

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI
Petition for rate increase by
Florida Power & Light Company.

VOLUME 12
PAGES 2474 - 2736

PROCEEDINGS: HEARING

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

DATE: Monday, October 13, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 5:30 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
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EXHIBITS

NUMBER:		ID	ADMITTED
1251-1273	As identified in the CEL		2478
263-268	As identified in the CEL		2505
1304-1309	As identified in the CEL		2599

1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume
3 11.)

4 CHAIRMAN LA ROSA: Good morning, everyone. If
5 we can go ahead and take our seats, I think we can
6 get started this morning.

7 It's 9:00 a.m. It's Monday morning. I hope
8 everyone had a great weekend. A little bit of
9 rest. I know we have got still a busy week before
10 us.

11 I know there are some preliminary matters, it
12 sounded like, which I am going to get to in about
13 15 seconds. Just schedule today, as we have been
14 doing as typical, we will go, of course, through
15 lunch, around the 12 o'clock hour, and try to break
16 when it makes most or best sense. We will, of
17 course, have a break or two before then, and
18 hopefully we can be pretty smooth sailing.

19 Witness of order, my understanding, and
20 please, of course, let me know if there is a change
21 at all, but it will be Powers from FPL -- so a
22 little bit out of order, so Powers from FPL,
23 Herndon from FAIR, and then Cohen from FPL. So
24 that's what the game plan is. Any issues, well,
25 just let me know.

1 And I believe there are some preliminary
2 matters, staff, that's accurate?

3 MR. STILLER: Yes, Mr. Chair. I believe
4 Walmart has a preliminary matter regarding some
5 exhibits and --

6 MS. EATON: Thank you.

7 CHAIRMAN LA ROSA: Sure.

8 MS. EATON: Prior to the hearing today, we had
9 asked all counsel whether they would be agreeable
10 to stipulating in Walmart's cross-examination
11 exhibits, which were Walmart 1 through Walmart 23,
12 on the CEL, Exhibits 1251 through 1273, and
13 everybody said that was fine and agreed to it. So
14 we would like to just stipulate those into the
15 record at this time.

16 CHAIRMAN LA ROSA: No objections to those?
17 All right. So moved. Awesome.

18 (Whereupon, Exhibit Nos. 1251-1273 were
19 received into evidence.)

20 CHAIRMAN LA ROSA: Anything else?

21 MR. STILLER: Mr. Chair, one more thing.

22 CHAIRMAN LA ROSA: Nice see Jon back. Jon.
23 Yes, sir.

24 MR. STILLER: I'm sorry. One more thing. I
25 believe we have one more witness who is subject to

1 stipulation, FAIR witness Frederick Bryant. I
2 believe all the parties have waived cross, and Mr.
3 Bryant's testimony can be read into the record --
4 or typed into the record as though read, and his
5 exhibits entered.

6 CHAIRMAN LA ROSA: All right. Any objections
7 to that? Sounds right?

8 MR. SCHEF WRIGHT: That's correct. Thank you
9 very much.

10 CHAIRMAN LA ROSA: Awesome. All right. Then
11 so moved.

12 (Whereupon, prefiled direct testimony of
13 Frederick M. Bryant was inserted.)
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light)
Company for Rate Unification and for) DOCKET NO. 20250011-EI
Base Rate Increase) FILED: JUNE 9, 2025
_____)

DIRECT TESTIMONY
OF FREDERICK M. BRYANT
On Behalf of
Floridians Against Increased Rates, Inc.

**IN RE: PETITION BY FLORIDA POWER & LIGHT COMPANY
FOR A BASE RATE INCREASE,
DOCKET NO. 20250011-EI**

**DIRECT TESTIMONY OF FREDERICK MICHAEL BRYANT
ON BEHALF OF FLORIDIANS AGAINST INCREASED RATES, INC.**

INTRODUCTION AND QUALIFICATIONS

1

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

3 A. My name is Frederick Michael Bryant, and my address is 447 Shantilly
4 Terrace, Tallahassee, Florida 32312.

5

6 **Q. By whom and in what position are you employed?**

7 A. I am self-employed as a consultant on utility regulatory, strategic, and policy
8 issues and matters. After more than forty years of service to and with a
9 number of Florida's municipal utilities and the Florida Municipal Power
10 Agency, I retired from full-time employment in 2019. Since that time, I have
11 worked as an independent consultant, generally on strategic, legal, and
12 business issues relating to electric utilities.

13

14 **Q. On whose behalf are you testifying in this proceeding?**

15 A. I am testifying on behalf of Floridians Against Increased Rates, Inc., a
16 Florida not-for-profit corporation and FAIR's members who are customers
17 of FPL.

1 **Q. Please summarize your educational background and professional**
2 **experience.**

3 A. I received a Bachelor of Arts degree with majors in Political Science and
4 History from Stetson University in 1967, where I also completed the Reserve
5 Officers' Training Corps program and was commissioned a lieutenant in the
6 U.S. Army upon my graduation. Upon receiving my law degree from the
7 University of Florida College of Law in 1970, I moved to Tallahassee. In
8 January 1971, I reported for active duty with the U.S. Army. I served on
9 active duty for six months and subsequently served in the reserves as a
10 lieutenant and captain for total service of eight years.

11 Upon my return to Tallahassee in 1971, I took a position in private
12 law practice. My first major engagement was to work on electric utility
13 matters as an Assistant City Attorney for the City of Tallahassee. That work
14 quickly evolved into working with other Florida municipal utilities and in
15 1974 came to include working for the Florida Municipal Power Agency
16 ("FMPA"). After approximately twenty years working for FMPA in my
17 private law practice, I became FMPA's in-house general counsel in 1997,
18 and I served in that capacity until my retirement in 2019.

19 My work for FMPA and individual municipal utilities encompassed a
20 broad range of practice areas, including contracting, serving as bond counsel,
21 participating in rate cases before the Federal Energy Regulatory

1 Commission, territorial cases and other matters before the Florida PSC, and
2 representing municipal utilities before the Florida Legislature.

3

4 **Q. Please describe your responsibilities and activities with respect to FAIR.**

5 A. I have been a director of FAIR since it was formed in 2021. In that capacity,
6 I participate in the usual range of decisions made by directors of non-profit
7 corporations that work to promote the public interest. Pursuant to applicable
8 law, I receive no compensation for my services as a director.

9

10 **Q. Are you testifying as an expert in this proceeding? If so, please state the**
11 **area or areas of your expertise relevant to your testimony.**

12 A. Yes. Based on my experience as bond counsel and working on numerous
13 rate cases before the FERC, I believe that I have substantial expertise
14 regarding real world factors affecting utility risks that are therefore relevant
15 to a utility's required returns.

16

17 **Q. Have you previously testified in proceedings before utility regulatory**
18 **commissions or similar authorities?**

19 A. While I have not formally testified as an expert witness in regulatory
20 proceedings, I have presented comments and testimony many times
21 regarding utility issues before the Florida PSC, committees of the Florida
22 Legislature, and before the Florida Governor and Cabinet.

1 **Q. Are you sponsoring any exhibits with your testimony?**

2 **A. Yes. I am sponsoring the following exhibits:**

3

4 Exhibit FMB-1 **Florida** PSC document titled “REVENUE
5 REDUCTIONS AND INCREASES ORDERED
6 BY THE FLORIDA PUBLIC SERVICE
7 COMMISSION FOR CERTAIN INVESTOR-
8 OWNED ELECTRIC AND NATURAL GAS
9 UTILITIES, UTILITIES FROM 1960 TO
10 PRESENT (All Utilities from 1968 to Present);

11

12 Exhibit FMB-2 **Articles** of Incorporation of Floridians Against
13 Increased Rates, Inc.;

14

15 Exhibit FMB-3 **FPL’s Proposed Rate Increases Over 2026-2029;**

16

17 Exhibit FMB-4 **S&P Global Insight Reported Authorized**
18 **Returns on Equity and Equity Ratios, Updated**
19 **6/3/2024;**

20

21 Exhibit FMB-5 **Edison Rate Review 2024 Q4, Section II.**
22 **Average Awarded ROE and Section III. Average**
23 **Requested ROE; and**

24

25 Exhibit FMB-6 **FPL’s Achieved ROEs by Month, January 2022-**
26 **March 2025 (from FPL’s Earnings Surveillance**
27 **Reports filed with the PSC).**

28

29 **PURPOSE AND SUMMARY OF TESTIMONY**

30 **Q. What is the purpose of your testimony in this docket?**

31 **A. The purpose of my testimony in this proceeding is to provide the**
32 **Commissioners with a brief description of FAIR and to share my opinions**
33 **regarding the appropriate real world facts and factors that the Florida PSC**
34 **should consider in setting a utility’s rate of return on common equity**
35 **(“ROE”) for rate-regulated electric companies in Florida, as the ROEs thus**

1 established are ultimately used for setting the retail electric rates to be
2 charged to FPL's customers at the conclusion of this case.

3

4 **Q. Please summarize the main points of your testimony.**

5 A. FAIR is a Florida not-for-profit corporation that exists to inform the public
6 regarding energy issues and to advocate by all lawful means for laws, rules,
7 and government decisions – including decisions to be made by the Florida
8 Public Service Commission – that will result in the retail electric rates
9 charged by Florida's investor-owned electric utilities being as low as
10 possible while ensuring that the utilities are able to provide safe and reliable
11 electric service. In joining FAIR, the members request and authorize FAIR
12 to represent their interests in having the lowest possible electric rates
13 consistent with their respective utility providing safe and reliable service.
14 While FAIR continues to recruit new members on an ongoing basis, as of the
15 date on which this testimony is being filed, FAIR has 1,136 members, the
16 substantial majority – 986 – of whom are customers of FPL, and membership
17 continues to grow.

18 Pursuant to Florida law and fundamental principles of utility rate-
19 making, the Commission is responsible to set a utility's allowed revenues (or
20 "revenue requirements") and the utility's rates at levels that are fair, just, and
21 reasonable to both the utility and its customers.

1 From the utility's perspective, fair, just, and reasonable rates are rates
2 that provide the utility with revenues that are sufficient to cover all of its
3 reasonable and prudent operating and maintenance ("O&M") costs, cover its
4 reasonable costs of borrowing debt capital, and provide the utility with the
5 opportunity to earn a reasonable return on its equity capital that is sufficient
6 to attract needed equity capital to finance the utility's reasonable and prudent
7 investments that are necessary to provide safe and reliable service.

8 From the perspective of customers, fair, just, and reasonable rates are
9 rates that enable the utility to provide safe and reliable service, including
10 earning a reasonable return on investment, but no more than that. This means
11 that whatever the utility pays for materials, capital equipment, and borrowed
12 capital, as well as the return on equity investment, should be no greater than
13 the amount truly necessary to provide safe and reliable service.

14 FPL's requests in this case represent the largest rate increase request
15 made by any Florida public utility in history, and if granted, these new rates
16 would be the largest rate increases in Florida history. My Exhibit FMB-1 is
17 a copy of a PSC report of the Commission's decisions in rate cases for
18 investor-owned electric and natural gas utilities; the largest previous request
19 was FPL's request in Docket No. 20210015-EI. In that case, FPL requested
20 base rate increases of \$1.075 billion in the first year (2022) and \$604 million
21 in 2023; the PSC ultimately approved a settlement by which FPL was
22 authorized to increase its rates by \$692 million per year in 2022 and \$560

1 million per year in 2023. FPL's requests in this 2025 case are nearly 50
2 percent greater than its previous record request in 2021, and approximately
3 double what the PSC approved in the 2021 case.

4 FPL's requested increases are excessive to the degree that it is highly
5 likely that FPL can provide safe and reliable service with no rate increase
6 before 2027 at the earliest. FPL's request for a midpoint ROE of 11.90
7 percent is particularly and grossly excessive as compared to recent national
8 ROE values reported by S&P Global Insight and the Edison Electric Institute
9 Rate Review, which are in the range of 9.8 percent. FPL's request is also
10 grossly excessive compared to the midpoint ROEs recently approved by the
11 PSC for Florida's two other large IOUs: Duke Energy Florida at 10.30% and
12 Tampa Electric Company at 10.50%. Finally, since the ROE is supposed to
13 fairly reflect a utility's risk, FPL's request is utterly out of line given FPL's
14 recent history of earning at or close to the top of its approved ROE range –
15 well in excess of its approved midpoint ROE – virtually every month since
16 January 2022; this demonstrates that FPL faces virtually no risk of failing to
17 recover all of its necessary costs and a reasonable return. My Exhibit FMB-
18 6 shows that, in 24 of the 29 months since January 2022, FPL earned its
19 maximum allowed ROE, 100 basis points above its authorized midpoint
20 ROE, and never earned an ROE less than 11.40 percent.

21 Similarly, FPL's proposed equity ratio of 59.6 percent is excessive vs.
22 the mid-2024 national average for all electric utilities of less than 50 percent

1 that was contained in testimony in the 2024 Tampa Electric case. FPL's
2 proposed equity ratio is also excessive compared to those recently approved
3 by the PSC for Duke Energy Florida (53.0%) and Tampa Electric (54.0%).

4 Considering only the ROE factor, if decided by the Florida PSC
5 consistently with its own decisions and the decisions of other regulatory
6 bodies, FPL's revenue requirement for 2026 would be reduced by more than
7 \$1 billion compared to the national average of ROEs – approximately 9.8
8 percent – approved by other U.S. utility regulatory bodies.

9 When decided by the PSC or any other regulatory body, the midpoint
10 ROE is by definition the fair and reasonable rate. That FPL has consistently
11 earned ROEs far in excess of its authorized midpoint using its existing "rate
12 plan" demonstrates that it has over-earned – charged its customers
13 significantly more than necessary to provide safe and reliable service, with
14 virtually no risk. In the simplest terms, in this 2025 case, FPL wants to
15 overcharge its customers by more than \$1 billion annually. For FPL to make
16 this request against the backdrop of its earning returns much, much greater
17 than the national averages over the past three-plus years defies any
18 reasonable principles of fairness, justice, and reason.

19 Factoring in consideration of the equity ratio and other likely
20 adjustments, it is probable that FPL does not need any rate increase at all to
21 enable it to continue to provide safe and reliable service in 2026. The PSC
22 should deny FPL's excessive requests, at least for 2026.

1 **BACKGROUND – FLORIDIANS AGAINST INCREASED RATES, INC.**

2 **Q. Please describe FAIR and its purposes.**

3 A. FAIR is a Florida not-for-profit corporation that was formed in March 2021.
4 FAIR's purposes are set forth in the corporation's Articles of Incorporation,
5 which are included as Exhibit FMB-2 to my testimony. In summary, FAIR's
6 purposes are to inform the public regarding energy issues and to advocate by
7 all lawful means for laws, rules, and government decisions – including
8 decisions to be made by the Florida Public Service Commission – that will
9 result in the retail electric rates charged by Florida's investor-owned electric
10 utilities being as low as possible while ensuring that the utilities are able to
11 provide safe and reliable electric service.

12
13 **Q. Who are FAIR's members?**

14 A. Membership in FAIR is open to any customer, including both residential and
15 business customers, of any Florida investor-owned utility ("IOU"), i.e., FPL,
16 Duke Energy Florida, Tampa Electric Company, and Florida Public Utilities
17 Company. In joining FAIR, the members request and authorize FAIR to
18 represent their interests in having the lowest possible electric rates consistent
19 with their respective utility providing safe and reliable service.

20
21
22

1 **Q. How many members does FAIR have?**

2 A. As of the time that this direct testimony is being filed, FAIR has 1,136
3 members, including customers of FPL, Duke Energy Florida, Tampa Electric
4 Company, and Florida Public Utilities Company's electric division. All or
5 nearly all of FAIR's members are residential customers. The vast majority
6 – 986 – of FAIR's members, representing more than 86 percent of FAIR's
7 total membership as of this date – are customers of FPL.

8
9 **Q. Has FAIR participated in other utility rate cases?**

10 A. Yes. FAIR was granted intervention and participated as a full party in the
11 2021 FPL rate case, PSC Docket No. 20210015-EI. The Commission
12 explained its decision granting FAIR's standing to intervene at pages 5-8 of
13 the final order in that case, Order No. PSC-2021-0446-S-EI, issued on
14 December 2, 2021.

