain tax rate, then the tax rate is lowered, then FPL will have inadvertently over-collected deferred income taxes, correct?

A Can you repeat your question, please?

Q Sure. If a utility like FPL collects the taxes based off of a certain tax rate but then the tax rate is lowered, then FPL will have inadvertently over-collected deferred income taxes, correct?

A Then we would have to measure our deferred tax liability and there will be an excess.

Q Okay. That's where I was getting to. So over-collected deferred taxes are referred to as excess deferred taxes, correct?

A I don't necessarily like the over-collected, because it's collected at the current rate always, and so to the extent the rate changes, we remeasure in accordance with the tax law, we remeasure our DTLs and different tax liabilities, determine the excess, and then the excess will be flowed back to customers.

Q Okay. And part of FPL's last rate case settlement involved returning all excess deferred taxes

to customers during the term of that agreement, correct?

A As part of the 2021 rate case settlement agreement, yes.

Q Okay. And --

A Only the unprotected -- I apologize. Only the unprotected component was flowed back to customers.

Q The unprotected excess component?

A Correct.

Q Okay. And by the end of 2025, this year, FPL expects that it will have fully amortized all of the excess unprotected deferred taxes to customers, correct?

A Yes. That is correct.

Q All right. And so none of the deferred taxes that FPL has contemplated for use in the TAM are excess deferred taxes, correct?

A That's correct.

Q Okay. And we just used the words protected and unprotected, so I just want to make sure we are on the same page about what that means. When it comes to deferred taxes, some taxes are considered protected and some are considered unprotected, right?

A Yes. That's correct.

Q And protected taxes are taxes that are subject to IRS normalization rules, which means that they have to be flowed back over the remaining life of the assets,

correct?

A Yes. That is correct.

Q And unprotected deferred taxes are not subject to normalization rules?

A Yes. That's correct.

Q Traditionally, FPL has normalized unprotected -- excuse me, let me start over.

Traditionally, FPL has normalized unprotected non-excess deferred tax liabilities over the remaining life of assets, correct?

A Yes. That's our default position, yes.

Q That was what?

A The default position --

Q Okay.

A -- for deferred tax liabilities.

Q All right. And over the course of the remaining life of the assets, the deferred taxes ultimately lead to a reduction in deferred tax expense, is that correct?

A In deferred tax expense, yes. That's correct.

Q Okay. And this is considered a benefit to customers, correct?

A Yes. Again from -- you mentioned deferred tax expense. That's correct. There is an offset in current income tax expenses. So all of these deferred tax liabilities, to the extent they are normalized and as they reverse, it's just a timing difference. It's a net zero for customers. At the end of the day, what we collect in rates is based on -- it's over the useful life of the assets.

Q The reduction to the deferred tax expense is considered a benefit to customers, though?

A Yes, that component alone, yes.

Q Okay. And normalizing the deferred taxes over the course of the remaining life of the assets is consistent with the matching principle, correct?

A Yes, I would say so. Yes.

Q And with the TAM, FPL is requesting to use $1.717 billion of unprotected non-excess deferred taxes over the next four years instead of over the remaining life of the assets, is that correct?

A Yes. We propose to use a discrete amount of unprotected deferred income taxes in the amount of 1.717 billion, and provide the benefit flowing back to customers over the four-year period.

Q So if the proposed TAM is approved, it's FPL's position that FPL customers, over the next four years, will receive accelerated benefits from those deferred taxes that customers in the future will no longer receive for those same taxes, correct?

A The 1.71 bill -- I want to clarify a few things. The 1.717 billion is based on -- is calculated to reflect the revenue requirements in 2028 and 2029. By offsetting the revenue requirements, we provide a significant benefit to our customers.

Q So let me ask my question again. I appreciate your answer, but let me see if I can have you address more what I asked.

So if the proposed TAM is approved, it's FPL's position that FPL customers, over the next four years, will receive accelerated benefits from those deferred taxes that customers in the future will no longer receive?

A Not from the deferred taxes, perhaps, but it's -- it's -- I think you may be missing the main point of the TAM, right.

At the end of the day the TAM mechanism itself is to designed to offset the revenue requirements in 2028 and 2029. And so, yes, the customers will benefit over the four-year period for avoiding two general base rate increases in those two years.

The customers will also benefit in 2030 and going forward from all investments that we were able to make in 2028 and in 2029, as well as from all the other benefits, but very similar to RSAM, we have seen over the last four years.

Q Well, and let me pause you there, because we are going to get to a lot of this. So let me just stick with this particular question, and I think there is going be to plenty of opportunity for you to clarify anything that needs to be clarified as we go along, and then also counsel on redirect can do that as well.

So specifically talking about the deferred tax benefit of unprotected deferred tax liabilities, that benefit specifically, it's FPL's position that FPL customers, over the next four years, will receive that -- an acceleration of that benefit that customers in the future will no longer receive, correct?

MS. MONCADA: That's the same question she just asked, Mr. Chairman.

MS. WESSLING: I asked it, but then she didn't answer that specific question.

CHAIRMAN LA ROSA: Okay. Go ahead and restate the question and let's let the witness ask, like you stated, you know, stop the witness if you are looking for a direct answer --

MS. WESSLING: Okay.

CHAIRMAN LA ROSA: -- and then continue on --

MS. WESSLING: Thank you.

CHAIRMAN LA ROSA: -- the direction that you are going.

BY MS. WESSLING:

Q So specifically talking about the benefit of a reduction in deferred taxes to customers, that benefit, it's FPL's position that FPL customers, over the next four years, will receive an acceleration of a reduction of deferred taxes that customers in the future will not receive because of the TAM, correct?

A And I would disagree in the fact that those deferred taxes are designed to offset revenue requirements that the customers in the future will also benefit from. It will offset revenue requirements in 2028 and in 2029, customers will benefit in that timeframe. It will allow us to make investments that will benefit customers in the future. They are all interconnected, and I struggle to answer just that part alone.

Q I understand. And like I said, there is a lot of other questions about it, so I am just trying to break it this down, because this is a very complicated --

A It is.

Q -- mechanism, so...

FPL's rationale for accelerating the recording of the reduction deferred tax expense over the next four

years instead of over the remaining life of the assets, is that it will offset revenue requirements in '28 and '29, I believe you just stated that, right?

A Yes. That's correct.

Q All right.

A It's one of the benefits --

Q One --

A -- that Witness Bores discusses in his testimony.

Q Okay. And FPL is asking to be able to start using the TAM on January 1st of 2026, not January 1st of 2028, correct?

A Yes. We asked for flexible amortization over the four-year period, very similar to RSAM.

Q So despite the rationale, one of the benefits for the TAM being that the TAM would offset revenue requirements starting in 2028, FPL does not want to have to wait until 2028 to start using the TAM, correct?

A I think that's a better question for Witness Bores.

Q And by the end of 2029, FPL expects to have used the full $1.717 billion of TAM, correct?

A That's what we propose as part of the proposal, yes. At the end of the day, that amount is based on just math, and it's the incremental revenue requirements in 2028 and in 2029. We are not asking any more than that.

Q And FPL has already collected this $1.717 billion from customers to pay future tax liabilities to the IRS, correct?

A Yes. It's a deferred tax liability basically, which, in essence, essentially means that we collect it in rates taxes that are not yet due to IRS. They are residing in a different tax liability providing this benefit to customers.

Q And when FPL amortizes the $1.717 billion over the next four years, FPL will then need to recollect $1.717 billion from future FPL customers over the next 30 years, correct?

A Yes. We would -- at the end of the four-year period, assuming we amortize the full amount of 1.717 billion, we would have to -- we would still have an obligation, an outstanding obligation to IRS, and so we propose to set up a regulatory asset to recollect the 1.717 billion over a 30-year period.

What I do want to make clear is that at the end of the day, we are not collecting $2 of deferred tax liability. At the end of the 30-year period, I had one dollar before, as of January '25, I will have one dollar that's due to IRS at the end of the 30-year period.

Q And that one dollar will have been recollected from customers?

A Yes, again for all the benefits that we discuss in our testimony, very similar to RSAM, that's no different, but it's recollected over a 30-year period, and at the end of the period there is, again, it's only $1. It's not $2 of deferred tax liability.

Q Well, the first dollar was collected from customers, right?

A Yes.

Q And then the second dollar would be recollected from customers, correct?

A Again, we collect one dollar, yes. We give have it back to customers to offset revenue requirements in 2028 and in 2029, that will provide all the benefits we discuss in our testimony, including -- will allow us to fund the investments that we must make during that period. And those are investments for infrastructure, information technology, for regulatory compliance, for -- to support system growth. It's all the investments that we must make in 2028 and in 2029. We will offset those investments, we are now at zero basically, and then we would have to reflect that dollar over a 30-year period, a long 30-year period.

While those customers in 2030 and going

forward benefit from all the investments that we were able to fund in those two years, in 2028 and in 2029. In addition to the opportunity to identify efficiencies and avoid back-to-back rate cases, was just a few benefits that Witness Bores discusses.

Q And you do too now, right?

A Yes.

Q Okay. So setting aside for right now what happens with that one dollar in between when you first collect it and then when it's recollected, we are going to ask questions and you will have a chance to clarify whatever you need there, but I just want to make sure.

So the first dollar is collected from customers, correct?

MS. MONCADA: Mr. Chairman, we are going on round three of this question.

MS. WESSLING: It's in the example that she presented. I just want to make sure that I am understanding it from her perspective, and I don't think she exactly answered my question, and I am not going to belabor the point. I just want to make sure that I understand what she's saying here.