15

16 **BACKGROUND – REGULATORY PRINCIPLES**

17 **Q. From your perspective as a long-time legal practitioner and participant**
18 **in both state and federal utility regulatory proceedings and legislative**
19 **issues, what do you believe are the primary policies and principles that**
20 **should guide the PSC's decisions in this case?**

21 A. In general, the fundamental principles of setting a utility's allowed revenues
22 and rates are simple: assuming competent management, the utility should be

1 allowed to recover all of its **reasonable** and prudent costs, including operating
2 and maintenance (“O&M”) **costs and** interest costs, and to earn a reasonable
3 return on its **reasonably and prudently** incurred investments necessary to
4 provide safe and reliable **service at the** lowest possible cost.

5 These principles are frequently referred to as a set of policies and
6 principles known as the “Regulatory Compact.” The “bargain” contained
7 within this Regulatory Compact is that the utility enjoys a government-
8 protected monopoly in its **service area**, in return for which it is allowed to
9 recover its necessary costs, **including** a reasonable return on its investment,
10 incurred in providing **safe and reliable** service to its captive customers. This
11 bargain is fair to utilities **because** it ensures that, assuming reasonable and
12 sound management, the utility **will** recover its legitimate costs and earn a fair
13 and reasonable return, and it is **fair** to customers because, if properly
14 followed, it will **ensure that** customers receive safe and reliable utility
15 services, like electricity, **which is** generally regarded as a necessity, at the
16 lowest possible cost.

17
18 **Q. How does this relate to utility rates?**

19 **A.** The utility’s rates **must be** fair, just, reasonable, and not unduly
20 discriminatory. **Fair, just, and reasonable** rates are those that allow the utility
21 to recover its reasonable, **legitimate** costs incurred through cost-effective
22 management and to **recover a** reasonable and cost-effective return on its

1 investments, also evaluated on the basis of cost-effective financing and
2 management. Rates that include expenses for materials or labor that could
3 have been procured at lower cost, and rates that include excessive returns,
4 are unfair, unjust, and unreasonable.

5
6 **BACKGROUND – FPL’S RATE INCREASE REQUESTS**

7 **Q. Please summarize your understanding of FPL’s requested rate**
8 **increases in this case.**

9 **A.** From FPL’s petition filed on February 28, 2025, I understand FPL’s
10 requests to include the following:

- 11 1. An increase in FPL’s general base rates of \$1.545 billion per year to
12 be effective on January 1, 2026;
- 13 2. An additional increase in FPL’s general base rates of \$927 million
14 per year (on top of the \$1.545 billion per year increase in 2026) to be
15 effective on January 1, 2027; and
- 16 3. Significant additional increases in base rates, to be implemented
17 through a “Solar Base Rate Adjustment” (“SoBRA”) mechanism, for
18 planned solar generation and battery storage investments in 2028 and
19 2029. The revenue requirements for FPL’s planned solar expansions
20 in 2028 and 2029 are not specified in FPL’s MFRs or testimony.
21 The amounts of solar and battery capacity appear to be quite

1 substantial: 3,278 megawatts (alternating current) of solar capacity
2 and 1,192 megawatts of battery storage capacity.

3 Adding just the requested 2026 and 2027 base rate increases together
4 over the four-year period from 2026 through 2029 covered by FPL's
5 requests, it appears that FPL is requesting that its customers pay
6 approximately \$8.96 billion in additional base rates over this period. My
7 Exhibit FMB-3 shows a simple tabulation of these amounts, excluding any
8 of the 2028 and 2029 solar and battery "SoBRA" rate increases.

9

10 **Q. Do FPL's proposals include any other features that affect its customers**
11 **rates?**

12 A. Yes. FPL also proposes to implement a non-cash mechanism, called the
13 "Tax Adjustment Mechanism," or "TAM," that would enable FPL to use
14 accumulated Deferred Tax Liabilities ("DTLs") to support its earnings
15 throughout the 2026-2029 period. Because these DTLs are included as
16 zero-cost capital in FPL's capital structure, using up these DTLs will at
17 least impact the rates of future FPL customers. This TAM proposal is
18 discussed further below.

19

20

RETURN ON EQUITY

1
2 **Q. What is meant by “return on equity” in the context of regulatory**
3 **decisions determining a utility’s allowed revenues and rates?**

4 A. The “return on equity” or “return on common stockholder equity,”
5 commonly abbreviated as “ROE,” measures the excess of revenues over all
6 costs incurred by the utility expressed as a percentage of the utility’s
7 reasonable and prudent rate base investment. The value is usually stated as
8 an “after tax” value, but the utility’s revenues are then determined by
9 “grossing up” the approved return to cover all applicable income taxes. For
10 example, in this case, FPL is seeking an after-tax ROE of 11.90 percent, but
11 when grossed-up to provide for recovery of income taxes, the ROE that
12 would actually be built into FPL’s revenues and customers’ rates is actually
13 11.90 percent times FPL’s “Net Operating Income Multiplier” of 1.34115,
14 or 15.96 percent.

15
16 **Q. What is the basic standard that a regulatory authority, such as the**
17 **Florida PSC, should use in deciding what ROE to use in setting a utility’s**
18 **allowed revenue requirements and rates?**

19 A. To be clear, there is nothing wrong with a utility or any other business
20 earning a return on the equity investment provided by investors in the
21 utility’s common stock. In this case, there is only one common stock investor
22 in FPL: NextEra Energy. A reasonable return is one that provides the

1 common stockholders a return sufficient to induce them to invest in the stock
2 of the utility, and to provide a return on the utility's investment equal to the
3 returns generally being made at the same time and in the same general part
4 of the country on investments that have corresponding risks. This is the
5 widely accepted and long-recognized standard adopted by the United States
6 Supreme Court in the landmark *Hope* and *Bluefield* cases.¹

7 Consistent with the Regulatory Compact principles and the PSC's
8 obligation to set fair, just, and reasonable rates, the basic standard is that the
9 ROE should be sufficient to enable the utility to earn a reasonable return on
10 its reasonable and prudent investment after it covers all of its reasonable
11 O&M costs and borrowing costs that are necessary to provide safe and
12 reliable service to its customers. In other words, the utility should receive
13 through its rates all the money it needs to provide safe and reliable service,
14 but no more than that.

15
16 **Q. How would you evaluate a utility's ROE?**

17 A. While there are other analytical methods used by ROE witnesses in cases
18 such as this, I believe that, as a matter of common sense and consistent with
19 the Supreme Court's standard, a utility's ROE should be very close to the

¹ *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("*Hope*"),
and *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S.
679 (1923) ("*Bluefield*").

1 ROEs that enable other utilities to fulfill their obligation to provide safe and
2 reliable service. I believe that the ROEs approved by the Florida PSC for
3 other Florida utilities are particularly significant benchmarks against which
4 any particular request – FPL’s request in this proceeding – should be
5 compared.

6 At the national level, I would review recognized reports such as the
7 S&P Global Market Intelligence Report and the EEI Rate Review. I would
8 then look at the rates approved by other commissions and authorities and
9 observe how the utilities whose rates were thus determined or approved are
10 functioning in the real world. In the simplest terms, if the utilities are
11 providing safe and reliable service with rates set based on the reported values,
12 then it is obvious that those values are sufficient to enable the utilities to do
13 their job and to recover a fair return to equity capital. I would also look
14 closely at the ROE values approved by the Florida PSC itself for other
15 Florida IOUs whose rates are similarly regulated by the PSC.

16 Again, all of this assumes that the utility is allowed to recover all of
17 its reasonable O&M costs and interest costs that are necessary for the utility
18 to provide safe and reliable service. This ensures appropriate consideration
19 of whether the utility is able to cover its reasonable costs and whether it has
20 any readily observable reliability issues, that is, whether it is, in fact,
21 providing safe and reliable service.

22

1 **Q. Where does FPL’s requested midpoint ROE of 11.9 percent fall relative**
2 **to national averages?**

3 A. FPL’s request is substantially higher than recent national average ROEs for
4 IOUs, which are in the range of 9.8 percent. For example, as of mid-2024,
5 S&P Global Insight reported an average ROE of 9.62% approved by other
6 states’ regulatory bodies – public service commissions and public utility
7 commissions – for vertically integrated electric utilities. Exhibit FMB-4. For
8 all of 2024, the Edison Electric Institute Rate Review 2024 Q4 (my Exhibit
9 FMB-5) reported an average ROE of 9.73 percent; for the fourth quarter of
10 2024, the average ROE was 9.84 percent. FPL’s request is grossly excessive
11 compared to these objective, real world values.

12
13 **Q. How does FPL’s requested midpoint ROE of 11.9 percent compare to**
14 **other ROEs recently approved by the Florida PSC?**

15 A. Again, FPL’s request is excessive. In 2024, the PSC approved a settlement
16 agreement for Duke Energy Florida that set rates based on a 10.30 percent
17 ROE and an equity ratio of 53.0 percent.² Later in 2024, the PSC voted to
18 approve an ROE for Tampa Electric Company of 10.50 percent and an equity

² *In re: Petition for Rate Increase by Duke Energy Florida, LLC*, F.P.S.C. Docket No. 20240025-EI, Order No. PSC-2024-0472-AS-EI at 6, 9 (Fla. Pub. Serv. Comm’n, Nov. 12, 2024).

1 ratio of 54.0 percent.³ To put these values in perspective, if the PSC were to
2 set FPL's allowed revenues on the basis of the higher of these two ROE
3 values, i.e., the 10.40 percent ROE approved for Tampa Electric, the
4 difference to FPL's customers would be approximately \$750 million per year
5 based on the 2026 increase alone. Especially considering FPL's
6 demonstrated extremely low risk, this is beyond the bounds of common
7 sense, or in regulatory terms, it is plainly inconsistent with the required
8 standards of fairness, justice, and reason.

9

10 **Q. Do you believe that FPL is really asking that it be allowed to earn an**
11 **ROE of 11.9 percent?**

12 A. No. I believe that, by use of its proposed TAM, FPL wants to earn an ROE
13 of 12.9 percent, just as it has used its current non-cash mechanism, the
14 "Reserve Surplus Adjustment Mechanism" or "RSAM," to earn returns
15 between 80 and 100 basis points above the midpoint of its current ROE range
16 in almost every month (for which data are available) since the settlement
17 approved in the 2021 FPL rate case became effective in January 2022. My
18 Exhibit FMB-6 shows FPL's achieved ROEs from January 2022 through

³ *In re: Petition for Rate Increase by Tampa Electric Company*, F.P.S.C. Docket No. 20240026-EI, Order No. PSC-2025-0038-FOF-EI at 80, 95 (Fla. Pub. Serv. Comm'n, Feb. 3, 2025) (*reconsideration denied by vote on May 6, 2025; appeals pending*).

1 March 2025, the most recent month for which data is currently available from
2 FPL's Earnings Surveillance Reports filed with the PSC.

3
4 **Q. Do you believe that FPL needs an ROE of 11.9 percent in order to attract**
5 **sufficient equity capital and debt capital to support the investments that**
6 **are reasonable, prudent, and necessary to maintain reliable service?**

7 A. No. FPL's requested ROE of 11.9 percent is far out of line with what would
8 be required in any objective capital market. The 11.9 percent ROE is more
9 than 2 full percentage points greater than national averages, and 1.5 full
10 percentage points greater than the ROE approved by the PSC for Tampa
11 Electric, which is the highest approved for any other Florida electric utility.

12
13 **Q. How does this relate to the risks that affect FPL's need for returns on its**
14 **equity investment?**

15 A. FPL's risks of recovering its necessary costs and earning a reasonable return
16 are demonstrably minimal. FPL's own earnings record since January 2022
17 clearly demonstrates that FPL faces virtually no risk of recovering all of its
18 necessary costs and having sufficient additional funds to consistently earn
19 between 80 and 100 basis points above its approved midpoint ROE. My
20 Exhibit FMB-6 shows that FPL's achieved ROEs have been consistently well
21 above the maximum of FPL's authorized ROE range, since January 2022.
22 Beyond that, the well-known fact that FPL (and other Florida investor-owned

1 utilities) recover substantial percentages of their total costs through cost
2 recovery clauses and charges further reduces FPL's risks. Cost recovery
3 charges currently collected by FPL include the Fuel and Purchased Power
4 Cost Recovery Charge, the Capacity Cost Recovery Charge, the Energy
5 Conservation Cost Recovery Charge, the Environmental Cost Recovery
6 Charge, the Storm Protection Plan Cost Recovery Charge, and a Storm
7 Restoration Cost Recovery Charge. Collectively, these account for more
8 than one-third of FPL's total revenues.

9
10 **Q. What are the consequences to customers?**

11 A. Again referring to the fundamental principles of utility ratemaking, the
12 Regulatory Compact, and the principle that rates must be fair, just, and
13 reasonable, if the PSC were to set FPL's allowed revenue requirements and
14 rates using an ROE rate greater than what is required to attract needed capital,
15 FPL and the PSC would be violating the Regulatory Compact and causing
16 customers to pay rates that are too high – i.e., in regulatory terminology, rates
17 that are unfair, unjust, and unreasonable.

18
19

1 **EQUITY RATIO**

2 **Q. What is meant by the “equity ratio” in electric utility rate cases like this**
3 **one?**

4 **A.** It is a financial metric based on the amounts of debt and common shareholder
5 equity that the utility uses to finance its investments. Typically, the equity
6 ratio is discussed as the percentage that equity represents of the sum of debt
7 and equity capital (capital from investor sources), without including
8 customer deposits, Deferred Tax Liabilities, and certain other amounts that
9 are factored into the capital structure.

10

11 **Q. How does the equity ratio affect customer rates?**

12 **A.** Rates are set to recover the utility’s costs, including a fair and reasonable
13 return on equity (common stock). In capital markets, the cost of equity
14 capital – i.e., the ROE – demanded by common stock investors is greater than
15 the interest cost on long-term debt. Since utilities generally need some
16 balance of equity and debt to support their investments, the question or issue
17 for regulatory commissions becomes what the appropriate balance is.
18 Keeping in mind that, adhering to the Regulatory Compact, the utility and its
19 regulators should always be striving to ensure safe and reliable service at the
20 lowest possible cost, the regulatory authority must consider and determine
21 the appropriate balance. Since equity capital costs more than debt, a higher

1 equity ratio will (within a broad range) result in higher customer rates than a
2 lower equity ratio.

3
4 **Q. Do you believe that FPL needs an equity ratio of 59.6 percent?**

5 A. No, I do not. The national average equity ratio approved by other state
6 commissions for electric utilities in mid-2024 was approximately 47 percent,
7 more than ten full percentage points lower than FPL's request. The equity
8 ratio approved by the PSC for Duke Energy Florida is 53.0 percent, and the
9 equity ratio that the PSC approved for Tampa Electric Company is 54.0
10 percent. Measured against these objective, real world facts, FPL's request is
11 excessive.

12

13 **FPL'S PROPOSED "TAX ADJUSTMENT MECHANISM"**

14 **Q. What is FPL's proposed "Tax Adjustment Mechanism," or "TAM?"**

15 A. The TAM, as proposed by FPL, is a "non-cash mechanism" that would
16 enable or authorize FPL to use DTLs as credits to its earnings in order to
17 "support" or make those earnings be greater in accounting terms. These
18 DTLs are otherwise included as zero-cost capital in FPL's capital structure,
19 which reduces the overall return required to support FPL's investment. This
20 is essentially the same way that FPL has used the RSAM, a specialized
21 depreciation reserve amortization scheme, to maintain its earnings at or very
22 near the top of its authorized range since the 2021 settlement became

1 effective in 2022. In its petition and testimony, FPL describes the TAM as
2 being similar to the RSAM.

3
4 **Q. Is this TAM proposal appropriate?**

5 **A.** At a minimum, it is not appropriate as proposed by FPL because it would
6 unfairly and unjustly cause future FPL customers to pay more than necessary
7 for their service, just so FPL can have higher earnings between 2026 and
8 2029. If the TAM or any other RSAM-type proposal is to be allowed in this
9 case, FPL's ability to use it should be capped to only amounts necessary for
10 FPL to achieve its midpoint ROE, which is the fair and reasonable return to
11 FPL's equity investor. Whatever midpoint ROE is approved by the PSC is,
12 by definition, the ROE that is necessary to fairly compensate common stock
13 investors, to support necessary investments, and to respect the legitimate
14 interests of utility customers in having their utility provide safe and reliable
15 service at the lowest possible cost. Anything more than that is unfair, unjust,
16 and unreasonable.