CHAIRMAN LA ROSA: I know you are breaking it down, and it does seem like we are constantly going back to it, but if there is a way to expedite a clarification.

MS. WESSLING: Yeah, I just tried to clarify for her that we will get to what happens to that dollar in between the first dollar and the recollected dollar. I just want to make sure, and it will be that simple, is that the first dollar is collected from customers, something is done with that dollar, and then the second dollar is -- or the dollar is also recollected from customers. That's all I am trying to just clarify.

CHAIRMAN LA ROSA: Okay. Please proceed.

BY MS. WESSLING:

Q So I know you just heard me say that, but the example you gave a second ago, the dollar that FPL has, that dollar was collected from customers?

A Yes.

Q And then something happens with that dollar, FPL uses that dollar for a particular purpose, and then that dollar is recollected, correct?

A I would say something important happens during the timeframe to where we provide significant benefits to our customers, and then we recollect the dollar over a 30-year period. At the end of the 30 years, we have one dollar of deferred tax liability to pay the outstanding obligation to IRS.

Q All right. We will move on.

So we are not talking about one dollar. We are talking about the $1.717 billion. It's the $1.717 billion that will be recollected -- well, I think we have answered that actually.

You would he agree that recollection of this 1.717 dollars of money that's for federal income taxes would also require customers to pay interest or carrying costs in the form of the weighted average cost of capital until they are paid off, correct?

A Yes, in the fact that during the time -- during 2028 and 2029, we will still have to issue debt and equity to finance to fund our investments. That revenue requirement you are referring to, that will go down over time. And so the -- all the benefits of the four-year plan and the operating efficiencies that we would be able to identify during that period, they would be recurring benefits, just like we are seeing what we saw over the last four-year period, very similar to RSAM. Those don't go away. Those stay in rates in the future for customers. And so the benefits extend, they far outweigh of the carrying costs of the 1.717 billion.

I would also point out, the 1.717 is less than two percent of the overall ADIT balance, accumulated deferred income tax balance and capital structure.

Q Amount weighted average cost of capital includes an equity component that requires customers paying it to pay the federal income tax costs on the carrying costs associated with the repayment of the federal income tax costs already paid once, correct?

A Can you repeat your question, please?

Q Sure. So the weighted average cost of capital includes an equity component that requires customers paying it to pay the federal income tax costs on the carrying costs associated with the repayment of the federal income tax costs that they already paid once, correct?

A I would try to answer, somewhat I understood, but there is an equity component, yes. There is a tax impact, yes.

Q Okay. And in order to approve the TAM, the Commission would have to approve something that it has never approved before, correct?

A Can you repeat your question, please?

Q In order to approve the TAM that FPL is proposing, the Commission would have to approve something that it has never approved before, correct?

A Not in the form of TAM that, but TAM is very similar to RSAM. There is really -- exactly the same, it's just different balance sheet and income statement

FERC accounts that are impacted. The overall benefits and impact on customers exactly the same. There is no difference.

Q Are you saying that the RSAM is a precedent for this commission?

A From an overall benefit, yes, I would say so. I mean, we have seen it. We have been using RSAM over the past decade, the benefits are significant, as the person responsible for the forecast, I see the benefits looking at actuals. I see the benefits on the forecast. I see the benefits for our customers.

And so, yes, I would argue that perhaps mechanics are different, and different accounts and balance sheet income statement are impacted, but the overall benefit is exactly the same.

Q All right. We will come back to the precedent issue.

If the Commission does not approve the TAM, then nothing changes except that FPL might be in for a rate case sooner than it otherwise would be, correct?

A I would say a lot changes. Our four-year rate plan will not be there, and so we would, yes, we would come in for rates. Customers will see higher rates than they would otherwise be. We, as a company, would not be able to do what we have done so successfully over the past decade, which is look at our operating costs and identify incremental value for our customers. None of those things are possible with back-to-back rate cases.

Q Unprotected deferred taxes, if the TAM is not approved, would continue to be handled the way that FPL has always handled them, meaning amortized over the remaining life of the assets, correct?

A Yes.

Q And that would be consistent, again, with the matching principle, correct?

A Yes. And I would emphasize that the matching principle with intergenerational inequity, those -- those are very important regulatory principles. And that is our default position for most everything, Commissioners, you see in 2026 and 2027 projected test years. However, I do think it's really important to balance them against other regulatory objectives, and so we make here a small exception for a significant benefit to our customers.

Q If the Commission does not approve the TAM, both current and future customers would receive benefits associated with the deferred taxes over the remaining life of the assets, correct?

MS. MONCADA: Could you repeat that? I am sorry, I didn't catch the whole thing.

BY MS. WESSLING:

Q If the Commission does not approve the TAM, both current and future customers would receive benefits associated with the deferred taxes over the remaining lives of the assets, correct?

A Yes, but they will miss out on all the benefits of TAM.

Q FPL has never proposed or been allowed to treat non-excess deferred taxes in the manner proposed by the TAM, correct?

A Can you repeat your question, please?

Q Sure.

FPL has never proposed or been allowed to treat non-excess deferred taxes in the manner proposed by the TAM, correct?

A Correct, not deferred taxes, but as I mentioned, it's very similar to RSAM, Commissioners.

Q And you are not aware of any other utility in Florida or elsewhere that has an identical mechanism to the TAM, correct?

A Not identical, but there are two utilities that we also responded about in discovery, Wisconsin Electric Power and New Jersey Public Service and Electric and Gas Company. Those utilities use mechanisms very similar to TAM.

Q And those mechanisms only deal with excess deferred taxes, correct?

A No.

Q Those cases were all resolved via settlement agreement, correct?

A Yes.

Q And you did not know about those cases before filing this case on February 28th of 2025, correct?

A No, I believe we did. I don't recall -- I don't recall.

Q All right. Do you have -- there is a white binder of deposition transcripts.

MS. WESSLING: Commissioners, do you have the deposition transcript binders?

CHAIRMAN LA ROSA: No.

MS. WESSLING: If we could just have a moment to pass them out? Actually, would it be a good time for just maybe a five- or 10-minute break, a break for everyone?

CHAIRMAN LA ROSA: Yeah, let's do that. Let's take a five-minute break.

MS. WESSLING: Thank you.

(Brief recess.)

CHAIRMAN LA ROSA: All right. I think we can go ahead and grab our seats and pick up where we left off. We have the transcripts in front of us.

BY MS. WESSLING:

Q All right. Ms. Laney, I believe we left off and I asked you the question, you did not know about these Wisconsin and New Jersey cases before FPL filed its petition asking for the TAM, correct?

MS. MONCADA: Objection. That's not what she said.

MS. WESSLING: Debbie, would you read back the question that I asked, please?

(Whereupon, the court reporter read back the requested portion of the record.)

BY MS. WESSLING:

Q What did you answered?

A I don't recall. And then I said I don't recall.

Q I am sorry, she can't have a conversation with you right now.

A I apologize.

Q All right. So you said, I believe we did, but then you said I don't recall?

A Correct.

Q Okay. And were deposed in this case, correct?

A Yes.

Q Okay. And again, that was on -- the first one

was on May 8th of 2025?

A Yes.

Q Okay. And you took an oath then to tell the truth just like you did today?

A Yes.

Q Okay. And on page 109, lines seven through nine, you were asked: Were you aware of those two mechanisms prior to the proposal of the TAM? And you answered: I was not. Correct?

A Can you repeat your question, please?

Q Sure. Well, let me just ask you. Does the deposition transcript on lines seven through nine of page 109, say -- the question being: Were you aware of those two prior mechanisms prior to the proposal of the TAM? And you answered: I was not. Correct?

A Page 109?

Q Yes. Lines seven through nine of your direct deposition on May 8th?

A Oh, sorry. I was in rebuttal. I apologize.

Q And you might have the wrong binder, I think. Is that your transcript there?

A Yes. Almost there. I think I am there.

Q Okay. So again, page 109 of your May 8th deposition, lines seven through nine, you were asked: Were you aware of those two mechanisms prior to the

proposal of the TAM? And you answered: I was not. Correct?

A That's what it says. I don't know the con -- I don't recall the context of the question where you say: Were you aware of those two mechanisms prior to the proposal of the TAM?

Q Okay. But you agree that's what it says there?

A That's what it says, yes.

Q Do you agree that what we were referring to there are the Wisconsin and New Jersey mechanisms that we were just discussing?

A Yes.

Q Okay. And to your knowledge, FPL did not rely upon either the Wisconsin or New Jersey cases when it decided to propose the TAM in this case, correct?

A To my knowledge, yes.

Q Yes, they did rely on it or --

A No, we did not rely.

Q All right. Thank you. You can set this binder aside.

And you agree that there is no law or rule that explicitly authorizes the regulatory assets and liabilities that the Commission would have to create to establish the TAM, correct?

A Not necessarily, no. I would disagree with that in the fact that the excess ADIT that we flowed back to customers, those were reflected in very similar regulatory assets and liabilities, but I would also point out there is nothing that precludes us from proposing such a mechanism.

Q And my question is: There is nothing that explicitly says you can set up a TAM by establishing the regulatory liabilities and assets, correct?

A Nothing that says that, since it's something first time we propose in Florida, I would not expect to see that language exactly anywhere. But again, there is nothing that precludes us from proposing such a mechanism.

Q Okay. And as you mentioned before the break, you believe the RSAM is a precedent that the Commission can rely upon to authorize the TAM?