17

18 **SUMMARY AND RECOMMENDATIONS**

19 **Q. Please summarize your opinion regarding FPL's requested rate**
20 **increases.**

21 **A.** In summary, while FPL has generally fulfilled its mission to provide safe and
22 reliable electric service within the revenue parameters of its current rate plan,

1 FPL does not need any base rate increases in 2026 in order to fulfill its
2 obligation to provide safe and reliable service. This is particularly clear
3 considering that FPL recovers a significant percentage of its total revenues
4 through cost recovery clauses, such as the Fuel and Purchased Power Cost
5 Recovery Clause.

6 Common sense and reference to the real world, including utilities
7 nationally and more significantly, other Florida utilities, should lead the PSC
8 to set FPL's rates using an ROE and an equity ratio comparable to those
9 approved for other utilities in the U.S. with comparable equity ratios; this
10 comparison would indicate that an ROE below 10.0 percent would be fair
11 and reasonable. In any event, the PSC should not approve an ROE for FPL
12 any greater than the highest it has recently approved for other Florida IOUs
13 that it regulates: these would be the 10.5 percent ROE and 54.0 percent equity
14 ratio that the PSC approved for Tampa Electric last year.

15 Finally, if the PSC is inclined to approve any form of the TAM, then
16 it should limit any use of the DTLs to amounts necessary to achieve only
17 FPL's approved midpoint ROE, because the midpoint ROE is, by definition,
18 the reasonable rate of return as determined by the PSC.

19

20 **Q. Does this conclude your direct testimony?**

21 **A. Yes, it does.**

1 (Whereupon, Exhibit Nos. 263-268 were received
2 into evidence.)

3 CHAIRMAN LA ROSA: All right. Well, let's get
4 rolling here with witness testimony, and I will
5 toss it to FPL to call your next witness.

6 MS. MONCADA: Thank you, Mr. Chairman. FPL
7 calls witness Danielle Powers.

8 CHAIRMAN LA ROSA: Ms. Powers, when you get
9 started, do you mind raising your right hand.
10 Whereupon,

11 DANIELLE S. POWERS
12 was called as a witness, having been first duly sworn to
13 speak the truth, the whole truth, and nothing but the
14 truth, was examined and testified as follows:

15 THE WITNESS: I do.

16 CHAIRMAN LA ROSA: Excellent. Thank you.

17 THE WITNESS: Thank you.

18 CHAIRMAN LA ROSA: When you set settled, just
19 make sure your microphone is on when you get
20 started. We are ready when you are.

21 MS. MONCADA: Thank you.

22 EXAMINATION

23 BY MS. MONCADA:

24 **Q Ms. Powers, would you please state your full**
25 **name and business address for the record?**

1 A Yes. It's Danielle Powers. And I am at 295
2 Boston Post Road Marlborough, Massachusetts.

3 **Q By whom are you employed and what is your**
4 **position?**

5 A I am the Chief Executive Officer of Concentric
6 Energy Advisors.

7 **Q Thank you.**

8 **And did you prepare and cause to be filed 29**
9 **pages of rebuttal testimony on July 9th of this year?**

10 A I did.

11 **Q Do you have any changes or revisions to that**
12 **testimony?**

13 A I do not.

14 **Q And if I asked you the same questions**
15 **contained in that testimony today, would your answers be**
16 **the same?**

17 A Yes, they would.

18 MS. MONCADA: Mr. Chairman, FPL requests that
19 Ms. Powers' rebuttal testimony be entered into the
20 record.

21 CHAIRMAN LA ROSA: So moved.

22 (Whereupon, prefiled rebuttal testimony of
23 Danielle S. Powers was inserted.)

24

25

1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**
3 **DOCKET NO. 20250011-EI**

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8 **FLORIDA POWER & LIGHT COMPANY**

9
10 **REBUTTAL TESTIMONY OF DANIELLE S. POWERS**

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23 **Filed: July 9, 2025**

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Danielle S. Powers. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. By whom and in what capacity are you employed?

A. I am the Chief Executive Officer of Concentric Energy Advisors, Inc. (“Concentric”). Concentric is a management consulting firm specializing in financial and economic services to the energy industry.

Q. On whose behalf are you testifying?

A. I am submitting this testimony on behalf of Florida Power & Light Company (“FPL” or the “Company”).

Q. Please describe your background and professional experience.

A. I have over thirty-five years of direct experience in the public utility industry, including roles at an investor-owned utility, an independent system operator, and, most recently, as a consultant. Throughout my career, I have managed and participated in a wide range of consulting engagements, with a focus on wholesale market design, power system operations, and resource planning. In each of these areas, affordability has been a central and recurring consideration—whether in evaluating market structures that promote cost-effective outcomes, assessing resource portfolios that balance reliability with customer impacts, or advising on policy frameworks that support just and reasonable rates.

1 I have provided expert testimony or submitted reports before numerous regulatory and
2 judicial bodies, including the Indiana Utility Regulatory Commission, the Federal
3 Energy Regulatory Commission (“FERC”), the Illinois Commerce Commission, the
4 Connecticut Siting Council, the Massachusetts District Court, the Regulatory
5 Commission of Alaska, the New York State Public Service Commission, the United
6 States Bankruptcy Court, the Missouri House Utilities Committee, and the Indiana
7 Senate Utilities Committee. My prior testimony has typically addressed wholesale
8 energy market design, transmission policy, and resource planning—all of which
9 inherently involve questions of customer affordability and the prudent management of
10 costs.

11 **Q. What is the purpose of your Rebuttal Testimony?**

12 A. The purpose of my Rebuttal Testimony is to address specific recommendations put
13 forth by certain intervenors, including Office of Public Counsel (“OPC”) witness Roger
14 D. Colton and Walmart Inc. (“Walmart”) witness Lisa V. Perry, concerning
15 affordability and customer rate impacts, from both a regulatory and policy perspective.
16 In addition, my testimony aims to contextualize FPL’s proposed rate increase by
17 examining historical rate trends and evaluating the proposed increase in relation to
18 other consumer cost pressures.

19 **Q. To which claims from intervenor witnesses Colton and Perry are you responding?**

20 A. My testimony addresses witness Colton’s discussion of customer affordability resulting
21 from rate impacts. Witness Colton examines the history of FPL rate increases relative

1 to changes in incomes and examines the affordability impacts of existing and proposed
2 FPL rates on certain segments of FPL customers.¹

3

4 My testimony also addresses witness Perry's statement that the Commission should
5 closely examine the Company's proposed revenue requirement increase "especially
6 when viewed in light of: (a) The customer impact of the resulting revenue requirement
7 increases..."²

8 **Q. Did you file Direct Testimony in this matter?**

9 A. No, I did not.

10

11 **II. AFFORDABILITY IS A POLICY OBJECTIVE AND**

12 **NOT A RATE-SETTING STANDARD**

13 **Q. Please explain the foundational principles of cost of service utility regulation.**

14 A. Cost of service regulation enables utilities to recover the total cost of providing service.
15 These costs must be prudently incurred, meaning they are reasonable and necessary for
16 the safe and reliable delivery of electric service. To be included in rate base, assets must
17 be "used and useful" for the service in question.³ The revenue requirement, which
18 represents the total cost of providing service, is then allocated among different
19 customer classes based on the contribution of each class to the incurrence of those costs.

¹ Direct Testimony of OPC witness Roger D. Colton, at 4.

² Direct Testimony of Walmart witness Lisa V. Perry, at 5.

³ Federal Power Commission v Hope Natural Gas, 320 U.S. 591, 643 (1944).

1 Once allocated, rates are designed to recover the appropriate share of the revenue
2 requirement from each rate class.

3 **Q. Please explain the foundational principles of rate design in cost of service utility**
4 **regulation.**

5 A. At its core, rate design is an algebraic equation that translates allocated costs into rates
6 on the basis of fixed and variable units of measurement. Rates must be fair and
7 reasonable, non-excessive, and non-discriminatory, and must also allow the utility a
8 reasonable opportunity to earn a fair and compensatory return. The objective is to align
9 rates with cost causation, ensuring that each customer pays rates reflective of the cost
10 to serve them. Rate design is not intended to serve as a tool for income redistribution
11 or social policy. It is a structured, technical process based on economic principles and
12 cost causation, rather than the individual financial situations of customers.

13 **Q. Do other intervenors support rate setting based on the utility's cost of service?**

14 A. Yes. For example, Walmart witness Perry advocates that rates be set "based on the
15 utility's cost of service for each rate class. This produces equitable rates that reflect
16 cost causation, sends proper price signals, and minimizes price distortions."⁴

17 **Q. Are income-based metrics like the Bill-to-Income ("BTI") Ratio or energy burden**
18 **thresholds part of Florida's ratemaking framework?**

19 A. No, they are not. Florida's ratemaking framework is based on principles of cost
20 causation and revenue sufficiency, not customer income. There is no statutory or
21 regulatory basis in Florida law for incorporating income-based metrics such as a BTI

⁴ Direct Testimony of Walmart witness Lisa V. Perry, at 16.

1 ratio, or energy burden thresholds into the determination of utility rates. These
2 affordability metrics are social constructs, often used in policy advocacy or research
3 settings to describe general household financial stress, but they are not economic tools
4 grounded in cost of service or rate design principles. They do not reflect the actual cost
5 to serve different customer classes, and incorporating such metrics into rate design
6 would represent a fundamental shift away from well-established regulatory principles.
7 It would undermine price signals, lead to subsidies within customer classes and cost
8 shifting, and diminish the transparency and equity of the rate structure.

9 **Q. Are there examples where rate design incorporates elements that result in some**
10 **cost shifting to support broader public policy initiatives?**

11 A. Yes, there are limited cases where rate design intentionally incorporates some cost
12 shifting to support specific public policy goals approved by regulators. However, these
13 policies are typically authorized through legislative mandate or as a means to
14 accomplish a regulatory objective rooted in a Commission's statutory duties.
15 Importantly, even in these cases, rate design still adheres to fundamental cost causation
16 principles and is subject to scrutiny to ensure any deviation from pure cost of service
17 ratemaking is justified.

18 **Q. If income-based affordability metrics are not part of Florida's rate design**
19 **framework, how are affordability concerns appropriately addressed?**

20 A. Affordability concerns are best addressed through regulatory oversight to ensure that
21 utility investments and expenses are fair, just and reasonable. Outside of that, targeted
22 customer assistance programs and policy tools outside the rate design process are the
23 best tools. These programs are specifically designed to help customers who are

1 struggling to pay their bills without compromising the integrity of cost-based
2 ratemaking.

3 **Q. What bill assistance programs does FPL offer to customers?**

4 A. FPL partners with various agencies around the state to help customers find the financial
5 assistance they need, including state and community action agencies, nonprofit groups,
6 and social service and faith-based organizations. The Low Income Home Energy
7 Assistance Program (“LIHEAP”) is a federally-funded program that helps low-income
8 households with their home energy bills and has household income guidelines and other
9 criteria that need to be met to qualify for assistance. The Emergency Home Energy
10 Assistance for the Elderly Program (“EHEAP”) is another federally-funded program
11 that helps low income households with at least one person age 60 and older to deliver
12 direct bill assistance to qualifying customers. In addition, some households may be
13 eligible for FPL’s Care To Share Program. FPL employees, shareholders and customers
14 all contribute to a fund to help customers with their electric bills. A household may be
15 eligible to receive up to \$750 during a 12-month period, and funds are administered by
16 local nonprofit and government agency partners.⁵ Over the past ten years, the FPL
17 Care To Share Program has provided an average of \$2.4 million annually to help
18 customers in need.⁶
19 The agencies that partner with FPL have a dedicated FPL team that collaborates with
20 them to develop plans to support more vulnerable customers. In 2024, low-income

⁵ <https://www.fpl.com/northwest/help/payment-assistance.html>

⁶ Direct Testimony of FPL witness Dawn Nichols, at 15.

1 customers received over 93,000 assistance payments from numerous agencies and
2 FPL's Care To Share Program, representing nearly \$49 million credited toward their
3 electric bills.⁷

4 **Q. Does FPL offer other targeted assistance?**

5 A. Yes. FPL also offers assistance for budget billing in which customers pay about the
6 same amount each month by averaging energy costs throughout the year. In addition,
7 FPL offers qualifying customers the chance to temporarily extend the due date of their
8 bills or special arrangements to pay in installments.

9 **Q. What are the implications of embedding income-based metrics or considerations**
10 **into rates and rate design?**

11 A. Incorporating income-based metrics into rate design could have several adverse effects.
12 First, and without regard to whether income-based metrics would be permitted under
13 Florida law, cost causation would be distorted, leading to rates that no longer reflect
14 the actual cost to serve each customer. Second, it introduces volatility and
15 inconsistency, as income-based metrics are inherently variable and subjective. Without
16 clear statutory guidance, relying on such metrics could result in arbitrary and
17 unpredictable ratemaking, eroding regulatory certainty and fairness.

18 **Q. How can one assess the value that FPL delivers to its customers under its existing**
19 **rate structure?**

20 A. One such way is through benchmarking. FPL has consistently out-performed similarly
21 sized companies. It leads in key operational benchmarks such as reliability, outage

⁷ Direct Testimony of FPL witness Dawn Nichols, at 15.

1 duration, and customer satisfaction.⁸ This performance underscores the effectiveness
2 of FPL's current rate structure, which is based on cost of service principles and does
3 not incorporate income-based adjustments.

4

5 **III. FPL'S RATES REMAIN AFFORDABLE BY OBJECTIVE STANDARDS**

6 **Q. Why is it important to evaluate the affordability of FPL's proposed rates in an**
7 **objective context?**

8 A. Evaluating affordability in an objective context allows for a more complete
9 understanding of how FPL's proposed rates compare to historical customer costs, to
10 rates in other jurisdictions, and to other essential household expenditures. This context
11 is essential to assessing how customers are likely to experience the proposed changes
12 within their overall cost of living.

13 **Q. How does your testimony address the issue of FPL's affordability?**

14 A. My testimony provides a comparative analysis of FPL's rates over time and relative to
15 other utilities, placing the proposed rate increase in the context of long-term trends and
16 regional benchmarks.

17 **Q. How do FPL residential bills compare to Consumer Price Index ("CPI")**
18 **indicators?**

19 A. Although FPL's rates have generally increased over the past ten years, it is important
20 to place these rate increases in context. Prices for all goods as measured by relevant

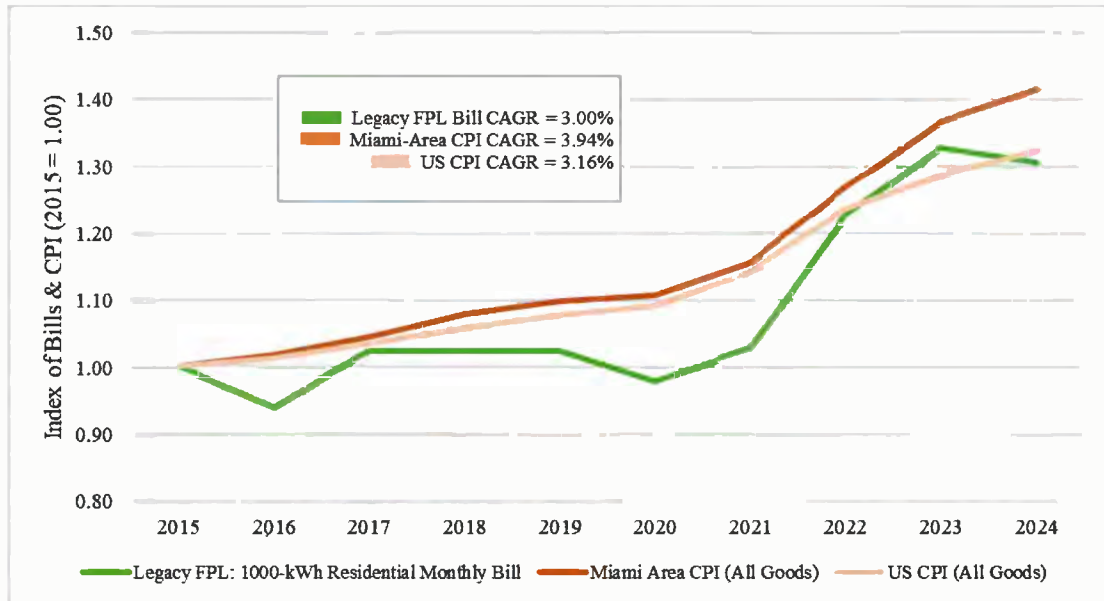
⁸ Direct Testimony of FPL witness John J. Reed.