A I don't know the legal implications of that. What I do know is that the TAM is very similar to RSAM when it comes to the benefits that it provides to customers.

Q FPL specifically has only ever been -- has only ever received an RSAM through a settlement agreement, correct?

A I don't know.

Q You don't know?

A No.

Q Are you aware of whether or not the Commission has ever approved an RSAM in the absence of a settlement agreement?

A I don't know.

Q Okay. All right. If we could turn to your Exhibit IL-13, the errata, please? I apologize, I don't have the Case Center number.

All right. Can you -- are you still getting there or are you able to see it?

A I am there.

Q Okay. And this errata to your IL-13 shows how FPL determined the $1.717 billion TAM amount, correct?

A Yes. That's correct.

Q And this also shows an incremental increase in revenue requirements at a midpoint ROE for 2027 and 2028, correct?

A For 2028 and 2029.

Q Excuse me, '28 and '29.

All right. And -- but FPL would not be satisfied in earning a midpoint ROE for those two years, correct?

A Can you repeat your question, please?

Q FPL would not be satisfied to earn at the

midpoint ROE for those two years, correct?

MS. MONCADA: Objection. The question is regarding the ROE with respect to the TAM are addressed by Mr. Bores in his testimony as opposed to Ms. Laney.

MS. WESSLING: All I would add is that it's very difficult to parse out the minutiae of this mechanism clearly between Ms. Laney and Mr. Bores, so I would ask for a little leeway just so that -- because Mr. Bores is still going to testify. I think he is here now listening, so he can hear everything that's being asked, and if there is a clarification necessary, he can do that.

But because this is so complicated, and because things like ROE are really intertwined and even referenced on her exhibit, I just ask for a little leeway about that.

CHAIRMAN LA ROSA: I am going to go my advisor on this because it is complicated.

MS. MONCADA: And FPL would just offer also, if it's helpful to the Commission, we are happy to put up Ms. Laney and Mr. Bores as a panel.

MS. WESSLING: No thank you.

CHAIRMAN LA ROSA: Good offer.

MS. HELTON: Mr. Chairman, if ROE is listed on the exhibit, it seems to me that it's fair for OPC to ask the witness that question, and if she doesn't know the answer, she can simply state she doesn't know the answer.

CHAIRMAN LA ROSA: I will allow the question. Like I have asked before, if you can just restate the question, and then if the witness knows, then they can answer accordingly.

MS. WESSLING: Sounds good. Thank you.

BY MS. WESSLING:

Q Ms. Laney, FPL would not be satisfied in earning a midpoint ROE for those two years, correct?

A If it's in relationship to this exhibit, this exhibit reflects the revenue requirement at midpoint ROE in 2028 and in 2029.

Q The $1.717 billion is calculated using an 11.9 midpoint ROE, correct?

A Yes.

Q And if the Commission authorizes a lower midpoint than an 11.9 midpoint ROE, the TAM amount, if also approved, would have to be proportionately smaller, correct?

A It is correct, that, yes, the TAM amount would be smaller than the amount that you are seeing on Exhibit IL-13, it will be a very minimum -- it would be a small change, because it's only the incremental revenue requirement in 2028 and in 2029.

Q The small change, you would agree, though, would be smaller?

A It would be a change. That's correct. Yes.

Q Okay. And FPL expects significant customer growth over the next four years, correct?

A I don't know. That's a question for Witness Cohen.

Q Was customer growth considered in the creation of Exhibit IL-13?

A I would say the capital expenditures that you see on line two, that reflects incremental, but some of it capital investment is reflective of incremental customer growth, yes.

Q All right. And in your opinion, there is no difference between your regu -- well, FPL's proposed regulatory asset and liability accounting and making TAM entries directly to the deferred tax accounts, correct?

A Can you repeat your question, please?

Q Sure.

It's your opinion that there is no difference between FPL's proposed regulatory asset and liability accounting and making TAM entries directly to the deferred tax accounts, correct?

A I am sorry, if you can -- I am not following the question.

Q Okay. I will -- is there a difference between the proposed regulatory asset and liability accounting and making TAM entries directly to the deferred tax accounts?

A Again, I am not quite sure, but let me try and answer and we will see if that answers your question.

What we proposed in this case, Commissioners, is setting up a regulatory liability and a regulatory asset. The liability would be provide -- it's the benefit that will provide to customers over a four-year period, 2026 through 2029. The regulatory asset is the benefit that we will, if the recovery, benefit over a 30-year period.

And so the accounting for it, it's very straightforward. I describe it in Exhibit IL-12. Again, to your question, if it's similar, I don't know. Perhaps you are asking if we can debit or credit the 282 FERC account, 282 account, which is the primary tax liability account. And we explained that we cannot alter the account. That is why because that account must represent at all times the outstanding obligation to IRS. And what we proposed, it's a very straightforward accounting, but basically it sets up a separate regulatory asset and liability. It's cost-based. The math is on this exhibit, and I laid out the debits and credits as well.

Q And if the TAM is not approved, there would be no need to set up this alternative regulatory asset and liability accounting mechanism, correct?

A There would be no need, that's correct, if it's -- if the Commission does not approve it. However, again, all of the benefits associated with TAM will not be there as well.

Q Okay. And the unamortized regulatory asset offset -- excuse me, let me start that again.

Will the unamortized regulatory asset offset accumulated DTLs in the capital structure, thereby increasing the cost of capital?

A As I explained earlier, yes. So in 2028 and in 2029, we will have to issue debt and equity to finance the investments that we make during that timeframe. And the pure math behind it is, yes, there will be an impact on the revenue requirements. Again, that impact will go down over time as we amortize the regulatory asset, and is far greatly outweighed by the benefits of TAM.

Q And FPL's plan is to treat the regulatory asset as cost-free in tandem with the deferred tax

accounts in the capital structure, correct?

A Yes. At the end of the day, what gives rise to this regulatory asset is a deferred tax liability, and we think it's appropriate to include both the regulatory asset and the regulatory liability and capital structure at zero cost.

Q Is the 30-year $57 million amortization of the regulatory asset cost-free, as in below the line, or will it be included in the cost of service?

A The amortization of the regulatory asset, just like the amortization of the benefit, they have a side that will go to customers, they are both included above the line. So they will be reflected in the cost of service.

Q Okay. I would like to identify CEL Exhibit 439, please. I may have already done that. I could be wrong, but 439. And if we could go to Case Center page E92461.

Do you recognize this response, Ms. Laney?

A Yes.

Q And you cosponsored this interrogatory response?

A I believe I did, yes.

Q And here, you acknowledge that, all else equal, if the Commission approves the TAM, revenue

requirements in FPL's next base rate case will be higher than they otherwise would be if the TAM were not approved, correct?

A Yes. And then I follow describing what's most important at the end of the day, and those are the benefits that flow back to customers.

Q Thank you.

And you and several other witnesses, both in your testimony and as well here today, have compared the TAM to the RSAM, correct?

A Yes. Yes, we do believe that although the impact different income statement and balance sheet accounts, at the end of the day, the benefits to customers they are exactly similar, they are very similar to RSAM.

Q And RSAM stands for reserve surplus amortization mechanism, correct?

A Yes.

Q All right. And reserve surplus refers to a depreciation reserve surplus, correct?

A Yes. That's correct.

Q And a depreciation reserve surplus is a theoretical surplus, correct?

A Yes. Yes.

Q Okay.

A Again, that's probably a better question for Witness Ferguson.

Q Okay. But as far as you understand it, it is a theoretical surplus?

A Yes.

Q Okay. And the RSAM can only function when there is a reserve surplus, correct?

A Yes. From purely practical -- yes.

Q Okay. And the RSAM involved the return or amortization of the theoretical surplus of over-collected depreciation expense, correct?

A Can you repeat your question, please?

Q Sure.

The RSAM involved the return or amortization of a theoretical reserve -- excuse me, I think I misquoted myself there.

The RSAM involved the return or amortization of a theoretical surplus of over-collected depreciation expense, correct?

A I don't think I agree with over-collected depreciation expense. We collect the depreciation expense based on the latest assumptions in the depreciation study. This being said, the RSAM involved -- can you repeat your question, please?

Q Sure. And actually I will rephrase it and

take out the word over-collected, and maybe that will help.

A Okay.

Q So the RSAM involved the return or amortization of a theoretical surplus of depreciation expense, correct?

A Thank you. Yes. Yes, there is a return component alongside to the benefits that we provided over the four-year period.

Q On the other hand, the TAM if approved, would not involve the return of excess deferred taxes, correct?

A They are not related at all. So I want to make sure I answer the question. They are not related in any way.

Q And so just let me see if I can do it this way. If the RSAM involved a surplus of depreciation expense, the TAM does not involve a surplus of, or excess of deferred taxes, correct?

A Let me try and answer and if I don't, let me know. But, no, there is -- when I think about excess deferred income taxes, I think about the excess due to a change in tax rate, which is not the case with TAM.

And so TAM, it's a different tax liability, right, which means that we collect it from customers, but we collect the taxes from customers, but they are not yet due to IRS, and so they reside in that deferred tax liability.

I don't know if that answered your question.

Q I think it does.

And additionally, with the RSAM, the Commission ultimately controls the depreciation parameters that affect whether or not there is a depreciation surplus or deficiency, correct?

A The depreciation study is subject to Commission approval, that's my understanding. Yes.

Q Okay. But the Commission has no control over federal income tax rates, correct?

A No.

Q Okay. With the RSAM, the reserve amount is the portion of the depreciation reserve that has been identified as a surplus, and its credit balance is generally available to the company for transfer to the income statement using the RSAM mechanism, correct?

A Can you repeat your question, please?

Q Sure. With the RSAM, the reserve amount is the portion of the depreciation reserve that has been identified as a surplus, and its credit balance is generally available to the company for transfer to the income statement using the RSAM mechanism, correct?

A I wouldn't say generally available. It was, you know, an amount that was approved by this commission in the last rate case, and that we were able to provide as a benefit to customers over the last four years.

Q So the RSAM and then the reserve amount are two distinct items that together have been and are being used to increase FPL's reported achieved earnings within the earnings range, correct?

A The reserve amount was used to offset the incremental revenue requirements in 2024 and in 2025, correct.

Q So -- but that wasn't my question. So there is the RSAM and then there is the reserve amount, right? Those are two separate items that, used together, that are used to increase FPL's reported achieved earnings within the ROE range?

A I may be missing something. We use interchangeably. I guess the reserve amount, it's -- we defined it as RSAM in the last rate case as part of the settlement agreement. If you can rephrase the question, please?

Q So I guess I am asking, so there is the TAM amount and the TAM, right?

A I would say it differently. There is a TAM amount that is cost-based, and we -- it's based on the revenue requirements in 2028 and in 2029. And then there is other deferred tax liability that is -- that relates to tax repairs and mixed service costs, if that's what you meant.

Q I think -- what I am trying to get at is that both with the RSAM and with the TAM, there is the amount that is available for those purposes, but then the mechanism is how that actually works, does that make sense?

A Let me try and rephrase it, and perhaps -- and if it's not what you asked, we can try again. But there is what we propose -- both in the case of RSAM and in the case of TAM, what we propose is using the discrete amount which is -- we called it TAM in this case. In the last rate case, we used RSAM. Those are discrete amounts that are reflective of the revenue requirements that we are offsetting for the benefits of our customers. I don't know if that answered your question.

Q I think so.

Regarding the RSAM, the RSAM is used to increase FPL's reported achieved earnings within the ROE earnings range, correct?

A They are used to offset revenue requirements for benefits of our customers, the ROE is just -- it's the fallout of that.

Q All right. Let's see here. For -- if we could mark CEL Exhibit 538, please? Which is Case Center number F2-529 all right.

Are you familiar with this interrogatory response?

A Yes.

Q Okay. Did you sponsor it?

A Yes, I did.

Q Okay. And it's actually two discovery responses, OPC's 115 and 116, correct?

A Yes. I believe one referred to credits, the other one to debits.

Q Yes. Thank you.

And actually I think you cosponsored these. I apologize. But you would agree you cosponsored these exhibits?

A I believe so. Yes.

Q Okay. I think the declarations are at the bottom if we need to clarify that at any point, but we will just go with it for now.

So if we could scroll down to that page, and then zoom in as much as possible, but still being able to see the full chart? Thank you.

All right. So let's look at line one of this interrogatory response, and this response relates to

RSAM credits, correct?

A Yes.

Q Okay. And this demonstrates that before an RSAM amortization credit was made in January of 2021, FPL's ROE would have been 11.01, correct?

A I would -- yes, with clarification. It's before the credit for that specific month for January 2021 is made.

Q Yes.

A I would highlight the fact that that 11.01 percent already includes 11 months of RSAM in net operating income, and 12 months in rate base and capital structure.

Q Okay. And whether or not an RSAM credit or debit is applied, that's the last step in the reported ROE, correct?

A That's correct, Commissioners. We look at the actuals for the month, we look at the financials, calculate the actual earned ROE, and then we determine how much we need to debit or credit to reach the preestablished ROE.

Q And in this instance, looking at line one for January of 2021, because of an RSAM credit, FPL was allowed to adjust their ROE to 11.6 percent, correct?

A We made an adjust -- again, there is RSAM in

11.01. I think that's important, right. So, yes, we adjusted, as I mentioned I think in deposition as well, we have a preestablished ROE that we set in the beginning for the year, and then when we look at actuals for the month, we debit or credit depreciation expense to reach the preestablished ROE.

Q Was 11.6 the preestablished ROE that you are referring to?

A Yes.

Q Okay. And 11.6 was the very top of the 200-basis-point range authorized at that time, correct?

A I believe so. I believe that's the case in 2021.

Q Subject to check?

A Subject to check, yes.

Q And every single line in this interrogatory response reflects an instance where FPL used the RSAM and the reserve amount to increase FPL's adjusted ROE, correct?

A Yes. So these are the RSAM credits. And as I mentioned, it's the last step in -- for us, when we look at financials for the month. And again, each of those numbers, lines one through 2023, include 12 months of RSAM already, otherwise they would be lower.

Q And then -- but the credit that's added,

that's additional RSAM?

A It is an incremental change, yes. We have to reach the preestablished ROE.

Q Okay. And adjusting the ROE upwards results in increased earnings for FPL, correct?

A All else equal, yes.

Q And all else equal, FPL has higher earnings with an 11.6 ROE than it does with an 11.01 percent ROE, correct?

A Yes. And I would defer to Witness Bores on the benefits of higher ROE for attracting capital.

Q Sure. I wasn't planning on asking you that.

All right. Now, if we could go to, scroll down within this exhibit and -- one more page, and zoom this in like we were looking at the other one, please.

All right. Ms. Laney, is this the response that you cosponsored to OPC's Interrogatory 116?

A Yes.

Q All right. And this interrogatory response relates to RSAM amortization debits, correct?

A Yes. That's correct.

Q Okay. And similarly, we will look at the first line on this one, which reflects that before an amortization, an RSAM amortization debit was made in you'll July 2021, FPL's ROE would have been 11.61,

correct?

A Yes.

Q All right. But because of the RSAM debit, FPL was allowed to adjust the ROE to an 11.6 percent, correct?

A Yes. Again, we reached the preestablished ROE for the month.

Q For July of 2021, the preestablished ROE amount that you are referring to was 11.6?

A Correct.

Q Which was the top of the 200-basis-point range at that time, subject to check?

A Yes.

Q And on every single line of this exhibit, except for line 20, these reflect an instance where FPL used the RSAM and the reserve amount to reduce FPL's adjusted ROE, correct?

A Yes. It's a debit to expense, so yes.

Q And in every instance on this page, the adjusted ROE was either at or near the top of the authorized 200-basis-point range at that time, subject to check, correct?

A Yes. Again, that ROE, as I mentioned earlier, already reflects 12 months of RSAM in that number, otherwise, it would be lower. It also reflects all the efficiencies, everything else we did in, you know, we see in the business.

Q And every single adjusted and non-adjusted ROE on this exhibit is above FPL's authorized midpoint at that time, correct?

A Yes.

Q Over the last four years, FPL never earned below its authorized midpoint ROE?

A No.

Q Okay. Isn't it true that when prepare adjusted -- actually, I think I asked that question. Thank you. Never mind. Strike that.

Would you agree that FPL's target ROE is whatever the top of the 200-basis-point range authorized at that point in time?

A Can you repeat your question, please?

Q Sure.

So you would agree that the target ROE for FPL is always whatever the top is of the 200-basis-point range that is authorized at any given time?

A No, I disagree.

Q FPL has never used the RSAM to bring the achieved reported earnings surveillance report ROE up to the bottom of the range, correct?

A I don't think you can see that on the earnings surveillance reports. Again, all the ROEs that are reflected on the earnings surveillance report that we file with the Commission monthly, they are already reflective of 12 months of RSAM. So I don't think it's just looking at that alone, it's not -- it's not something one could say.

Q You know, we are looking at a lot of different things together, so I am just asking some isolated questions to make sure we get the full picture here.

Are you aware of an instance where FPL has used the RSAM to bring the achieved reported earnings surveillance report ROE up to the bottom of the authorized ROE range?

A No.

Q Are you aware of an instance where FPL has ever used the RSAM to bring the achieved reported earnings surveillance report ROE up to the midpoint of the range?

A No, but you are not referring to the earnings surveillance report, I would say -- I have not done the math, but it's very possible, in fact, I do believe it is the case, if not for the RSAM, we would not have been able to reach the midpoint ROE without any cash base rate increases.

Q On this exhibit that we were just looking at,

on either 115 or 116, all of the adjusted ROEs are -- well, none of the adjusted ROEs are the midpoint at any of those given points in time, correct?

MS. MONCADA: Objection. She already went over this when we talked about each of the 115 and 116 interrogatory responses.

MS. WESSLING: I was just asking for this clarification because of the response she just gave. I just want to be clear that I am understanding the response that she just gave after we went through this.

CHAIRMAN LA ROSA: Okay. I will allow the question.

BY MS. WESSLING:

Q All right. Let me see if I can remember it.

So on this exhibit, in the FPSC adjusted ROE column, none of those numbers reflect what the midpoint ROE was at the respective given point in time, would you agree?

A They do not reflect it, but it would have been -- again, the actual earned ROE in the absence of RSAM would have been much lower. All those numbers will reflect already RSAM --

Q Okay.

A -- and so at the end of the day, very similar to TAM that we proposed now, both RSAM and TAM are cost-based and are reflective of the revenue requirements in their respective years.

Q Would you agree that the TAM amount and the reserve amount are just located on different parts of the liability section of FPL's balance sheet?

A They are in different FERC accounts and balance sheet. That's correct.

Q And the proposed justification for the TAM in this case is indistinguishable from the justification for the RSAM in the past, would you agree?