1 CPI indicators, both across the nation and in Florida, have increased at rates equal to
2 or greater than FPL's rate increases. Specifically, using Edison Electric Institute
3 ("EEI") data for monthly residential bills for utilities across the nation with a monthly
4 usage of 1000kWh, I examined monthly billing data for: (i) the legacy FPL company,
5 which I will refer to as "Legacy FPL" for the purposes of this analysis, and (ii) the
6 legacy Gulf Power company, which I will refer to as "FPL Northwest Florida" or "FPL
7 NWFL" for the purposes of this analysis.⁹ In addition, I calculated (iii) combined
8 weighted-average Legacy FPL and FPL NWFL bills based on number of residential
9 customers. (I will refer to the retroactive combination of Legacy FPL and FPL NWFL
10 as the "Combined Company" or simply "FPL" for the purposes of this historical
11 analysis.) I then charted Legacy FPL's monthly residential bills from 2015 through
12 2024 against Miami – Ft. Lauderdale area CPI and US CPI as reported historically by
13 the U.S. Bureau of Labor Statistics, indexing all data series such that 2015 = 1.00. In
14 addition, I repeated the exercise for the Combined Company's monthly residential bills,
15 except charting against Florida-wide area CPI.¹⁰ The results of my analysis are shown
16 in Figure 1 and Figure 2 below.

⁹ Legacy FPL and Legacy Gulf Power rates were separate until December 2021. Rates were integrated in January 2022 as part of Docket No. 20210015-EI.

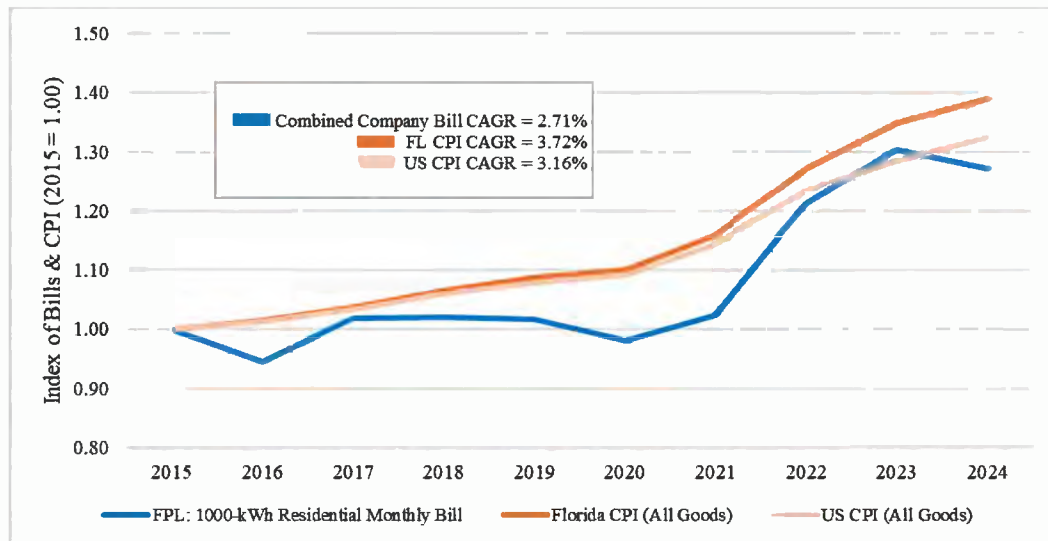
¹⁰ I did not chart Legacy Gulf Power (i.e., FPL NWFL) bills individually because CPI in the relevant service area (i.e., the Pensacola, FL-area) was not reported by the U.S. Bureau of Labor Statistics at the time of this analysis. The 2015-2024 CAGR of Legacy Gulf bills was 0.26%.

**FIGURE 1: LEGACY FPL 1000-kWh RESIDENTIAL BILL VERSUS CPI GROWTH,
2015-2024**



As seen in Figure 1, the 2015-2024 compound annual growth rate (“CAGR”) of Legacy FPL 1000-kWh residential monthly bills was 3.00%, lower than both Miami-area (3.94%) and U.S.-wide overall inflation (3.16%) for the same time period.

FIGURE 2: 2015-2024 COMBINED COMPANY 1000-kWh BILLS VERSUS CPI GROWTH



As seen in Figure 2, the 2015-2024 CAGR of Combined Company 1000-kWh residential monthly bills was 2.71%, substantially less than both Florida-area and U.S.-wide overall inflation. In fact, Combined Company bill growth was more than 100 basis points below Florida-area CPI growth and 45 basis points below US-wide CPI growth. Finally, as shown in the Direct Testimony of FPL witness Tiffany C. Cohen, in Exhibit TCC-2, pages 1 and 6, Legacy FPL bills are projected to grow at a CAGR of 2.5% through 2029 and FPL NWFL bills are projected to grow at a CAGR of 1.1% through 2029.¹¹ I compared these to Florida-area and U.S.-wide inflation estimates provided by S&P Global, which project Florida CPI advancing at a 2.3% CAGR and U.S.-wide CPI advancing at a 2.8% CAGR from 2025-2029.¹² In sum, Legacy FPL and FPL

¹¹ Direct Testimony of FPL witness Tiffany C. Cohen, in Exhibit TCC-2, pages 1 and 6.

¹² S&P Global Ratings' U.S. Economic Outlook, May 2025, accessed June 18, 2025.

1 NWFL bills are projected to increase at a pace comparable to, or more modest than, the
2 inflation rates of Florida and the broader United States.

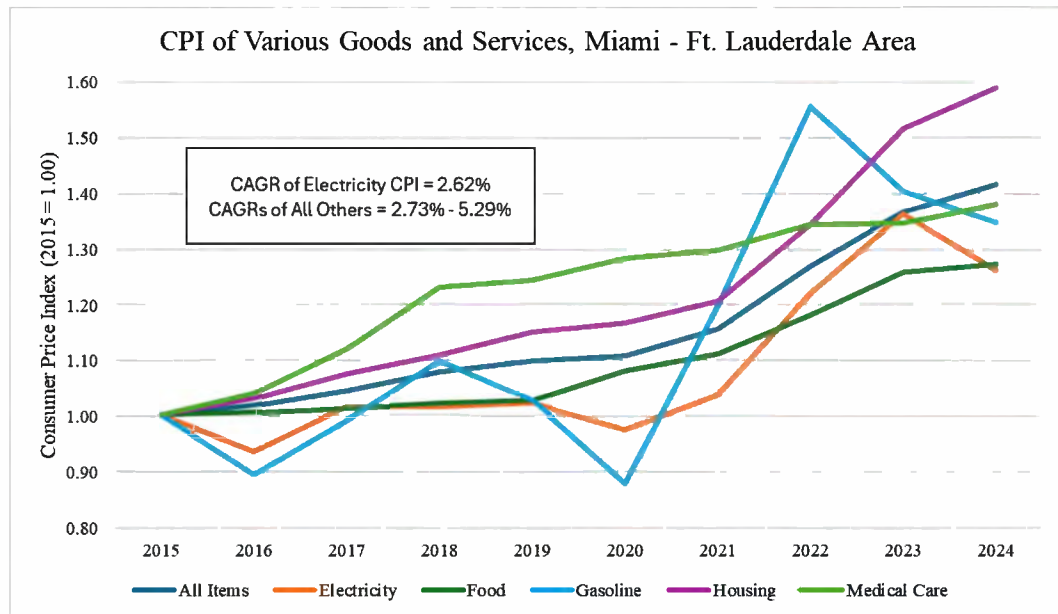
3 **Q. In addition to overall CPI, have you examined CPI subcomponents?**

4 A. Yes. The Bureau of Labor Statistics publishes certain CPI subcomponents for various
5 goods and services by major metropolitan statistical area. I examined these
6 subcomponents historically to inform an alternate view on the reasonableness of
7 electricity price growth in FPL's service territory. As seen in Figure 3 and Table 2
8 below, the growth of electricity prices in the Miami – Fort Lauderdale area from 2015-
9 2024 was the lowest compared to six buckets of essential goods and services, including
10 overall CPI.¹³

¹³ I did not examine NWFL-area CPI subcomponents because they were not available from the Bureau of Labor Statistics at the time of analysis.

1

FIGURE 3: MIAMI – FT. LAUDERDALE AREA CPI GROWTH



2

TABLE 1: MIAMI – FT. LAUDERDALE AREA CPI GROWTH, CAGRs

CPI SUBCOMPONENT	2015-2024 CAGR
All Items	3.95%
Food	2.73%
Gasoline	3.38%
Housing	5.29%
Medical Care	3.65%
Electricity	2.62% (lowest)

3

The 1000-kWh FPL bill has risen at roughly the same rate as that of the Bureau of

4

Labor Statistics (“BLS”) electricity index and has increased at a lower rate than the

5

other subcomponents shown in Table 1.

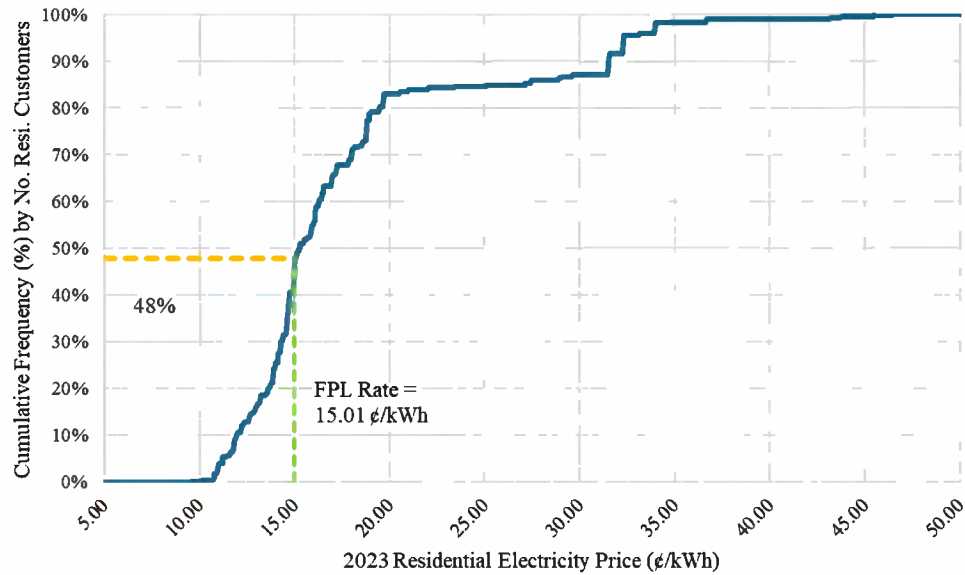
1 **Q. Have you examined FPL’s rates relative to the electricity rates of other investor-**
2 **owned utilities (“IOUs”) across the nation?**

3 A. Yes. The U.S. Energy Information Administration (“EIA”) publishes electricity rate
4 estimates, in cents per kWh, for all investor-owned utilities in the U.S. in its annual
5 Form EIA-861. I examined these data for the calendar year 2023 to determine the
6 reasonableness of FPL’s electricity rates compared to other IOUs. As shown in Figure
7 4 below, which shows the cumulative percentage of customers paying at or below the
8 rates shown on the x-axis, FPL’s residential rate for 2023 of 15.01 cents per kWh¹⁴ was
9 slightly less than the median residential electricity rate for IOUs nationwide, at the 48th
10 percentile. Although Florida ranks 12th nationally in cost of living based on regional
11 price parity, FPL’s residential electricity rates remain below the national median,
12 underscoring their relative affordability.¹⁵

¹⁴ Note that this rate is on a post-FPL-Gulf integration basis. EIA calculates annual rates by dividing total annual revenues by total annual MWh sales.

¹⁵ U.S. Bureau of Economic Analysis, Regional Price Parities by State, December 2024. See Table 2, All Items.

FIGURE 4: 2023 FPL RESIDENTIAL RATES COMPARED TO OTHER IOUS



In addition, as shown in Table 2: FPL Residential Rates compared to Florida IOUs below, FPL's rates were the lowest of the four Florida IOUs according to the Form EIA-861 data.

TABLE 2: FPL RESIDENTIAL RATES COMPARED TO FLORIDA IOUS

FLORIDA IOU	2023 RESIDENTIAL RATE
Duke Energy Florida	18.05 ¢ per kWh
Florida Public Utilities Co.	18.72 ¢ per kWh
Tampa Electric Co.	16.60 ¢ per kWh
Florida Power & Light Co.	15.01 ¢ per kWh (lowest)

1 **Q. Have you examined household income relative to FPL’s residential bills?**

2 A. Yes. I examined FPL’s residential bills in the context of household income data for the
3 FPL service territory by estimating what percentage of median household income must
4 be allocated to residential electricity bills under current rates.

5 **Q. Please elaborate on comparing median household income to electricity bills.**

6 A. First, using the same EEI data previously discussed in my testimony, I analyzed a
7 Legacy FPL RS-1 residential 1000-kWh customer bill on an annual basis for the
8 calendar year 2023. I then compared this figure to annual median household income
9 (“MHI”) figures reported by the U.S. Census Bureau for the Miami – Ft. Lauderdale –
10 West Palm Beach metropolitan statistical area. Finally, I calculated what percentage of
11 MHI the annual Legacy FPL bill constituted. As shown in Table 3 below, an annual
12 residential Legacy FPL bill constituted 2.1% of Legacy FPL-service territory MHI in
13 2023.

14 **TABLE 3: LEGACY FPL SHARE OF MHI ANALYSIS**

	LEGACY FPL	2023
[1]	Legacy FPL RS-1 1000-kWh Monthly Bill	\$131
[2]	Yearly Bill	\$1,568
[3]	Miami-Ft. Lauderdale-West Palm Beach Area Median Household Income	\$76,271
[4]	Legacy FPL Bill as % of MHI	2.1%

[1] Source: 2023 Edison Electric Institute Typical Bills Report

[2] Equals [1] x 12

[3] Source: U.S. Census Bureau, 2023 American Community Survey

[4] Equals [2] / [3]

15

I repeated this analysis for FPL NWFL bills and the Pensacola – Ferry Pass – Brent metropolitan statistical area, which demonstrated a similar percentage of just 2.4%, as seen in Table 4 below:

TABLE 4: FPL NWFL SHARE OF MHI ANALYSIS

	FPL NWFL (LEGACY GULF POWER)	2023
[1]	FPL NWFL RS-1 1000-kWh Monthly Bill	\$155
[2]	Yearly Bill	\$1,863
[3]	Pensacola-Ferry Pass-Brent Area Median Household Income	\$78,315
[4]	FPL NWFL Bill as % of MHI	2.4%

[1] Source: 2023 Edison Electric Institute Typical Bills Report

[2] Equals [1] x 12

[3] Source: U.S. Census Bureau, 2023 American Community Survey

[4] Equals [2] / [3]

To put the 2.1% and 2.4% figures into context, and without giving any credence to his conclusions, I refer to witness Colton’s testimony, which cites his definition of “an affordable Bill-to-Income Ratio of six percent for total energy”, further allocating “two-thirds of that affordable burden (4%) to electricity”.¹⁶ Compared to witness Colton’s assumed affordability guideline of 4.0%, Legacy FPL’s and FPL NWFL’s shares-of-MHI for the median household of 2.1% and 2.4% are well within the affordability guideline as defined by witness Colton.

¹⁶ Direct Testimony of OPC witness Roger D. Colton, at 14.