A They are very similar, as I said. The only difference that I can see is the FERC accounts that are being used to debit or credit the mechanism, but the benefits that they provide to our customers are exactly the same.

Q And you expect that FPL's regulated earnings over the next four years will be very similar in terms of the relationship between the adjusted ROE with and without the TAM credits and debits, correct?

MS. MONCADA: Objection. Again, with respect to earnings and the noncash mechanism, those -- that is the subject of Mr. Bores' testimony.

MS. WESSLING: This -- I think this is a mechanics question of the TAM. I can try to

rephrase it, though, if that's helpful.
CHAIRMAN LA ROSA: If you can.
MS. WESSLING: Okay.
BY MS. WESSLING:
Q Because you cosponsored this response --
A Yes.
Q -- do you expect that with the TAM, that similar relationship between ROE and the TAM debits and credits will be reflected over the next four years?
A Let me answer like that, I expect that they will be -- that the TAM will be used similarly, which is what we proposed here. Do I expect to see exactly the same relationship? I don't know.
I think the uncertainty and the risk on us to deliver and ensure that customers receive the value that they have received in the past is significant, and so I can only hope that that's the case, but it's not -- it's not -- there is no certainty.
Q Okay. So you hope that the results are -- with the TAM, are similar to the results reflected on this exhibit?
A Again, I don't know what the outcome would be.
Q Right.
A What I can say with certainty is that we asked for the TAM to be used very similarly, it's flexible

amortization over the four-year period, and so it will be used in a similar manner, but none of these numbers are guaranteed in the future.

Q You would agree that the achieved earnings of any utility that are at least above the bottom of the authorized ROE earnings range authorized by the Commission are deemed fair, just and reasonable, right?

A Can you repeat your question, please?

Q You would agree that the achieved earnings of any utility that that are at least above the bottom of the authorized ROE earnings range established by the Commission are deemed to be fair, just and reasonable, correct?

A I am not a legal person, but my understanding is that anything in the range of 100 basis points above and below the midpoint is fair and just and reasonable return.

Q Thank you.

Wouldn't you agree that any TAM mechanism and available TAM amount should be used, if at all, only as a safety net to keep achieved earnings above the bottom of the range, but no higher than the rate setting midpoint established by the Commission?

A I think that's a question for Witness Bores.

Q Okay. If the TAM was intended to keep FPL

from having to come back in for rate relief in any of the next four years, wouldn't it be appropriate for the TAM and the TAM amount to be used only if needed to bring FPL's earnings to the bottom of the range if it were below the range?

A That's a question for Witness Bores.

Q Well, you testified that one of the reasons for the RSAM is for avoiding the need to come in in 2028 and 2029, right?

A Yes. At the end of the day, the TAM is, like I said, Commissioners, it's math. It's just math, right. It's based on the revenue requirements in 2028 and in 2029. And it's designed to offset two years of general base rates increases in those years, which is a significant benefit to our customers.

Q So -- but because you testified that that is one of the reasons for the TAM --

A Uh-huh.

Q -- wouldn't it be appropriate for the TAM and the TAM amount to be used only if needed to bring FPL's earnings to the bottom of the range?

A Again, I think it's a policy question that Witness Bores can address.

Q If the TAM was intended to keep FPL from having to come back in for rate relief in the next four

years, wouldn't it be appropriate to prohibit the TAM from being used if FPL's achieved earnings were otherwise already within the 200-basis-point range of reasonableness established by the Commission?

MS. MONCADA: Chairman --

THE WITNESS: My answer is the same.

MS. MONCADA: Yeah. I mean, she's saying her answer is going to be the same, and my objection was going to be that the question is the same too, so we are aligned.

MS. WESSLING: I just have a problem with the witness saying who is appropriate to answer the question. I mean, she and Mr. Bores are the witnesses for the TAM, and we can ask them both these questions, and I don't understand why that's improper.

I mean, I don't understand how a witness can, especially in this instance, when she is so deeply intertwined with the TAM, can defer a question like that to another witness and dictate who from the company should answer that question.

MS. MONCADA: Mr. Bores is the policy witness on the TAM, and Ms. Laney is the mechanics witness on the TAM, if that's helpful to -- for Ms. Wessling to understand the demarcation between the two witnesses. And our offer to put them up as a panel stands.

BY MS. WESSLING:

Q Do you not know the answer to that question, Ms. Laney?

A I do not.

CHAIRMAN LA ROSA: It's clear that she may not know the answer to it. I mean, if that offer is on the table, I think it should be considered. I think we would move through questions a little bit quicker as far as getting the answers that you are looking for.

MS. WESSLING: Well, we have gone through a lot of witnesses today. I think we are moving at a good pace, but I just -- I will move on.

BY MS. WESSLING:

Q Ms. Laney, would you agree that while customers may not understand about the setting of depreciation rates and expenses and RSAM, they do understand that paying federal income taxes once for themselves, and probably do not like that, and certainly do not want to pay them twice for FPL?

MS. MONCADA: Objection. Ms. Laney has explained the concept about double recovery, and Ms. Wessling is mischaracterizing Ms. Laney's explanation.

MS. WESSLING: I don't think I have used the words double recovery.

MS. MONCADA: Paying twice and double recovery, I think, are the same thing, but if she wants to rephrase the question.

CHAIRMAN LA ROSA: Can you rephrase the question?

MS. WESSLING: It's a pretty straightforward question. I don't know that I can rephrase it.

MR. BURNETT: Mr. Chairman, I will also add calls for speculation as to the mental objective state of 6.1 million customers as well, which is witness is not able to divine. I believe Ms. Wessling admitted that we don't have a crystal ball.

BY MS. WESSLING:

Q Do you know whether customers would be okay with paying federal income taxes twice for FPL?

A One, I don't think they will pay them twice. Like I said, at the end of the day, there will be one dollar in the deferred tax liability. And, two, I would say I think customers will feel the higher rates if not for the TAM mechanism and all the benefits that this mechanism will provide to our customers.

MS. WESSLING: Can you instruct the witness to answer that yes or no question, please?

CHAIRMAN LA ROSA: Let's go ahead and take a five-minute break.

(Brief recess.)

CHAIRMAN LA ROSA: All right. If we can take our seats and pick up where we had left off.

All right. Ms. Wessling, you were in questioning, asking the witness, obviously, questions.

MS. WESSLING: Yes.

CHAIRMAN LA ROSA: You may continue.

MS. WESSLING: And to everyone's relief, I think I will move on for right now.

CHAIRMAN LA ROSA: Okay.

MS. WESSLING: I just have a few more questions for this witness.

BY MS. WESSLING:

Q Regarding your rebuttal testimony, page 19 of your rebuttal testimony -- excuse me, page 41 of your rebuttal testimony, if we could go there.

All right. And I think starting on line 19, you state that the TAM benefits to today's customers are implicitly acknowledged by the intervenors, correct? Could you point --

CHAIRMAN LA ROSA: Your microphone may be off.

THE WITNESS: Sorry. Yes.

BY MS. WESSLING:

Q Could you point specifically to OPC Witness Schultz's testimony and identify where he acknowledges the TAM benefits to today's customers?

MS. MONCADA: Objection. The passage says implicitly acknowledge.

CHAIRMAN LA ROSA: Can you restate the question?

BY MS. WESSLING:

Q Can you point to anywhere in OPC Witness Schultz's testimony where he acknowledges implicitly, explicitly, or in any other way, TAM benefits to today's customers?

A Witness Schultz did not disagree with any of the benefits associated with TAM.

Q Can we go to -- so he was silent on them?

A Yes.

Q Can we go to CEL -- or Case Center page C23-3428?

All right. Starting on line 12, do you see where Mr. Schultz stated: Finally, the fact that I do not address any other particular issues in my testimony or am silent with respect to any portions of FPL's

petition or direct testimony in this proceeding should not be interpreted as an approval of any position taken by FPL; do you see that?

A I do.

Q Okay. And would you agree that Mr. Devlin does not -- that there is nowhere in his testimony where he says that the TAM is a good idea?

A I don't recall.

Q If we could go to Case Center page C20-3058? This is Mr. Devlin's testimony. Starting on line 15 -- I will wait until we get there.

Did you read Mr. Devlin's testimony?

A I did.

Q Did you read where, starting on line 15, he said that given the past use of the RSAM, which is analogous to TAM, I believe the consequences of the TAM far outweigh the purported benefits such as avoidance of rate cases for two years and alleged rate stability?

A So he does acknowledge there are benefits, but, yes, I do see that.

Q He acknowledges purported benefits according to FPL, correct? Yes?

A Yes, that's what it says.

Q Okay. And as far as you know, FPL never asked customers whether they wanted to choose between paying

portions of the company's federal income taxes twice or if they wanted to have a rate case, correct?

MS. MONCADA: Objection. That's, again, another mischaracterization of the mechanics of the TAM that were described probably more than once by Ms. Laney.

MS. WESSLING: That is not at all what I am asking. My question is whether or not this witness knows whether or not FPL asked customers if they wanted to pay portions of the company's federal income taxes twice or if they wanted to have a rate case. If you want, I will rephrase my question to try to avoid what I believe is the heart of the objection.

CHAIRMAN LA ROSA: Are you looking for a yes or no answer?

MS. WESSLING: Yes.

CHAIRMAN LA ROSA: If you could rephrase the question?

MS. WESSLING: Okay.

BY MS. WESSLING:

Q As far as you, Witness Ina Laney, know, has FPL ever asked customers whether they would prefer the proposed TAM or if they would rather have a rate case as early as 2028?