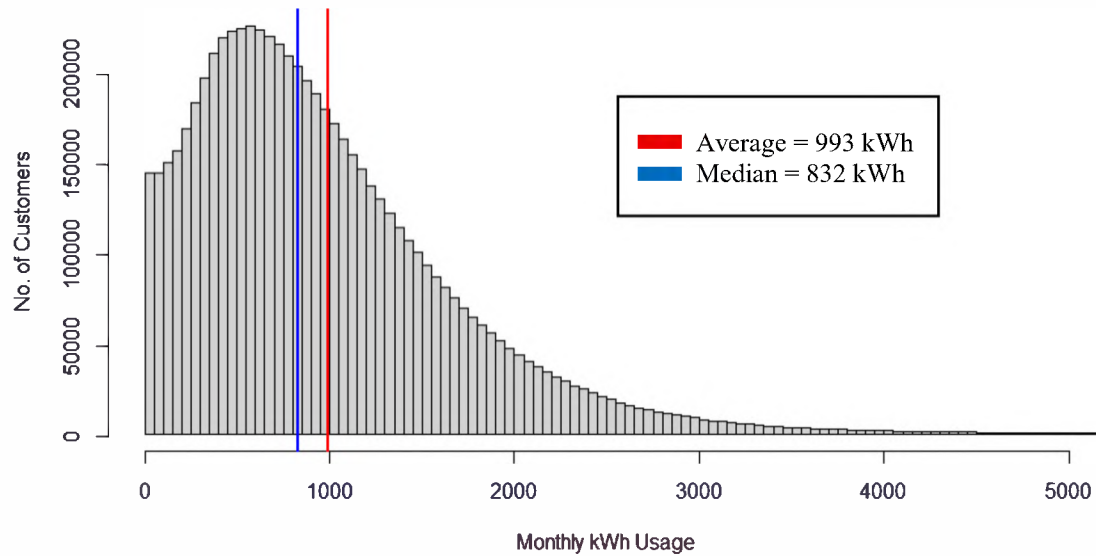
1 **Q. Have you conducted any further analyses to provide additional context around**
2 **the affordability of FPL residential bills?**

3 A. Yes, I have. My affordability analyses heretofore have largely centered around bills for
4 a 1000-kWh usage residential customer. This was done to best compare standardized
5 bills across multiple utilities and states. For FPL’s residential customers, this usage
6 level approximates average-use levels, as my analysis will show. However, the other
7 main measure of central tendency, the median, is lower, which is important to consider,
8 as it would still be reasonable to analyze bills based on the median usage.

9
10 I examined the median of FPL residential customers’ usage, bills, and daily electricity
11 costs as compared to the average. To do so, I received an anonymized database from
12 FPL of all FPL residential customers’ usage in kWh, total bill amount in dollars, and
13 number of service days per month for all months of the calendar year 2024. To analyze
14 this database, I averaged each statistic by unique customer ID, resulting in monthly
15 averages for each customer. Using this sub-database, I was able to plot the distribution
16 of usage, bills, and daily electricity costs across all FPL residential customers for 2024.
17 The results of my analysis are shown in Figures 5 through 7 below.

1

FIGURE 5: RESIDENTIAL CUSTOMERS, DISTRIBUTION BY MONTHLY kWh USAGE

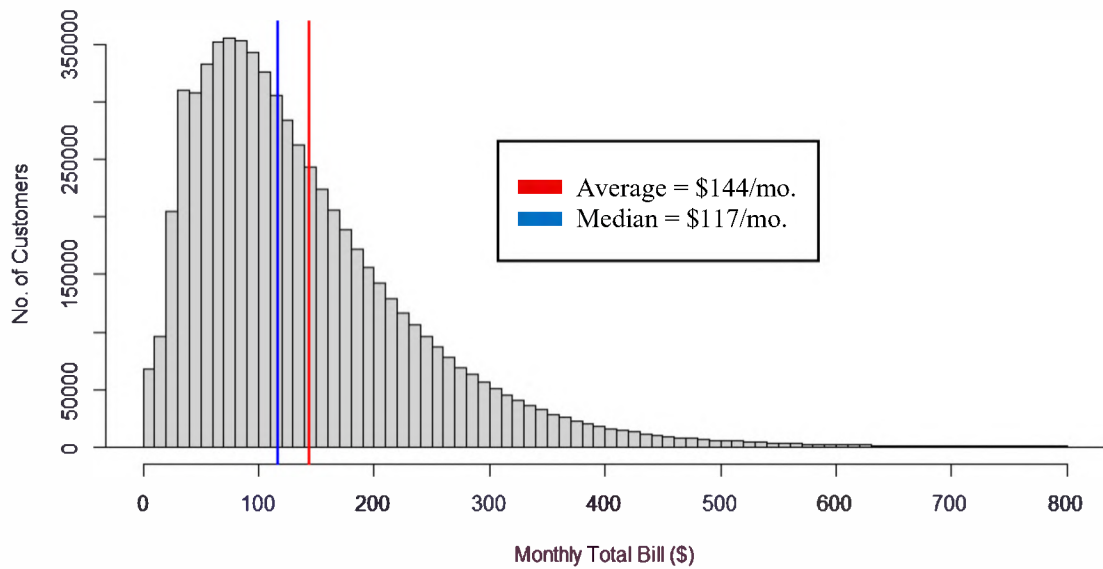


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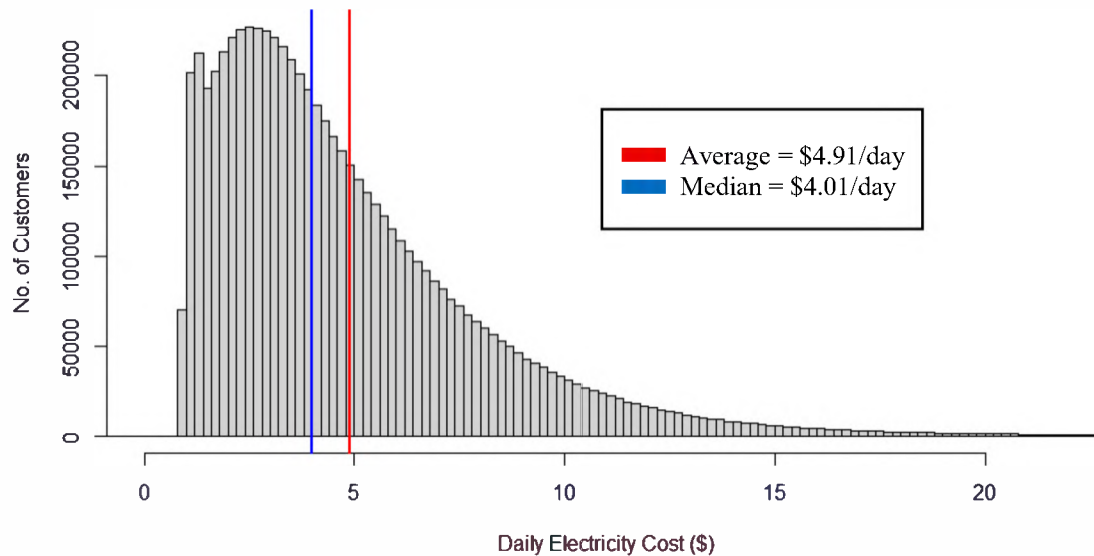
4

FIGURE 6: RESIDENTIAL CUSTOMERS, DISTRIBUTION BY MONTHLY TOTAL BILL



5

6

FIGURE 7: RESIDENTIAL CUSTOMERS, DISTRIBUTION BY DAILY COST

The above figures show that the distribution of residential electricity usage is right-skewed by customers in the upper usage intervals, pushing average usage statistics upwards. Importantly, the average is consistently higher than the median. For example, the median or 50th-percentile usage level is 832 kWh per month, approximately 16% less than the average usage of 993 kWh per month¹⁷. Similarly, the median bill level is \$117 per month, approximately 19% less than the average level of \$144 per month, and the median daily electricity cost is \$4.01 per day, approximately 18% less than the average level of \$4.91 per day. I conclude that my prior share of MHI analyses have been conservative, as the analyses used 1000-kWh usage and bill levels, which pushed

¹⁷ Employing an accounting-based methodology used for reporting purposes, FPL witness Cohen calculated average residential use to be approximately 1,125 kWh per month.

1 FPL bills upwards. Median usage and bill levels are both lower and reasonable
2 alternative views of a “typical” 1000-kWh FPL residential customer.

3
4 Finally, the daily electricity cost statistics can provide us with more context around
5 FPL’s proposed bill increase. As shown in Figure 7, I calculated daily electricity costs
6 by dividing monthly bills by the number of service days associated with those bills.
7 Based on my calculated average daily electricity cost of \$4.91 and FPL’s projected bill
8 increase of 2.5% CAGR from 2025 through 2029 as described by FPL witness Cohen
9 and referenced earlier in my testimony, a 1000-kWh FPL residential customer will
10 experience an increase in costs of 12 cents per day.

11

12 IV. CONCLUSION

13 **Q. Please summarize your conclusions.**

14 A. In summary, the affordability of electric service is an important policy consideration,
15 but it is not a ratemaking standard. The foundational principles of cost-of-service
16 regulation—prudence, cost causation, and non-discrimination—remain the appropriate
17 framework for setting just and reasonable rates. Proposals to consider income-based
18 metrics such as energy burden thresholds or BTI ratios in rates or rate design would be
19 inconsistent with these principles and would undermine the integrity, stability, and
20 fairness of the regulatory process.

21

22 FPL’s proposed rates are demonstrably affordable when evaluated against historical
23 trends, regional and national benchmarks, and customer income data. FPL’s rates have

1 grown more slowly than general inflation and remain below the national median for
2 investor-owned utilities, despite Florida's relatively high cost of living. Moreover,
3 FPL's performance in reliability, customer satisfaction, and operational efficiency
4 continues to lead the industry, validating the effectiveness of its current rate structure.

5 **Q. How should the Commission address affordability concerns?**

6 A. Affordability concerns are best addressed through regulatory oversight and targeted
7 assistance programs, not through structural changes to rate design or through
8 adjustments to the cost of service. FPL's robust suite of customer support initiatives
9 including LIHEAP, Care To Share, and other community-based programs provides
10 meaningful and direct relief to those who may qualify, without compromising the
11 economic integrity of the ratemaking system.

12 **Q. What do you recommend to the Commission?**

13 A. I respectfully recommend that the Commission reject any suggestions that income-
14 based affordability metrics should be incorporated into the determination of just and
15 reasonable rates and affirm the continued application of cost-of-service principles in
16 evaluating FPL's proposed rates.

17 **Q. Does this conclude your Rebuttal Testimony?**

18 A. Yes, it does.

1 BY MS. MONCADA:

2 Q Ms. Powers, you had no exhibits, is that
3 correct?

4 A That's correct.

5 Q Would you please provide to the Commission a
6 summary of the topics addressed in your rebuttal
7 testimony, please?

8 A Certainly.

9 My rebuttal testimony, it responds to Witness
10 Colton with the OPC and Witness Perry with Walmart, and
11 specific recommendations that they make regarding
12 customer rate impacts and the requested increase.

13 And my testimony also aims to put the
14 requested increase in context by looking at historic
15 rate impacts and historic rate increases, and looking at
16 those from a policy and a regulatory perspective, and
17 also comparing those to other cost pressures that
18 customers are facing.

19 Q Thank you, Ms. Powers. Does that conclude
20 your summary?

21 A Yes, it does.

22 Q Thank you.

23 MS. MONCADA: She is available for
24 cross-examination.

25 CHAIRMAN LA ROSA: Great. Thank you.

1 OPC, you are recognized for questioning.

2 MR. PONCE: Thank you.

3 EXAMINATION

4 BY MR. PONCE:

5 Q Good morning, Ms. Powers.

6 A Good morning.

7 Q Before we get into the substance of your
8 testimony, I thought we would just explore your
9 background a little bit.

10 You have testified in front of other public
11 service commissions before, right?

12 A I have.

13 Q When you have done so, don't you typically
14 testify on behalf of utilities and independent system
15 operators?

16 A Typically, my testimony has involved wholesale
17 power market design and resource planning, which has
18 typically been on behalf of utilities and independent
19 system operators.

20 Q You have never appeared on behalf of an Office
21 of Public Counsel like the one I work for, right?

22 A That's correct.

23 Q And you have also never appeared on behalf of
24 any consumer groups?

25 A Correct.

1 Q And this is your first time appearing in front
2 of the Florida PSC, right?

3 A It is.

4 Q You mentioned that one of the purposes of your
5 testimony was responding to our Witness Colton's
6 testimony, right?

7 A That's correct.

8 Q In reviewing Mr. Colton's testimony, you
9 didn't review any of the ALICE data in his testimony, is
10 that right?

11 A I am sorry, I didn't hear that. Can you
12 repeat that?

13 Q In reviewing Witness Colton's testimony, you
14 didn't review any of the ALICE testimony within it,
15 right?

16 A No, you didn't.

17 Q And just to be clear, ALICE is an acronym for
18 Asset Limited, Income Constrained, Employed?

19 A Correct.

20 Q And when you were -- in order to create --
21 to -- your rebuttal testimony, in order to create it,
22 you did an overview of Florida, right?

23 A Of their -- can you give me the context?

24 Q Florida rate concepts.

25 A Yes.

1 **Q** In doing so, you did not look at any Florida
2 **Statutes, right?**

3 **A** I did review statutes as part of preparing for
4 this rebuttal.

5 **Q** I am sorry, I didn't hear your -- you didn't?

6 **A** I did.

7 **Q** You did?

8 **A** Just doing some homework.

9 **Q** If you can give me one moment, please. Let me
10 just ask, again, in preparing for your rebuttal
11 testimony, did you have a chance to look at any Florida
12 **Statutes?**

13 **A** I did look at a few. I couldn't be specific
14 on which ones I looked at, though.

15 **Q** Do you remember being deposed on July 22,
16 **2025?**

17 **A** Yes.

18 **Q** That was done by me, right, in part?

19 **A** Uh-huh.

20 **Q** Do you recall you swore an oath to tell the
21 **truth during that deposition?**

22 **A** Yes.

23 **Q** And counsel for FPL was with you at that time,
24 **right?**

25 **A** Yes.

1 **Q** Okay. If we could get copies of those
2 depositions. And I believe everyone who needs a copy
3 has one.

4 **Ms. Powers, if you could go to page 15?**

5 **A** Okay. I am there.

6 **Q** And you can see at line six, I asked you:
7 Okay. Did you have a chance to look at any Florida
8 Statutes?

9 **A** Yes.

10 **Q** Could you read your answer at line eight?

11 **A** I did not.

12 **Q** Thank you. You can put that aside. Thank you
13 very much.

14 **A** Okay.

15 **Q** Ultimately, is it fair to say that your main
16 disagreement with Witness Colton is to place that
17 affordability should have in a rate proceeding like this
18 one?

19 **A** I -- in my own words, I would say that I
20 acknowledged the importance of affordability. My
21 position is that it -- in a cost of service ratemaking
22 framework, that affordability issues should be addressed
23 outside of that cost of service framework and with
24 targeted programs.

25 **Q** I appreciate your explanation, but if you

1 **could preface your answers with a yes or a no, please?**

2 A Sure. Yes.

3 Q Thank you. You can explain after.

4 A Okay.

5 Q But there are some cases where rate design
6 **incorporates some kind of cost shifting to support**
7 **policy goals approved by legislators, right?**

8 A Is that the question? Yes.

9 Q Okay. If we could go to F, as in frank,
10 **2-3756. That will appear on your monitor.**

11 A Okay. Thank you.

12 Q And you can scroll it.

13 A Okay.

14 Q All right.

15 A And can you direct me where I need to be
16 again? I am sorry.

17 Q Sure. Excuse me, that should actually be
18 **F2-3755, so that's the page above.**

19 A Uh-huh. Okay, I am there.

20 Q I am sorry, give me a moment because that also
21 **appears to be the wrong citation. Although, this is at**
22 **least the correct document. One moment, please.**

23 Okay. The actual page is F2-3751. I
24 **apologize for that.**

25 A 3751. Okay, I am there.

1 Q Yeah, so I am having an issue on my computer.
2 It looks like the actual citation is F2-3757.

3 A I am sorry, what number is that again?

4 Q F2-3757.

5 A 3757?

6 Q Yes.

7 A Okay.

8 Q And you will see there when you get there,
9 there is a bunch of stricken text at the top, but then I
10 would like you to take a look at subsection (2). And
11 you can take a moment to read that, and let me know when
12 you have had a chance.

13 A Do you want the entire subsection too?

14 Q Sure.

15 A Okay. For the purposes of subsection --

16 Q I am sorry. You can read that to yourself.

17 A Oh, okay. Fair enough. Okay. I have read
18 it.

19 Q So you are able to see there where it says:
20 The state's energy policy must be guided by the goals of
21 ensuring a cost-effective and affordable energy supply?

22 A Correct.

23 Q Isn't it fair to say, then, that this statute
24 is an example of a legislative policy approved by
25 legislators to address affordability?

1 MS. MONCADA: Objection to the extent they are
2 asking for a legal interpretation of the purpose of
3 the statute.

4 CHAIRMAN LA ROSA: Is there a way to rephrase
5 that question? I mean, that's what -- I mean,
6 that's pretty straightforward. Is there a way to
7 not ask for what the definition of the statute is?

8 MR. PONCE: I don't know that I am asking for
9 the definition of the statute.

10 CHAIRMAN LA ROSA: Can you rephrase the
11 question?

12 MR. PONCE: Sure, I will try to rephrase the
13 question.

14 BY MR. PONCE:

15 **Q So if you look at paragraph (a) there, when**
16 **read in conjunction with subsection (2), it just says:**
17 **The state's energy policy must be guided by the**
18 **following goals: Ensuring a cost-effective and**
19 **affordable energy supply?**

20 A Those are the words, yes.

21 **Q Okay. Regardless, it's fair to say you didn't**
22 **review this statute within you were preparing your**
23 **rebuttal testimony?**

24 A I did not prepare -- I did not review this
25 statute specifically, no.

1 **Q** If we could go to your rebuttal, page seven,
2 **line 21. I believe the master page number is D15-924, D**
3 **as in dog.**

4 A I am sorry, you said my -- oh, it's up on the
5 screen. Okay. So where am I again, page seven?

6 **Q** Page seven, line 21. You state here that
7 **targeted customer assistance programs and policy tools**
8 **are the best way of addressing affordability?**

9 A You are on page -- oh, I am on the -- okay.

10 **Q** Yes, page seven, line 21.

11 A I am with you. Yes.

12 **Q** One of those programs being the low-income
13 **home energy assistance program, or LIHEAP?**

14 A Yes.

15 **Q** Isn't it true that on April 1, 2025, the
16 **current administration laid off the entirety of the team**
17 **that is responsible for LIHEAP?**

18 A My understanding is there have been broad
19 layoffs, but I am not aware of specific layoffs related
20 to that program.

21 **Q** If we can go to F, as in frank, 2-9098. And
22 **if you could read, just to yourself, the second**
23 **paragraph, starting at -- the second paragraph which**
24 **starts with "as you know"?**

25 A I have read it.

1 **Q** Doesn't this paragraph show that customers
2 will not be able to rely on LIHEAP for assistance with
3 their bills?

4 **A** Again, I think that this shows that there are
5 current challenges with the program. I would leave it
6 to the FPL witnesses to talk much more knowledgeably
7 about it than me. I don't know what affect this has on
8 the availability of funds.

9 **Q** Fair enough.
10 You also mention in your rebuttal testimony
11 FPL's Care to Share Program?

12 **A** Yes.

13 **Q** This program is funded, at least partially, by
14 FPL's customers, right?

15 **A** My understanding is it's funded by FPL
16 employees.

17 **Q** Isn't it true that you did not look at how the
18 funding provided to this program compares to how many
19 customers are behind on their bills?

20 **A** I did not.

21 **Q** In 2024, didn't the assistance received by
22 FPL's low-income customers represent nearly \$49 million
23 credited to their bills?

24 **A** I am not aware of the specific number.

25 **Q** That's not the number that's in your rebuttal

1 testimony at page nine, line two?

2 A Yes. I was quoting Dawn Nichols. Yes.

3 Q And in 2024, didn't assistance received by
4 FPL's -- excuse me, and FPL's Care to Share Program
5 provides an average of 2.4 million to help customers,
6 right?

7 A Yes.

8 Q So if you just take that 2.4 and divide it by
9 the 49 million, subject to check, we don't have to do
10 the math live, but that's about five percent of the
11 assistance that went to low-income customers?

12 A I would have to check the numbers, but I will
13 take your word for it at this point.

14 Q If we could look at your figure 1. It's at
15 D15-929.

16 A I am there.

17 Q So first of all, this is a comparison of a
18 Legacy FPL's 1,000-kilowatt residential bill versus CPI,
19 right?

20 A That's correct.

21 Q Why did you use 1,000 kilowatts when FPL
22 Witness Cohen calculated the average residential uses
23 approximately 1,125 kilowatts per month?

24 A So this was the information that was available
25 through the data source that we used, and it was a close

1 approximation to an FPL residential bill.

2 **Q** Okay. On your graph, you compare legacy's FPL
3 bill CAGR, which is compound annual growth rate, to
4 Miami area CPI, right?

5 **A** Correct.

6 **Q** It's fair to say that Miami has a much more
7 expensive cost of living than most places in Florida?

8 **A** I don't know that. We took that area because
9 it was data that was available, and it represented
10 Legacy FPL's service territory.

11 **Q** Well, if we just compared, looking at this
12 graph, the Miami area to the national CPI CAGR, the
13 Miami area CPI is significantly higher, isn't it?

14 **A** It is higher than U.S.

15 **Q** If we could look figure 2, which is on the
16 next page. So on this page, it has the combined company
17 bill CAGR at 2.71 percent, right?

18 **A** Correct.

19 **Q** So presumably, that's a combination of the
20 Legacy FPL and Northwest FPL?

21 **A** That's right.

22 **Q** So if Legacy FPL on your first graph was three
23 percent, that would mean that Northwest -- the Northwest
24 CAGR would be about it 2.71 percent?

25 **A** Subject to check.

1 Q Excuse me, 2.71 percent was the combined. Let
2 me rephrase.

3 It's fair to say Northwest Florida would be
4 lower than 2.71 percent, right, if Legacy was three
5 percent?

6 A Yes.

7 Q Okay. So it's fair to say, then, that it's
8 cheaper to live in Northwest Florida than it is to live
9 in the Miami area?

10 A I think it's fair to say that the combined
11 compound annual growth rate of the company is
12 significantly less than the overall Florida CPI, but I
13 don't have data on specific areas and the cost of living
14 of specific areas in Florida.

15 Q But a Florida CPI overall on this graph is
16 3.72, right?

17 A Right.

18 Q Later in your testimony, you compare FPL's
19 bills to Miami median household income, right?

20 A Can you say that again, just a little more
21 slowly?

22 Q Sure.

23 Later in your testimony, you compare FPL's
24 bills to the Miami median household income, right?

25 A Yes.

1 **Q Okay. Which was -- I believe it was 76,271?**

2 **A Can you give me a page number?**

3 **Q Sure. This is on page 18. It's your table 3.**

4 **The master page number is D15-935.**

5 **A Yes, I have it. Thank you.**

6 **Q So let me just ask again, that Miami median**

7 **household income was 76,271?**

8 **A That's correct.**

9 **Q It's fair to say that a household making that**
10 **amount of money is unlikely to be worried about its**
11 **monthly utility bills, right?**

12 **A I don't -- I don't think I can agree with**
13 **that.**

14 **Q So there are -- so you would say that there**
15 **are instances where households making 76,000 can't**
16 **afford FPL's monthly utility bill?**

17 **A You know, I think that it sounds like a lot of**
18 **money, but we don't know what kind of cost pressures**
19 **people are under in other areas, educating their**
20 **children, illness, so I don't know. I would have no way**
21 **of knowing that.**

22 **Q Okay. So even with a median income of --**
23 **median household income of \$76,000, customers may still**
24 **be struggling with FPL's monthly bills?**

25 **A I think people are -- face very challenging**

1 circumstances, and I don't think you can take a median
2 household income and draw a conclusion.

3 **Q Now, median household income -- isn't it fair**
4 **to say that median household income is increasing**
5 **because housing prices are increasing?**

6 A I don't know that they are increasing at the
7 same rate.

8 **Q Sure, but just in general, all other things**
9 **being equal?**

10 A Are we talking about Florida specifically?

11 **Q Just as a general concept.**

12 A That income is -- income is going up as
13 housing prices are going up?

14 **Q Specifically, that median household income**
15 **increases as housing prices increase?**

16 MS. MONCADA: Objection, he did answer -- ask
17 that question previously, and she gave an answer to
18 it. I don't think this changes the question.

19 MR. MCMENAMY: I don't think I did ask that
20 question previously.

21 CHAIRMAN LA ROSA: I don't know that we got a
22 clear answer. Do you mind rephrasing the question
23 so the witness can be clear?

24 BY MR. PONCE:

25 **Q Let me phrase it like this: Median household**

1 income is tied at least, in part, to what -- the average
2 price of houses, right?

3 A You know, I think as CPI and inflation
4 increases, costs increase and income would increase as
5 well, not in a lockstep, but some trend.

6 Q In other words, if you were looking at median
7 household income as a way to measure a utility
8 affordability, doesn't this mean that you are saying
9 that as housing prices increase, FPL bills become
10 increasingly affordable?

11 A Can you repeat the question for me?

12 Q Sure.

13 So using median household income as a metric
14 by which to measure affordability, doesn't that mean
15 that as housing prices increase, FPL bills become more
16 affordable?

17 A I don't think you can make that
18 generalization.

19 Q If you can give me one moment, please.

20 Okay. I have nothing else. Thank you very
21 much, Ms. Powers.

22 A Thank you.

23 CHAIRMAN LA ROSA: Thank you.

24 FEL?

25 MS. McMANAMON: Thank you.

1 EXAMINATION

2 BY MS. McMANAMON:

3 Q Good morning, Ms. Powers.

4 A Good morning.

5 Q You state in your testimony that affordability
6 is best addressed through regulatory oversight to ensure
7 that utility investments and expenses are fair, just and
8 reasonable, correct?

9 A Correct.

10 Q And you also state that costs must be
11 prudently incurred?

12 A Correct.

13 Q But you are not offering testimony on whether
14 FPL's investments and expenses are fair, just and
15 reasonable, correct?

16 A That's right.

17 Q And you are also not offering testimony that
18 FPL is prudently incurring costs in order to keep rates
19 affordable, correct?

20 A Right. My testimony is that that is the most
21 reasonable and it fits within the framework of Florida,
22 that's the most reasonable way to ensure just and
23 reasonable rate under the cost of service ratemaking.

24 Q And you also discuss that outside of
25 regulatory oversight, the best way to address customer

1 affordability concerns is through targeted assistance
2 programs, correct?

3 A That's correct.

4 Q And I know we already discussed a little bit
5 about FPL's Care to Share Program, but at the time you
6 prepared your testimony, did you investigate how FPL was
7 planning to continue to fund the Care to Share Program,
8 or if there would be continued funding allocated to it?

9 A I did not.

10 Q On page 15 of your testimony, which is master
11 number D15-932, there is a figure comparing the CPI of
12 various goods and services to the CPI of electricity in
13 the Miami/Ft. Lauderdale area. Do you know if this may
14 include data from other utilities besides FPL?

15 A Are you on figure 3, did you say?

16 Q Figure 3, yes.

17 A I would have to check that. I don't know.

18 Q Okay. So it's possible that it could right
19 now?

20 A Yes.

21 Q And when preparing your rebuttal testimony,
22 did you review the testimony of Mr. MacKenzie Marcelin
23 on behalf of FEL?

24 A I don't know that I did. I can't remember.

25 Q Are you aware that his testimony addresses

1 **affordability concerns?**

2 A Yes, generally aware.

3 **Q Are you aware that he presented calculations**
4 **finding that FPL had the tenth most expensive**
5 **electricity bill in the nation in 2023 out of the 174**
6 **electric utilities with over 100,000 customers?**

7 A No, I am not aware.

8 **Q In preparing your testimony, did you consider**
9 **how the energy efficiency goals established by this**
10 **commission can impact affordability?**

11 A I am aware of the energy efficiency programs.
12 I didn't look specifically at how it would impact
13 affordability in the state.

14 **Q Is there a reason you didn't look at that in**
15 **your testimony?**

16 A No, just a general awareness of how those
17 programs work, but I didn't look specifically at the
18 impact for FPL.

19 **Q Do you believe that energy efficiency goals**
20 **can help to lower customer bills?**

21 A I do.

22 **Q And in your testimony, did you consider FPL's**
23 **performance on its energy efficiency goals?**

24 A I did not.

25 **Q And would you agree that this commission has a**

1 fair amount of discretion in setting the utility's
2 revenue requirements in general rate cases?

3 A Yes.

4 Q So would you agree that depending on its
5 decision regarding issues that determine revenue
6 requirements, this commission can make decisions that
7 result in relatively higher or relatively lower revenue
8 requirements and still result in reasonable revenue
9 requirements and rates?

10 A Can you repeat that question for me?

11 Q Yes. I will go slower.

12 Would you agree that depending on this
13 commission's decision regarding issues that determine
14 revenue requirements, the Commission could make
15 decisions that result in relatively higher or relatively
16 lower revenue requirements and still result in rates
17 that are reasonable?

18 A You know, I think the Commission's goal is to
19 ensure that costs are just and reasonable and prudent,
20 and that the utility has an opportunity to recover their
21 costs that they incur to ensure reliability and safe
22 service cost effectively, they have discretion. But
23 within a cost of service framework, which is my
24 understanding in Florida, that the opportunity to earn a
25 return and recover your costs for costs that are just

1 and reasonable and prudently incurred is the approach
2 that has been taken in Florida.

3 **Q And would you agree that the Commission can**
4 **consider affordability in deciding revenue requirements**
5 **within the reasonable range?**

6 A They can consider it. It has not been the
7 framework in Florida to date.

8 **Q Would you agree that the Commission should**
9 **consider affordability in deciding the utility's revenue**
10 **requirements?**

11 A I think the Commission has a lot to balance
12 there, right. They want to ensure that the utility has
13 the access to capital it needs to invest in its system
14 and provide reliable service safely, and at the same
15 time, recognize the impact on customers. And so -- and
16 that's what those programs are for, right, the targeted
17 programs to ensure that customers -- that the burden of
18 the cost of energy is alleviated to the extent possible,
19 or at least assisted by targeted programs.

20 **Q One moment.**

21 **I don't have any more questions. Thank you.**

22 A Thank you.

23 CHAIRMAN LA ROSA: Thank you.

24 FAIR?

25 MR. SCHEF WRIGHT: Thank you, Mr. Chairman.

1 We don't have any questions for Ms. Powers.

2 CHAIRMAN LA ROSA: Excellent.

3 FIPUG?

4 MR. MOYLE: No questions from FIPUG.

5 CHAIRMAN LA ROSA: FRF?

6 MR. BREW: No questions.

7 CHAIRMAN LA ROSA: Walmart?

8 MS. EATON: No questions.

9 CHAIRMAN LA ROSA: FEIA?

10 MR. MAY: FEIA has no questions.

11 CHAIRMAN LA ROSA: Great.

12 Staff?

13 MR. STILLER: No questions.

14 CHAIRMAN LA ROSA: Commissioners, do we have
15 any questions for the witness?

16 Seeing no questions, back to FPL for redirect.

17 MS. MONCADA: No redirect, and we also have no
18 exhibits for this witness.

19 CHAIRMAN LA ROSA: Okay. Any other exhibits
20 from any of the parties?

21 MR. PONCE: None from OPC.

22 CHAIRMAN LA ROSA: Okay. All right. Seeing
23 none, that was easy.

24 Thank you. You are excused.

25 THE WITNESS: Thank you very much.

1 CHAIRMAN LA ROSA: Thank you very much,
2 Ms. Powers.

3 (Witness excused.)

4 CHAIRMAN LA ROSA: So we are going to go to
5 FAIR's witness, and I will allow you to call your
6 witness to the stand.

7 MR. SCHEF WRIGHT: Thank you, Mr. Chairman.

8 On behalf of the citizens of the state of
9 Florida, FAIR, Florida Rising, LULAC and ECOSWF, I
10 ask that Mr. John Thomas Herndon please take the
11 stand.

12 CHAIRMAN LA ROSA: Mr. Herndon, thank you for
13 joining us. Do you mind raising your right hand?
14 Whereupon,

15 JOHN THOMAS HERNDON
16 was called as a witness, having been first duly sworn to
17 speak the truth, the whole truth, and nothing but the
18 truth, was examined and testified as follows:

19 THE WITNESS: Yes.

20 CHAIRMAN LA ROSA: Thank you.

21 Feel free to take a second to get settled in.

22 EXAMINATION

23 BY MR. SCHEF WRIGHT:

24 Q Good morning, Mr. Herndon, and welcome back.

25 A Thank you.

1 **Q Did you prepare and cause to be filed in this**
2 **case on September 19th, 2025, prefiled direct testimony**
3 **consisting of 27 pages?**

4 A Yes, I did.

5 **Q Do you have any changes or corrections to make**
6 **to your testimony?**

7 A Yes, I have one correction. At page 20, line
8 four of my testimony, the words, quote, "reserve
9 surplus", unquote, should be replaced with the words,
10 quote, "rate stabilization", unquote.

11 **Q Thank you.**

12 **And with that correction, if I were to ask you**
13 **the same questions contained in your testimony today,**
14 **would your answers be the same?**

15 A Yes.

16 **Q And with that correction, then, do you adopt**
17 **this testimony as your sworn testimony to the Florida**
18 **Public Service Commission in this proceeding today?**

19 A Yes, I do.

20 MR. SCHEF WRIGHT: Mr. Chairman, I request
21 that Mr. Herndon's testimony be entered into the
22 record as though read.