A I don't know. But I think it's reasonable to assume that customers will enjoy the benefits, as we did with RSAM, they would like the benefits with TAM.

Q All right. If we could bring up CEL Exhibit 751? Which is Case Center F2-3412.

You cosponsored this discovery response?

A Yes, I did.

Q And in this response, you agree that intergenerational inequity is a -- owe excuse me, that intergenerational inequity is a legitimate regulatory principle, correct?

A Yes, I do agree with that.

Q And you also agree that the prohibition against double recovery is also a legitimate regulatory principle, do you not?

A Yes, I do agree with that.

Q And if the TAM is not approved, there will be no need to recollect the tax repairs or mixed service taxes from customers, correct?

A In the absence of TAM, yes. But again, the double recovery that's the question that you refer to earlier, that's not the case of TAM. I just want to clarify that.

Again, at the end of the day, the regulatory principle of double recovery, the goal of a principle is to prevent recovering double the amount of the cost through different mechanism or through the same mechanism at different points in time, and that's not the case here. Again, at the end of the day, we will have one dollar of liability at the end of 30 years, just like we had at the end of 2025.

Q And that one dollar is a dollar that will have been recollected from customers?

A Yes, because we will provide it to customers in the form of a significant benefit in 2028 and 2029, customers will avoid a general cash base -- cash rate increase.

Q Just one moment.

Thank you, Ms. Laney. That's all my questions.

A Thank you.

CHAIRMAN LA ROSA: Thank you.

FEL?

MR. LUEBKEMANN: Thank you, Mr. Chairman.

EXAMINATION

BY MR. LUEBKEMANN:

Q Good evening, Ms. Laney.

A Good evening.

MR. LUEBKEMANN: Well, let me start with this actually. I also spoke to counsel at FPL with a few stipulations for this witness, and I would like to go ahead and name the exhibits that we have proposed and see if there is any objections, then move them in at the end?

CHAIRMAN LA ROSA: Sure. Go ahead.

MR. LUEBKEMANN: Those would be the exhibits on the CEL 932, 1013, 1102 through 1106.

CHAIRMAN LA ROSA: Objections to those?

MS. MONCADA: No objection from FPL.

CHAIRMAN LA ROSA: All right. So moved.

MR. LUEBKEMANN: Well, not moved yet.

CHAIRMAN LA ROSA: Oh, sorry.

MR. LUEBKEMANN: So I plan --

CHAIRMAN LA ROSA: Yes.

MR. LUEBKEMANN: Thank you very much.

BY MR. LUEBKEMANN:

Q A quick follow-up on a conversation you were having with Ms. Wessling on the benefits of the TAM, and specifically looking at the deferred tax liabilities, or DTLs.

A Yes.

Q There was a question about whether customers in future years would receive benefits from the DTLs if they are amortized as FPL plans to do in the next four years, do you recall that?

A I do.

Q And it is your position that customers in 2030 and beyond will still receive benefits from the DTLs?

A There will be incremental DTLs that will create. So, yes, there will be -- customers will continue to receive benefits from the incremental deferred tax liabilities that will create in 2030 and going forward.

Q But as to the deferred tax liabilities at issue and the proposed TAM mechanism that would be amortized by FPL over the next four years?

MS. MONCADA: I am sorry, Mr. Luebkemann, can you repeat that question?

BY MR. LUEBKEMANN:

Q Sure. As to the specific DTLs that are being proposed in the $1.717 billion TAM in FPL's case, would customers in 2030 and beyond receive benefits from those specific DTLs that have been used by the company over the next four years?

A I would argue that, yes, because those DTLs are part of the TAM mechanism, and you have to look at it all together, right. You can't choose different components. At the end of the day, those customers in 2030 and going forward will benefit from this mechanism, and from the investments that will make in 2028 and

2029. Those investments will benefit customers over the life of the assets.

Q And specifically it is your testimony that customers will benefit because of the investments that FPL is able to make, if I understand correctly?

A That and the operating efficient -- I apologize. That and the operating efficiencies that we would have the opportunity to identify for our customers.

Q They would not benefit from the specific reduction to income tax expense that a normalized DTL would normally provide?

A That component alone, if you are looking in isolation, that component, the benefit will be provided over the four-year period, and it will not be available in 2030 and forward.

Q And so basically in 2030 and forward, customers would be paying more for FPL's income tax expense than they would be in a parallel universe where FPL had normalized the DTLs over the remaining life of those assets?

A Yes, but that would be far outweighed by the benefits, other benefits of the TAM.

Q Can we go to Exhibit 423 at Case Center number E90974? And could we go to tab 11 of 12, which is D(4)

ITC?

First of all, Ms. Laney, do you recognize this spreadsheet?

A I do.

Q And it's one of your workpapers?

A Yes.

Q In row 10, what are we looking at?

A That is the investment tax credit.

Q And also, I am sorry, I didn't realize. We might need to scroll over to the left so you can actually see 2025.

A That's the investment tax credit associated with the battery storage project that we project to place in service in October of 2025.

Q And that would be the 522-megawatt Northwest Florida battery?

A Yes. That's correct.

Q And those batteries are not in service yet, is that correct?

A That is correct. We project that it will be placed in service in October of 2025.

Q And this is looking at basically slicing up the ITCs associated with that project and applying them beginning as of January 2025?

A Yes. That's correct.

Q And where are those ITCs going?
A Can you repeat your question, please?
Q Yeah. So the reduction in expense that's represented by these ITCs, what is that being applied to?
A It's a reduction to operating income tax expense on income statement.
Q Would you agree that the use of the ITCs associated with the -- well, let me start here.
It is now October of 2025. Do you know if the northwest battery is in service yet?
A I don't believe it's in service yet, no, but we are on track to place it in service by the end of the month.
Q Okay. So the ITCs that are associated with the as yet in-service battery, would you agree that those amounts have helped increase the amount of RSAM available this year?
A They would have increased the remaining RSAM available, yes, all else equal.
Q All else -- because it offsets what would otherwise be company drawdowns to the RSAM?
A It's a reduction to income tax expense, which means that we don't have to use as much RSAM to get to the same level.

Q And just to confirm, the ITCs associated with the 2025 battery, FPL proposes to take those all over the course of one year as opposed to normalizing those ITCs?

A Yes. We looked at the 2025 battery storage project no different from all the other projects, and so we applied consistent accounting treatment to all of them.

Q And I should say, I said FPL proposes to, but I guess I should really say FPL is taking those all in one year, is that right?

A I am not following the distinction. At the end of the day, we are applying the same accounting treatment to all battery storage projects across, you know, the forecast and this year.

Q Sure. I guess my question is where the ITCs associated with future batteries are not yet in play, ITCs associated with the 2025 battery, FPL is already taking those before any decision is made in this docket?

A Yeah, it's a project which we placed in service this year, so, yes, we have to record on the books the operating income tax reduction this year.

Q Could we go to Exhibit 1143, at number F10-19332? And if we could scroll down to slide three. Sorry, actually one up.

So recognizing that the first part of this presentation has been redacted, fair to say that this section addresses -- is part of a slide deck on a presentation of the difference between normalizing or applying the ITCs in a one-year flow-through?

A Yes. That's what -- based on the description, yes.

Q And could we slide -- scroll down to slide -- page seven of nine on Case Center? I don't know which slide this corresponds to. I am sorry, maybe it's six of nine. It's really hard to tell which slide it's on. That's the one I am looking for. Thank you very much, Mr. Schultz.

This chart here is showing pros and cons of normalization versus flowing through the associated ITCs?

A Yes.

Q And recognizing that it might be very small, is one of the pros for normalization that it levelizes the cost for customers over the lifetime of the asset?

A Yes.

Q And I have a quick follow-up on a conversation that you had about SoBRA with Ms. Wessling. You said that it stands for solar and battery rate base adjustment, is that right?

A Yes.

Q Fair to say that that's a redefinition -- I can -- let me rephrase that better.

Is it fair to say that the company has been using SoBRAs for the better part of a decade now, and that has previously referred only to a solar base rate adjustment?

A I don't know how long we have been using the SoBRA mechanism. But part of the SoBRA mechanism, previously we included solar additions.

Q And has battery storage ever been a part of a SoBRA mechanism?

A Not to my knowledge, no. I don't know.

Q In my head, I have been calling it the SoBabra, but it doesn't seem to have caught on.

As part of your responsibilities with the rate case, are you responsible for FPL's overall financial forecasts?

A Yes.

Q And that includes the corporate budgets for O&M and for capital expenditures?

A Yes.

Q And those forecasts, in turn, support the minimum filing requirements that would be filed in this proceeding?

A Yes. That's correct.
Q When was the budget forecast for this case developed?
A It was in 2024, late 2024. September 2024 we locked, we finalized it in October 2024.
Q So the MFRs in this case are based on a budget forecast that was finalized by October of 2024?
A It was specific to -- let me separate a little bit, because there are a lot of inputs that go, at the end of the day, in the financial forecast. When it comes to corporate budgets, the final approval we received in December, I believe, 2024, board approval. But the for -- the financial forecast itself, it was finalized at the end of October 2024.
Q And were there any material changes made between when it was finalized and when it was approved by the board?
A Not to my knowledge. No.
Q Okay. So there might have been something small, but it is substantially the forecasts were completed and finalized by October what were reflected in the MFRs?
A There are a few inputs related to cost of service study that were still developed in the November timeframe. And so final, final forecast was not until

the end of the year, and then we started preparing the minimum filing requirement schedules.