23 CHAIRMAN LA ROSA: So moved.

24 MR. SCHEF WRIGHT: Thank you.

25 (Whereupon, prefiled direct testimony of John

1 Thomas Herndon was inserted.)

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In re: Petition by for Rate Increase by)
 Florida Power & Light Company) DOCKET NO. 20250011-EI
) FILED: SEPTEMBER 19, 2025
 _____)

**The Citizens of the State of Florida,
Floridians Against Increased Rates, Inc.,
Florida Rising, Inc.,
The League of United Latin American
Citizens of Florida, and
The Environmental Confederation of
Southwest Florida**

**IN RE: PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY,
DOCKET NO. 20250011-EI**

DIRECT TESTIMONY OF JOHN THOMAS HERNDON

ON BEHALF OF

**THE CITIZENS OF THE STATE OF FLORIDA,
FLORIDIANS AGAINST INCREASED RATES, INC.,
FLORIDA RISING, INC.,
THE LEAGUE OF UNITED LATIN AMERICAN CITIZENS OF
FLORIDA, AND
THE ENVIRONMENTAL CONFEDERATION OF SOUTHWEST
FLORIDA**

INTRODUCTION

1

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

3 A. My name is John Thomas Herndon, and my address is 63 Rocky Ridge Road,
4 Highlands, North Carolina 28741.

5

6 **Q. By whom and in what position are you employed?**

7 A. In practical terms, I am self-employed as an independent contractor. After
8 more than thirty years of service to two Florida governors, the Florida
9 Legislature, the Public Service Commission, the Florida State Board of
10 Administration, and other agencies in Florida's state government, as well as
11 brief periods in consulting, I retired from full-time employment in 2005.
12 Since that time, I have worked as an independent contractor, including

1 service as a director and board member for several organizations and
2 occasionally as a consultant on various matters, including utility issues.

3

4 **Q. On whose behalf are you testifying in this proceeding?**

5 A. I am testifying on behalf of the Citizens of the State of Florida, represented
6 by their Office of Public Counsel (“Citizens” or “OPC”); Floridians Against
7 Increased Rates, Inc. (“FAIR”), a Florida not-for-profit corporation, and
8 FAIR’s members who are customers of Florida Power & Light Company
9 (“FPL”); Florida Rising, Inc.; the League of United Latin American Citizens
10 of Florida (“LULAC”); and the Environmental Confederation of Southwest
11 Florida (“ECOSWF”). Collectively, Florida Rising, LULAC, and ECOSWF
12 are referred to as “FEL.”

13

14 **Q. Please summarize your educational background and professional**
15 **experience.**

16 A. I received a Bachelor of Arts degree in Interdisciplinary Social Services from
17 the University of South Florida in 1968, and a Master of Social Work degree
18 from Florida State University in 1972. Beginning in 1974, I held several
19 positions of increasing responsibility in Florida state government, including
20 service in the Florida Legislature as staff director of the Florida House of
21 Representatives Appropriations Committee. After that I served six years as
22 state budget director and later Deputy Chief of Staff and Chief of Staff for

1 Governor Bob Graham. I then served as a Public Service Commissioner
2 from 1986 until 1990, after which Governor Bob Martinez nominated me to
3 serve as Director of the Florida Department of Revenue from 1990 to 1992.
4 Governor Lawton Chiles appointed me as his Chief of Staff for three years,
5 from 1992 until 1995. My career in Florida state government culminated with
6 my serving six years as Executive Director of the State Board of
7 Administration managing the state pension fund and other accounts. My
8 professional experience also included two relatively brief periods, 1995-
9 1996 and 2002-2005, in which I provided governmental consulting and
10 lobbying services to a range of clients. My résumé is provided as Exhibit
11 JTH-1 to my testimony.

12
13 **Q. Are you testifying as an expert in this proceeding? If so, please state the**
14 **area or areas of your expertise relevant to your testimony.**

15 A. Yes. From my perspective as a former member of the Florida Public Service
16 Commission, as the Executive Director of the Florida State Board of
17 Administration, as the Director of the Office of Planning and Budgeting in
18 the administration of Governor Bob Graham, and as the chief of staff for
19 Governor Bob Graham and Governor Lawton Chiles, I am testifying as an
20 expert regarding utility ratemaking, including appropriate rates of return on
21 common equity for investor-owned electric companies such as FPL;
22 regarding the principles applicable to setting fair, just, and reasonable rates

1 for electric utility customers; and regarding sound public policy, including
2 public interest considerations applicable to promoting electric utility service
3 and the Commission's role in setting utility rates.

4

5 **Q. Have you previously testified in proceedings before utility regulatory**
6 **commissions or similar authorities?**

7 A. Yes. I testified before the Florida Public Service Commission
8 ("Commission," "Florida PSC," or "PSC") in Docket No. 20080317-EI, a
9 previous general rate case before the PSC involving Tampa Electric
10 Company. I also testified in Docket No. 20210015-EI, the 2021 general rate
11 case for FPL. In my career, I also testified many times regarding financial,
12 investment, and policy issues before committees and subcommittees of the
13 Florida Legislature and before the Florida Governor and Cabinet.

14

15 **Q. Are you sponsoring any exhibits with your supplemental testimony?**

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

17 Exhibit JTH-1	Résumé of John Thomas Herndon;
18	
19 Exhibit JTH-2	Florida PSC document titled "REVENUE
20	REDUCTIONS AND INCREASES ORDERED
21	BY THE FLORIDA PUBLIC SERVICE
22	COMMISSION FOR CERTAIN INVESTOR-
23	OWNED ELECTRIC AND NATURAL GAS
24	UTILITIES, UTILITIES FROM 1960 TO
25	PRESENT (All Utilities from 1968 to Present);
26	
27 Exhibit JTH-3	Customer Majority Parties' Proposal;

1
2 Exhibit JTH-4 Reported Authorized Rates of Return on Equity,
3 Electric Utility Rate Cases Completed, 2023 to
4 Present (Exhibit LVP-2 to prefiled testimony of
5 Lisa V. Perry);
6
7 Exhibit JTH-5 FPL Actual ROEs Compared to Approved
8 Midpoint ROEs, 2022-2025; and
9
10 Exhibit JTH-6 Comparison of Major Elements of FPL Filing,
11 SIPs' Proposed Settlement, and CMPs' Proposal
12 Over 2026-2029.
13

14 **PURPOSE AND SUMMARY OF TESTIMONY**

15 **Q. What is the purpose of your direct testimony in this docket?**

16 A. My testimony provides my opinions regarding certain major elements and
17 issues that are “on the table” in this case as they will determine the ultimate
18 revenues to be obtained by FPL and the rates to be paid by FPL’s customers.
19 Specifically, my testimony provides my opinions regarding the revenue
20 requirements to be approved by the Commission, the rate of return on
21 common equity (“ROE”) to be approved by the Commission, and FPL’s
22 proposal to use a “Tax Adjustment Mechanism” (“TAM”) to enhance its
23 earnings.
24

25 **Q. What is your understanding of the procedural status of this case and the**
26 **various revenue and rate proposals that have been presented to the**
27 **Commission?**

1 A. This case was initiated by Florida Power & Light Company's ("FPL")
2 filing, on February 28, 2025, a petition for a base rate increase, including
3 testimony, required Minimum Filing Requirements ("MFRs"), and other
4 exhibits. As I understand the current procedural posture of the proceeding,
5 the Florida Public Service Commission ("Commission" or "PSC") now has
6 before it: (1) what can be referred to as FPL's "As-Filed Case," which
7 includes FPL's originally filed testimony and exhibits in support of its initial
8 requests for rate increases, intervenors' testimony and exhibits, and rebuttal
9 testimony relating to FPL's original proposals; (2) a settlement agreement
10 proposed by FPL and several intervenor parties that, if approved, would
11 provide for different revenue and rate increases than originally proposed by
12 FPL; and (3) a comprehensive proposal addressing the major revenue, rate,
13 accounting, and related issues in the case (essentially the same issues covered
14 in the proposal between FPL and the other intervenors) submitted by the
15 Citizens, FAIR, and FEL that generally provides for lower base revenues and
16 rates than those that would result from the settlement proposed by FPL and
17 the intervenor parties who have joined FPL's proposal.

18 For reference and clarity, I refer to the settlement proposed by FPL
19 and certain other intervenors as the "Special Interest Parties' Proposed
20 Settlement" or the "SIPs' Proposed Settlement." The parties to the SIPs'
21 Proposed Settlement are FPL; the Florida Industrial Power Users Group
22 ("FIPUG"); Florida Energy for Innovation Association, Inc.; EVgo Services,

1 LLC; Americans for Affordable Clean Energy, Inc.; Circle K Stores, Inc.;
2 RaceTrac Inc.; Wawa, Inc.; Electrify America, LLC; the Florida Retail
3 Federation; the Federal Executive Agencies; Walmart, Inc.; Armstrong
4 World Industries, Inc.; and the Southern Alliance for Clean Energy
5 (“SACE”). Other than FPL and SACE, it appears that all of the other SIPs
6 are either large commercial and industrial customers or potential customers
7 of FPL, or organizations (such as FIPUG and the FRF) that represent the
8 interests of large commercial and industrial customers.

9 For additional clarity, I refer to the Citizens, FEL, and FAIR as the
10 “Customer Majority Parties,” or the “CMPs,” because they are the only
11 parties that represent the real economic interests of FPL’s residential
12 customers, who account for approximately 89 percent of all of FPL’s
13 customer accounts (and for approximately 63 percent of FPL’s 2026 base
14 rate revenues and approximately 61 percent of FPL’s 2024 total revenues).
15 Although the CMPs originally submitted, on August 26, 2025, a joint motion
16 for approval of a joint settlement agreement to which they were the signatory
17 parties, since the Commission’s Prehearing Officer has issued an order that
18 would dismiss the CMPs’ motion, I will refer to the complete set of elements
19 and proposed terms that were included with the CMPs’ August 26 motion as
20 the “CMPs’ Proposal.” The CMPs’ Proposal is included in my Exhibit JTH-
21 3. I understand this to be consistent with the Prehearing Officer’s order,
22 which stated that the CMPs would be allowed to submit position statements

1 or similar documents in support of the proposed terms that they had proffered
2 in their August 26 joint motion.

3
4 **Q. Please summarize your opinions regarding the SIPs' Proposed**
5 **Settlement and the corresponding terms of the CMPs' Proposal.**

6 A. My testimony provides my opinions regarding certain major financial
7 elements of the base revenue and rate increases that are “on the table” in this
8 case. To summarize briefly, my testimony presents and explains my opinion
9 that the SIPs' Proposed Settlement is contrary to the public interest and that
10 it would result in revenues and earnings for FPL, and rates for FPL's
11 customers, that are unfair, unjust, and unreasonable. As to the specific issues
12 that my testimony addresses, the SIPs' Proposed Settlement would result in
13 FPL obtaining excessive revenues over the 2026-2029 period, would approve
14 an ROE that is excessive by recognized objective measures, and would allow
15 FPL to use its proposed Tax Adjustment Mechanism to achieve grossly
16 excessive earnings in the same way that FPL used – I would say “abused” –
17 the Reserve Surplus Adjustment Mechanism (“RSAM”) that was approved
18 over my objections in the settlement of FPL's 2021 rate case. (For reference,
19 that settlement was attached to the Commission's Order No. PSC-2021-
20 0446-S-EI, issued on December 2, 2021, in Docket No. PSC-20210015-EI.)

21 My testimony also presents and explains my opinions that the CMPs'
22 Proposal regarding revenue requirements, ROE, and the TAM, as part of the

1 complete set of elements and terms that would resolve all issues in this case,
2 will serve the public interest and will result in rates for FPL's customers that
3 are fair, just, and reasonable. My testimony does not address FPL's As-Filed
4 Case except as necessary in relation to the SIPs' Proposed Settlement and the
5 corresponding elements of the CMPs' Proposal. Suffice it to say that, while
6 the revenue requirements and resulting rates provided by the SIPs' Proposed
7 Settlement are less than those in FPL's As-Filed Case, the revenues, ROE,
8 rates, and the TAM provisions in the SIPs' Proposed Settlement are still
9 grossly excessive and contrary to the public interest, and that they would, if
10 approved, result in rates that are unfair, unjust, and unreasonable;
11 accordingly, I would have similar strong opinions regarding the revenue
12 increases originally proposed by FPL in its As-Filed Case.

13 The major elements that I address in my testimony are: FPL's overall
14 base revenues, including proposed revenue increases for 2026 and 2027; the
15 ROE that would be used to set and monitor FPL's revenues and earnings;
16 and FPL's proposal to use, within a "Rate Stabilization Mechanism"
17 ("RSM"), a TAM, similar to the RSAM approved (over my objections) in
18 the settlement of FPL's 2021 rate case. The reason that my testimony focuses
19 on these issues should be obvious. They are the *raison d'être* for this case,
20 and they ultimately account for the overwhelming majority of the rate
21 impacts that the Commission's decisions will have on FPL and its customers
22 who will have to pay the ultimately approved rates.

1

2 **Q. Given this somewhat complex background, please state briefly the major**
3 **conclusions and recommendations of your testimony.**

4 A. Briefly, the Commission should reject the SIPs' Proposed Settlement and
5 should ultimately approve revenues that will enable FPL to provide safe and
6 reliable service while earning a fair and reasonable ROE.

7 The Commission should reject the SIPs' Proposed Settlement because
8 it would enable FPL to charge its customers far more than FPL needs to
9 provide safe and reliable service, because the ROE proposed in the SIPs'
10 Proposed Settlement is excessive by objective standards, and because FPL's
11 proposed TAM would be contrary to public policy and would result in unjust,
12 unfair, and unreasonable rates being imposed on FPL's customers in two
13 ways. The first way is that, as FPL has proven by its use of the RSAM since
14 January 2022, FPL will almost certainly use the TAM to achieve earning far
15 in excess of the approved midpoint ROE, which is, by definition, the fair,
16 just, and reasonable return set by the Commission. The second way is that
17 the TAM would allow FPL to unjustly take money paid in by its customers
18 to cover future FPL tax obligations to enhance FPL's earnings and then
19 effectively force future FPL customers to pay back the money that FPL used.
20 Because the revenues would be excessive, FPL's resulting rates would be
21 unfair, unjust, and unreasonable, and requiring FPL's customers to pay those
22 rates would be contrary to the public interest.

1 The CMPs' Proposal, albeit overly generous to FPL, would provide
2 FPL with an ROE and revenue requirements over the next four years that are
3 reasonable in my opinion, and as I explain below, excluding the TAM will
4 protect FPL's customers from the abuses that resulted from the RSAM.

5
6 **BACKGROUND – REGULATORY PRINCIPLES**

7 **Q. From your perspective as a former Florida Public Service**
8 **Commissioner, what do you believe are the primary policies and**
9 **principles that should guide the PSC's decisions in this case?**

10 **A.** In general, the fundamental principles of setting a utility's allowed revenues
11 and rates are simple: the utility should be allowed to recover all of its
12 reasonable and prudent operating and maintenance ("O&M") costs, its
13 reasonable and prudent costs of borrowing debt capital (i.e., interest
14 expense), and a reasonable return on its reasonably and prudently incurred
15 investments necessary to provide safe and reliable service at the lowest
16 possible cost. In this context, "reasonable and prudent" costs must be
17 determined as those that are cost-effective as compared to available
18 alternatives, and this principle applies equally to the cost paid for a length of
19 power line, a power pole, the interest cost on a bond, the ROE rate required
20 in objective and competitive capital markets to attract equity capital, and the
21 amount of equity capital that the utility objectively needs in order to support
22 its investments.

1 These fundamental principles are frequently referred to as a set of
2 policies and principles known as the “Regulatory Compact.” The “bargain”
3 contained within this Regulatory Compact is that the utility enjoys a
4 government-protected monopoly in its service area, in return for which it is
5 allowed to recover its necessary costs incurred in providing safe and reliable
6 service to its captive customers. This bargain is fair to utilities because it
7 ensures that, assuming reasonable and sound management, the utility will
8 recover its legitimate costs and earn a fair and reasonable return, and it is fair
9 to customers because, properly followed, it will ensure that customers
10 receive safe and reliable utility services, like electricity, which is generally
11 regarded as a necessity, at the lowest possible cost. In this context, cost-
12 effective means at the lowest cost available from functionally equivalent
13 alternatives; if the utility overpays or attempts to charge rates based on such
14 over-payments, the bargain is violated.