Q So you mentioned cost of service. Were there any inputs related to capital expenditures that were still in process after October 2024?

A I can't recall, no.

Q Could we go to Exhibit 1052 at number F10-13250?

Is this -- do you recognize this document?

A I have not prepared it, but I do recall it was provided in response to discovery questions.

Q And this would be a training presentation, as far as you know, for Project Velocity?

A Yes. That's what it appears to be, yes.

Q I will spare you more specific questions on it.

Could we go to Exhibit 352 at master number E, as in echo, 4173? Could we scroll to the next page?

Ms. Laney, do you recognize this exhibit?

A Yes.

Q And this is showing -- it's showing a few things from 2021 through 2027, but that includes the projected customer growth?

A Yes.

Q And specifically from actual year 2021 through

projected year 2027, FPL expects to add a little under 500,000 customers?

A Can you repeat your question, please?

Q Sure.

Between actual 2021 and projected 2027, would you say the difference in the average retail customers is about 500,000?

A Yes. That looks right. Yes.

Q And a few columns over at gross plant in-service, that is expected to grow by about 40 billion in that same time period?

A Yes.

Q Would you accept my math, subject to check, that that would be about $81,000 for each individual additional customer?

A I will trust you on your math, subject to check, yes, I can accept it.

Q Could we go back to Exhibit 5588? This is at F2-1169. And if we could go to the next page. And, yeah, if you could make that bigger, please? Thank you.

Okay. And I said let's go back to this, but that's just because it's in my outline from something that I dropped earlier. Do you recognize this interrogatory response?

A I do.

Q And on this page, this chart is showing, among other things, FPL's achieved ROE between 2011 and 2025?

A Yes.

Q And column D also shows the total adjusted PSC adjusted rate base?

A Yes.

Q And column G shows the impact of favorable or unfavorable weather on FPL's achieved ROE?

A Yes.

Q And in this case, favorable weather would be weather that would tend to drive increased electricity consumption?

A Favorable, I would say it's hotter, it's above normal, hotter than normal, I guess. Witness Cohen is the expert on this, but, yes, it will be, my understanding, hotter than normal weather.

Q Or effectively colder winter --

A Correct. Yes.

Q But generally speaking, this would be weather that would tend to raise FPL's sales above what it might have expected from its forecast?

A Yes, I would say so.

Q And in converse, the ones in parentheses would tend to be weather that caused -- that was more mild than expected, so sales were lower than may have been

forecast?

A Yes, revenues would be lower.

Q That's true. Yeah, the revenues resulting from the sales from the weather.

So if we look at this column over time, would it be fair to say that the weather was more favorable than not to FPL's revenues?

A Yes.

Q And, in fact, if you would accept my math again. This is actually Excel's math. I wouldn't dare. Would you, subject to check, accept that net value of that favorable versus unfavorable weather is about $1.785 billion?

A How much?

Q 1.785 billion.

A That sounds right, subject to check. And that's looking at sales alone. Again, there are other impacts due to favorable weather, right. It depends what's driving it.

If it's higher customer count, there will be incremental capital investment for us to support the higher customer count. If it's due to just hotter weather, it could be incremental expenses to run the generation fleet. So there are other impacts that are not necessarily reflected here.

Q Sure. But what is reflected here is just a raw revenue impact from that favorable weather?

A Correct.

Q Is one possible explanation for this $1.8 billion windfall to FPL that FPL is really lucky?

A That's one explanation. Again, I am not the expert on weather. I would defer to Witness Cohen.

Q Would another possible explanation be that FPL has consistently under-forecasted its sales during hot weather months?

A I don't know. I defer to Witness Cohen.

Q If we go to Exhibit 388, and it's at echo 82557. And do you have it open and you are able to see?

A I do.

Q Do you recognize this workpaper?

A I do. I did not prepare it, but I do recognize it.

Q Okay. And as far as you know, or could recognize, is the purpose of this workpaper to compare O&M expenses in the test year compared to 2011, and specifically adjusted for inflation and customer growth?

A Did you say compared to 2011?

Q Yes.

A I don't believe that was true. I believe we were comparing against 2023, which is the last test year in the rate case.

Q Could we go to the very first tab on this document?

A Oh, I see. Yes, you are correct. I apologize. I saw the tab name on the far C37, I assume it's the support for the MFR, but, yes, you are correct. I do recall the response. Yes.

Q And no worries. Like any good document, it's got many more tabs than are easy to keep up with.

A Yes.

Q So you would agree that is -- it's looking at O&M adjusted for both customer growth and inflation between 2011 and the 2027 test year?

A Yes.

Q So now if we bounce over to another tab, this is going to be tab compound multiplier.

And would you agree that the purpose of this tab is to create that multiplier that is accounting for customer growth and inflation impacts?

A Yes.

Q And so if you go over to column eight to the right. Okay. So that -- that 1.0, which is in -- I will represent that's the row for 2011. That would say that in 2011, it's just going to be 100 percent of the customers are there, and it's 100 percent of the

inflation for that year, you don't need to make any adjustments?

A It says that that's my base year, my starting point basically for my comparison. And then I start escalating for customer growth and inflation to determine how much the impact is in 2026 and 2027.

Q And so if we scroll down. In 2027, the number there is 1.854?

A Yes.

Q And so that's basically saying, if you took everything from 2011, to escalate that to 2027, you would expect to multiply it by 1.84 -- 854 to account for the impacts of inflation and customer growth?

A Yes. For both impacts, yes. That's correct.

Q And so if we go two cells above that, that would be the value for 2025? And I am showing 1.729, do you see that?

A I do.

Q Put this one down for a second, but we are going to come back.

Could we go back to attachment 1 of Exhibit 588? This would be F2-1170. And if you could make that big again? Thank you very much.

So if we go back to 2011 in here, and we look at the total rate base in 2011, that would be 18.3

billion -- I am sorry, this is the PSC adjusted rate base?

A Yes, I was going to say, that's FPSC adjusted rate base, 18.3 billion.

Q And in 2025, at the bottom of this chart, that rate base is projected to be 66.3 billion?

A Yes.

Q So you remember you are compound multiplier for 2011 to 2025, we said it would be 1.73?

A 1.7290 something? Yes.

Q I will be generous and round up.

A Okay.

Q Would you accept my math that 18.3 billion multiplied by 1.73 is roughly 31.7 billion?

A Yes, subject to check.

Q Subject to check. If that is the case, would that mean that FPL's projected rate base this year is more than twice the amount that would be fully explained by customer growth and inflation?

A Yes. There are many other impacts to rate base, the new service accounts are only one of the drivers for capital investments. There are many, many other impacts.

Q But if you account for the impacts of customer growth and inflation, it would explain less than half

the growth of rate base over this time period?

A At a high level, yes, that appears reasonable, yes.

Q All right. I have just a few more questions.

You had a discussion with Ms. Wessling earlier about FPL's drive to find efficiencies and the negative impact that preparing and litigating a rate case can have on that?

A Yes.

Q Specifically that when FPL is working to prepare and to litigate a rate case, it hampers its ability to find those efficiencies and that, therefore, will harm customers?

A Yes.

Q Could we go to Case Center number echo 58830? And there is many tabs, but we are looking for exhibit summary. I am sorry, exhibit summary is actually near the end. There we go. Thank you. And if we go down to row 67.

First of all, I should ask, Ms. Laney, do you recognize this as one of your workpapers?

A I do.

Q And on row 67, if we go over to the item title, and this says Velocity Initiatives, do you see that?

A I do.

Q And do you see that between 2024 and 2025, the capital spend is actually increasing?

A I do.

Q If you go down to row 222, and this one and the row directly beneath it are both Velocity/Accelerate hardware and software respectively, do you see that?

A Yes.

Q And if we go over to the capital spend, would you agree that both of those are increasing in year 2025 over 2024?

A Yes.

Q And then if we could go just a few more rows down to 231? And again, this is a -- Velocity Initiatives is the item title?

A I see that, yes.

Q And the capital spend is also increasing in year 2025 over 2024?

A Yes. I believe -- I want to clarify, this is cumulative spend. Give me one moment. Let me look. Yes, so it's cumulative. It's not annual spend. It's cumulative.

So said differently, column J, 2024 is, let's say, 9 million, column -- in 2025, it would show 10 million, that means it's an incremental one million. I just want to clarify.

Q I appreciate the clarification.

But you would agree, there is an incremental spend, then, in each of the columns that we have looked at?

A I think one of them -- I don't recall now, I lost track -- one of them had 17,000. I didn't study each year. I don't remember, but I can -- almost all reflected some change, yes.

Q So would it be fair to say that in 2025, while FPL has also been preparing for and heroically participating in this rate case, that Project Velocity has continued, and that there is money being spent on continuing to find efficiencies in the company?

A I would say Project Velocity has continued, but we are not nearly where we should be at this point in time, and that's because most of the people, the employees involved as part of Velocity process, they are here. They are operational witnesses, they are witness support, and so we are definitely delayed from that standpoint, which, at the end of the day, delays benefits for our customers as well.

Q Do you recall if the company has done any analysis of where it should be based on what you are saying, where it should be on Project Velocity goals

this year and where it actually is?

A By now, I would say usually in this timeframe, we already would have reflected Velocity goals, Velocity ideas in the budget.

Q I guess let me ask it a little bit differently. Has FPL documented any lagging on its Velocity performance that has been produced in this case?

A Can you clarify, please, what you mean?

Q Sure. So you say that you are -- that FPL is behind for the year on its Velocity efficiency finding performance, right?

A For this current year, yes.

Q Is that quantified somewhere that has been produced in this docket?

A I think the only place I could think of is a question where we were asked if we updated the budgets, and our response was not, that, no, we did not do that. Again, everyone is busy with the rate case.

Q Okay. Well, that is all of my questions. Thank you very much.

A You are welcome.

CHAIRMAN LA ROSA: FAIR?

MR. SCHEF WRIGHT: Thank you, Mr. Chairman. I have a very few questions for Ms. Laney.

EXAMINATION

BY MR. SCHEF WRIGHT:

Q Good evening, Ms. Laney.

A Good evening.

Q Nice to meet you earlier.

A Same.

Q Thank you.

These are not trick questions. The first couple are accounting type questions, and I am just trying to make sure I understand how the accounting works.

The first question is this: Are there any accounting entries made to the regulatory asset account or the regulatory liability account when FPL pays income tax -- pays the taxes in the DTL accounts?

A When we actually pay the taxes, it's -- it will be a debit when we pay the cash -- it will be a debit to the DTL account and a credit to cash, I guess.

Q Okay. And so the answer to my question, any entries to the reg asset or reg liability account is no, correct?

A When we actually pay, no -- yes, that is correct.

Q Okay. Thank you.

This is also an accounting question. When FPL

uses the RSAM or the TAM to increase earnings in any given month, is the transaction, the accounting entry, a debit to income tax expense that then reduces tax expense, thereby, increasing earnings?

A So, no. Again, we don't -- we don't necessarily -- we don't use the mechanism to increase earnings, but to increase the ROE to get to a higher ROE, it will be a credit to expense.

Q A credit to income tax expense?

A Yes, a decrease --

Q I am really just trying to make --

A -- yes, it will be a decrease in operating income tax expense --

Q Okay.

A -- which increases the ROE.

Q Okay. And that credit to income tax expense is made from the regulatory -- is it made from either the regulatory asset or regulatory liability account?

A So two pieces, I can speak separately to them.

Q Thank you.

A When we provide the benefit to customers, we would credit the operating income tax expense and debit the regulatory liability. When we recover the TAM over the 30-year proposed period, we would do the opposite. We would debit operating income tax expense and credit the regulatory asset.

Q Thank you.

I just have a couple more questions.

At page 46 of your testimony, you make this statement: Over the period of its last four rate settlements, FPL's revenue requirement has been met through a combination of cash rate increases and the use of RSAM to reach the midpoint ROE. I am sure you are familiar with that statement?

A I am, yes.

Q Okay. My questions are these: Isn't it true that FPL has used the RSAM in order to increase ROE, question mark?

A I mean, that's the math behind it, right. At the end of the day, by using the RSAM, it is increasing ROE. It's -- like I said, it's offsetting revenue requirements.

In the absence of cash or of a general base rate increase in those years, ROE goes down. And so the TAM mechanism is the mechanism that we propose in this case would increase the ROE.

Q And isn't it also true that FPL has consistently exceeded the midpoint since -- the midpoint ROE since 2017?

A Yes, our FPSC adjusted ROE has been above the midpoint.

Q I have a follow-up question regarding the exhibit that was on the screen a while ago that showed 21 months of data in which I understood the exhibit to show FPL putting money back into the RSAM so as not to exceed the ma -- the top of the ROE range. Do you recall that exhibit?

A That's the debit component, yes.

Q Thank you.

The way I understood that, that it appeared to be 21 months of information from the years 2021 through 2024, so that's -- is that correct?

A It started January 2021. I don't recall on the debit side when the first time was when we debited the account, but that's the period.

Q I was just really trying to look at the table and understand the exhibit, and understand the information.

So there are 21 months out of apparently four years, 2021 through 2024, so 21 months out of 48 months in which FPL debited back money so as not it exceed the top of the range?

A I don't recall the number of months, but because, again, they are not consecutive, right. But, yes, they are -- I'm trying to remember the number.

There were some -- a number of months where we debited --

Q Sure.

A -- and put back RSAM.

Q And in responding to questions from Ms. Wessling, you said that the reported ROE values there were 12 months numbers, so that they -- so that those numbers included whatever RSAM values had been applied in 12 months covered by the month ending the reported month?

A Yes. That's correct. The calculation of the ROE matches what you saw on the screen and the discovery response matches what you see in the earnings surveillance report based on the Commission methodology does include the ROEs based on the rolling 12 months net operating income 13-month average rate base FPSC adjusted rate base, and 13-month average capital structure.

Q And that's the standard reporting of FPSC adjusted ROE in the ESRs?

A Yes. That's correct.

Q Thank you. That's really all I have.

A Thank you.

CHAIRMAN LA ROSA: FIPUG?

MS. PUTNAL: No questions.

CHAIRMAN LA ROSA: Walmart?
MS. EATON: No questions.
CHAIRMAN LA ROSA: FEIA?
MR. MAY: No questions.
CHAIRMAN LA ROSA: Staff?
MR. SPARKS: Just a few questions.
CHAIRMAN LA ROSA: Okay.

EXAMINATION

BY MR. SPARKS:

Q Good evening, Ms. Laney.

A Good evening.

Q In response to some questions from Ms. Wessling, you stated customers in the future would benefit from the investments FPL will make in 2028 and 2029 using the TAM, is that correct?

A Yes.

Q Isn't it true that FPL will have to make all necessary investments in 2028 and 2029 whether or not the Commission approves the TAM?

A We will -- well, we will have to make all the investments to provide safe, reliable and excellent customer service. Yes.

Q And customers, over the next 30 years, will have to repay the amounts used to avoid this potential rate increase in 2028 and 2029 that was discussed,

correct?

A I would disagree with potential. It will be -- it's a -- it's an increase in revenue requirements, substantial increase in revenue requirements. In the absence of cash, the TAM mechanism was proposed to offset two years of general base rate increases.

Q And they will have to repay the amounts that was used for the amortization of the TAM regulatory asset, correct?

A Yes, and they will benefit from the investments that we made in 2028 and in 2029.

Q Thank you. That's all the questions we have.

CHAIRMAN LA ROSA: Commissioners?

Back to FPL for redirect.

MS. MONCADA: No redirect from FPL.

We would like to move into evidence Exhibits 101 through 113 and 332 through 333. Exhibit 131 is also cosponsored by Ms. Laney, but we will move that in with the testimony of Mr. Scott Bores.

CHAIRMAN LA ROSA: Okay. Seeing no objection, so moved.

(Whereupon, Exhibit Nos. 101-113 & 332-333. Were received into evidence.)

CHAIRMAN LA ROSA: OPC?

MS. WESSLING: Thank you. OPC would like to move into evidence the one-page confidential exhibit of 335 that I passed out, as well as Exhibits 344, 369, 439, 538, 591, 610 and 751, and 584.

CHAIRMAN LA ROSA: Is there objection?

MS. MONCADA: No objection. Sorry.

CHAIRMAN LA ROSA: Okay. So moved.

(Whereupon, Exhibit Nos. 335, 344, 369, 439, 538, 584, 591, 610 & 751 were received into evidence.)

CHAIRMAN LA ROSA: FEL?

MR. LUEBKEMANN: Thank you, Mr. Chairman.

FEL would move in 588, 932, 1013, 1052, 1102 through 1106 and 1143.

CHAIRMAN LA ROSA: Objections?

MS. MONCADA: No objection.

CHAIRMAN LA ROSA: So moved.

(Whereupon, Exhibit Nos. 588, 932, 1013, 1052, 1102-1106 & 1143 were received into evidence.)

MR. LUEBKEMANN: Thank you.

CHAIRMAN LA ROSA: Any other parties?

Staff?

MR. STILLER: We don't have any exhibits from this witness, but I do have one exhibit housekeeping matter before we adjourn after this witness is excused.

CHAIRMAN LA ROSA: Okay. You may be excused.

THE WITNESS: Thank you.

CHAIRMAN LA ROSA: Thank you.

(Witness excused.)

MR. STILLER: And, Mr. Chair, the parties we have all seen an email that was circulated by EVgo. As you will recall, when Mr. Moskowitz was excused, he said he was going to send around a list of exhibits and attempt to get stipulations from the parties for admission. That has been successful, and there is no objection, to my understanding, to the admission of the following exhibits for EVgo. On the CEL that would be 858, 860, 862, 863, 864, 865, 866 and I believe 859.

CHAIRMAN LA ROSA: Everyone is in agreement with those?

MS. MONCADA: I will agree. Yes.

CHAIRMAN LA ROSA: All right.

(Whereupon, Exhibit Nos. 858-860 & 862-866 were received into evidence.)

CHAIRMAN LA ROSA: So does FPL have the next witness?

MS. MONCADA: We do, and we are on a pretty good pace. I only need a five-minute break to be back at my set, but we do have Mr. Jim Coyne here, and he is ready, and we will be ready. I just need five minutes.

CHAIRMAN LA ROSA: I will definitely give you the five-minute break here in two seconds.

MS. MONCADA: Okay. Yes. Thank you.

CHAIRMAN LA ROSA: Just for clarification, will he be up for direct or direct and rebuttal testimony?

MS. MONCADA: Direct, sir.

CHAIRMAN LA ROSA: Okay. All right. Let's take a five-minute break.

Thank you.

(Brief recess.)

(Transcript continues in sequence in Volume 9.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 25th day of October, 2025.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028