15
16 **Q. How does this relate to utility rates?**

17 A. The utility’s rates must be fair, just, and reasonable (and not unduly
18 discriminatory). Fair, just, and reasonable rates are those that allow the
19 utility to recover its reasonable, legitimate costs incurred through cost-
20 effective management and to recover a reasonable and cost-effective return
21 on its investments, also evaluated on the basis of cost-effective financing and
22 management. Rates that include expenses for materials or labor that could

1 have been procured at lower cost, and rates that include excessive returns,
2 are unfair, unjust, and unreasonable.

3

4 **THE PSC SHOULD REJECT THE SIPs' PROPOSED SETTLEMENT**

5 **Q. Please summarize your opinions as to why the PSC should reject the**
6 **SIPs' Proposed Settlement.**

7 A. The Commission should reject the SIPs' Proposed Settlement because it
8 would, if approved, give FPL revenues significantly in excess of what FPL
9 needs to provide safe and reliable service, because it would set FPL's rates
10 using an ROE that is excessive by established, recognized standards
11 applicable to utility rate-setting, and because the TAM would enable FPL to
12 overcharge its customers by earning excessive returns above the fair and
13 reasonable ROE and by unjustly using money paid in by its customers to
14 cover FPL's tax expenses to increase FPL's earnings. All of these facts
15 render the SIPs' Proposed Settlement contrary to the public interest, and all
16 of these factors, both individually and together, will render FPL's rates
17 unfair, unjust, and unreasonable.

18

19 **Q. Why do you believe that the revenues that FPL would receive under the**
20 **SIPs' Proposed Settlement would be excessive?**

21 A. The revenue increases proposed in the SIPs' Proposed Settlement are \$945
22 million per year to be effective in January 2026, an additional \$705 million

1 per year to be effective in January 2027, plus Solar and Battery Base Rate
2 Adjustment (“SoBRA”) increases of approximately \$296 million per year in
3 2028 and an additional \$266 million per year in 2029. Altogether, these
4 increases would give FPL additional base rate revenues of approximately
5 \$6.903 billion over the period from 2026 through 2029.

6 The revenues that FPL would receive pursuant to the SIPs’ Proposed
7 Settlement in 2026 alone would be more than \$1.5 billion greater than the
8 revenues recommended by the Citizens’ team of seven expert witnesses:
9 where the Citizens’ witnesses recommended an overall rate reduction of
10 \$620 million per year in 2026, the SIPs’ Proposed Settlement would give
11 FPL a \$945 million per year increase, a difference of \$1.565 billion per year
12 in 2026. The total increases that FPL would realize, even without the TAM,
13 are approximately \$6.903 billion over the 2026-2029 period. These increases
14 would be significantly greater than the total increases approved in the 2021
15 settlement, which were, at the time, estimated to be about \$4.9 billion over
16 four years.

17 The sheer magnitude of the proposed increases should give the
18 Commission pause, but in light of the expert testimony of the Citizens’
19 witnesses (and the testimony of other parties who initially opposed FPL’s
20 rate requests), it should lead the Commission to reject the SIPs’ Proposed
21 Settlement.
22

- 1 **Q. What impact does the ROE in the SIPs’ Proposed Settlement have on**
2 **FPL’s revenues? How does that relate to whether the revenue increases**
3 **in the SIPs’ Proposed Settlement are reasonable?**
- 4 A. The midpoint ROE provided by the SIPs’ Proposed Settlement, even though
5 reduced from FPL’s original request (of 11.90 percent), is still – at 10.95
6 percent – excessive by objective standards and would therefore result in
7 excessive revenues for FPL and excessive – unfair, unjust, and unreasonable
8 – rates being charged to FPL’s customer. Specifically, it is 45 basis points
9 greater than any ROE approved, whether in a settlement or a litigated
10 outcome, by any public utility commission or public service commission in
11 the United States over the past two years. It is also 45 basis points greater
12 than the highest ROEs approved in the southeastern U.S. in recent years.
13 This excessive ROE alone would result in excess revenues of approximately
14 \$225 million per year starting in 2026 when compared to the highest ROE
15 approved anywhere else in the U.S., and probably more (due to sales growth)
16 than \$900 million over the life of the SIPs’ Proposed Settlement. When
17 compared to the national average ROEs for vertically integrated utilities like
18 FPL, about 9.83 percent in 2024 and 2025, the excess is much greater,
19 approximately \$560 million per year or more than \$2 billion over the 2026-
20 2029 period.
21

1 **Q. On what evidence do you base your assertion that a midpoint ROE of**
2 **10.95 percent is excessive by recognized objective standards?**

3 A. The recognized standard for fair and reasonable ROEs to be established by
4 utility regulatory authorities such as the Commission is that the allowed ROE
5 should be equal to the returns generally being earned at the same time and in
6 the same general part of the country on comparable investments. This is the
7 widely recognized and followed standard set forth by the U.S. Supreme Court
8 in its landmark opinion in *Bluefield Waterworks & Improvement Co. v.*
9 *Public Service Commission of West Virginia.*

10 Currently, the average ROE for vertically integrated utilities like FPL
11 in the United States is about 9.80 percent. The ROE in the SIPs' Proposed
12 Settlement exceeds that objective national value by more than 100 basis
13 points. The ROEs approved in 2024 and 2025 for other vertically integrated
14 electric utilities in the southeastern U.S. range from 9.70 percent for Virginia
15 Electric & Power Co. in Virginia to 10.50 percent for Georgia Power Co. in
16 Georgia and Tampa Electric Co. in Florida. (Please refer to my Exhibit JTH-
17 4, which is Exhibit LVP-2 that was filed with the direct testimony of
18 Walmart's witness Lisa V. Perry.) The SIPs not only want the Commission
19 to approve an ROE that is more than 100 basis points above the national
20 average, they want the Commission to approve an ROE that is 45 basis points
21 greater than the highest ROE approved anywhere in the U.S. in the past two
22 years. This ROE is objectively excessive and greater than necessary for FPL

1 to earn a reasonable return while providing safe and reliable service.
2 Allowing such an excessive ROE would be contrary to the best interests of
3 the 12 million Floridians who receive their residential electric service from
4 FPL and contrary to the public of the state and the Florida economy as a
5 whole because it would result in a massive transfer of wealth from FPL's
6 customers to FPL's sole shareholder, NextEra Energy, Inc.

7 The Commission should reject the SIPs' Proposed Settlement.
8

9 **Q. Please discuss the significance of the midpoint ROE as it relates to FPL's**
10 **earnings, the provisions of the SIPs' Proposed Settlement, and your**
11 **opinions regarding that Proposed Settlement.**

12 A. To understand the impact and significance of the impact of the SIPs'
13 Proposed Settlement on FPL's ability to over-earn and overcharge its
14 customers, it is critical to understand that the midpoint ROE is, by definition,
15 the fair and reasonable ROE as determined by the Commission. When it sets
16 rates, the Commission, like any other regulatory authority, establishes an
17 ROE as the reasonable return that the utility should be allowed the
18 opportunity to earn on its equity investment. While the Commission
19 normally approves a range of plus or minus 100 basis points above and below
20 the established midpoint, the PSC has recognized that the midpoint ROE is
21 itself the rate that provides a utility with "the opportunity to earn a fair and
22 reasonable return for the provision of regulated service." *In re: Petition for*

1 *Increase in Rates by Florida Power & Light Company*, Order No. PSC-2010-
2 0153-FOF-EI, Docket No. 20080677-EI, at 132.

3 In the settlement of FPL's 2021 rate case, the Commission initially
4 approved an ROE of 10.60 percent, but that value was increased later in 2022
5 to 10.80 percent pursuant to a so-called "trigger" mechanism also approved
6 in the 2021 settlement.

7

8 **Q. With this understanding, what, if any, impact would approving this**
9 **ROE have on FPL's earnings and customers' rates?**

10 A. First, as I discussed above, the 10.95 percent ROE is excessive by recognized
11 regulatory rate-setting standards, and by itself would cause FPL's customers
12 to overpay by \$900 million or more over the 2026-2029 period covered by
13 the SIPs' Proposed Settlement.

14 My greater concern, which is the same concern upon which I and at
15 least one other witness opposed the RSAM in the 2021 rate case settlement,
16 is that by approving any given midpoint in combination with the TAM, the
17 Commission would effectively be giving FPL a license to over-earn and
18 overcharge its customers by up to 100 basis points. To be clear, if the
19 Commission authorizes an ROE of 10.95 percent and allows FPL to use the
20 RSM including the deferred tax liabilities that were part of FPL's originally
21 proposed TAM, the Commission will be giving FPL an effective license to

1 overcharge its customers by \$500 million per year, and probably more than
2 that when considering FPL's likely sales growth.

3 Significantly, considering the RSM that includes the TAM deferred
4 tax liabilities (the "RSM/TAM") that is part of the SIPs' Proposed
5 Settlement, it is clear that FPL intends to use the RSM/TAM to achieve
6 excessive earnings greater than – probably far greater than – just the proposed
7 midpoint ROE of 10.95 percent. In his testimony in this case, Timothy
8 Devlin, who served as the Commission's Executive Director, Director of
9 Auditing and Financial Analysis, and Director of Economic Regulation in his
10 35 years of service to the Commission, states that FPL used the RSAM from
11 the 2021 settlement to achieve approximately \$1.46 billion in increased
12 earnings, and that FPL achieved earnings approximately \$1.54 billion above
13 the approved midpoint ROE from January 2022 through the time Mr.
14 Devlin's testimony in this case was filed. This demonstrates that FPL did
15 not need the RSAM to earn the fair and reasonable midpoint ROEs approved
16 by the Commission in the 2021 settlement.

17 The deposition testimony of FPL's President, Armando Pimentel, and
18 its Vice President of Finance, Mr. Scott Bores, leaves no doubt that FPL
19 intends to use the RSM/TAM in the same way that FPL has used the RSAM
20 since January 2022. As an initial observation, in his deposition on July 18,
21 2025, Mr. Pimentel stated, "TAM, to me, is the same as RSAM." (Deposition
22 of Armando Pimentel at 24.) The deposition testimony of Mr. Bores further

1 confirms that FPL intends to use the RSM/TAM in the same way under the
2 SIPs' Proposed Settlement. In his deposition on September 5, 2025, Mr.
3 Bores testified that the TAM was originally proposed to reach the midpoint
4 ROE in 2028 and 2029. He went on to recognize that the ~~Reserve Surplus~~ **Rate Stabilization**
5 Mechanism ("RSM") that includes deferred tax liabilities originally tagged
6 to the TAM is a non-cash mechanism, and that FPL is able to make non-cash
7 accounting entries to the RSM associated with the deferred tax liabilities and
8 depreciation reserve surplus "because FPL has already collected cash from
9 customers regarding those two items." He further agreed that if FPL's uses
10 of the RSM "were limited to the ROE midpoint," FPL would "still be able to
11 address unexpected expenses and revenue impacts without seeking a rate
12 increase," but immediately qualified his statement by saying that that is "not
13 the construct" that FPL "agreed to as part of the settlement agreement with
14 the RSM." He further agreed that if the use of the RSM were limited to the
15 ROE midpoint, that would "provide FPL's customers long-term bill and
16 economic stability," but again qualified his response to the effect that that is
17 not what FPL is proposing with respect to the RSM. Mr. Bores further agreed
18 that if "the RSM were limited to the midpoint ROE," the RSM would "still
19 provide significant benefits to customers through lower rates." He further
20 agreed that "if the RSM were limited to the midpoint ROE and FPL were to
21 earn at the midpoint through 2030," FPL would be "able to address both the
22 additional revenue needed in 2028 and 2029, as well as any factors beyond

1 the company's control," but then again stated that such use of the RSM "is
2 not the design or ultimately what was agreed to" in the "settlement" with the
3 SIPs. He further agreed that if FPL's use of the RSM were limited to the
4 ROE midpoint, it would "eliminate the necessity for costly and procedurally
5 intensive rate base proceedings during the term" (of the SIPs' Settlement
6 Proposal) and that such limitation would also provide "the same
7 administrative efficiency benefits," but quickly added his "same prior
8 caveat." Finally, when asked if FPL could commit to a four-year settlement
9 agreement if the RSM were limited to the midpoint ROE, he stated that "that
10 is not our proposition," and that FPL is asking "for the flexibility under the
11 RSM, just like" FPL has had under prior agreements." Deposition of Scott
12 Bores at pages 183-88.

13 From the foregoing, two things are clear: First, FPL does not need the
14 ability to use the RSM and the components thereof, including the TAM's
15 deferred tax liabilities as proposed in the SIPs' Proposed Settlement, in order
16 to earn a reasonable return and to realize all the benefits its claims the
17 RSM/TAM would provide. And second, FPL intends to use the RSM/TAM
18 to maximize its earnings up to and including achieving ROEs at or near the
19 top of its range. Allowing this to occur would be contrary to the public
20 interest.

21

1 **Q. What would be the likely impacts on FPL’s customers if FPL were**
2 **allowed to use the RSM/TAM as it proposes?**

3 A. Given that currently, 100 basis points of ROE translates to about \$500
4 million per year of revenue requirements for FPL, this would give FPL the
5 opportunity to earn up to \$2 billion in excessive earnings over the term of the
6 SIPs’ Proposed Settlement as compared to the defined fair and reasonable
7 midpoint ROE. Significantly in this context, the Florida Supreme Court has
8 recognized that “if a public utility is consistently earning a rate of return at
9 or near the ceiling of its authorized rate of return range, the commission may
10 find that its rates are unjust and unreasonable” *Gulf Power Co. v. Wilson*,
11 597 So. 2d 270, 274 (Fla. 1992) (quoting *United Telephone Co. v. Mann*, 403
12 So. 2d 962, 966 (Fla. 1981)).

13 Separately, my Exhibit JTH-5 shows that, according to FPL’s
14 earnings surveillance reports submitted to the PSC, FPL achieved ROEs that
15 averaged close to 100 basis points above the PSC-approved midpoint ROEs
16 from January 2022, which is when the 2021 settlement with its RSAM
17 became effective, through July 2025. This is clear and convincing evidence
18 that FPL used the RSAM to earn far more than the midpoint ROE approved
19 by the Commission.

20 It was contrary to the public interest for the PSC to allow FPL to use
21 the RSAM in this way in the 2021 settlement, and FPL has proven that the
22 concerns expressed by myself and Mr. Devlin were well-founded. In my

1 opinion, the Commission should have intervened since 2022 to prevent FPL
2 from using the RSAM in this way, particularly since its use depleted its
3 depreciation reserve that would otherwise have been available to reduce
4 FPL's rate base and thus customers' rates now and in the future.

5 In the same way, it would be contrary to the public interest to allow
6 FPL to use the RSM/TAM to earn above the midpoint ROE, at whatever level
7 the Commission sets that midpoint ROE.

8

9 **Q. In your previous answer, you explained why the RSM/TAM is contrary**
10 **to the public interest based on FPL's ability to use the RSM/TAM to**
11 **achieve excessive earnings. Are there additional reasons that the**
12 **Commission should reject the RSM/TAM?**

13 A. Yes. The RSM/TAM would allow FPL to unjustly take cash already paid in
14 by its customers to cover future FPL tax obligations (and excess depreciation
15 payments made by FPL's customers to the extent that RSAM funds become
16 part of the RSM) to enhance FPL's earnings and then effectively force future
17 FPL customers to pay back the customers' money that FPL used. Because
18 the revenues would be excessive, FPL's resulting rates would be "unjust and
19 unreasonable," and requiring FPL's customers to pay those rates would be
20 contrary to the public interest.

21

22

THE FINANCIAL TERMS OF THE CMPs' PROPOSAL ARE
IN THE PUBLIC INTEREST AND WOULD RESULT
IN FAIR, JUST AND REASONABLE RATES.

Q, Please summarize the terms of the CMPs' Proposal for annual and total revenues that FPL would be allowed to obtain, midpoint ROE, and the TAM.

A. The CMPs' Proposal would provide FPL with a base revenue increase of \$867 million per year in 2026, an additional base revenue increase of \$403 million in 2027, and the opportunity for FPL to obtain, subject to demonstrating cost-effectiveness or reliability need, Generation Base Rate Adjustment ("GBRA") increases to recover the revenue requirements, calculated using a 10.60 percent midpoint ROE, of its originally proposed solar and battery resources, plus the revenue requirements for the Vandolah Generating Facility that FPL is in the process of acquiring. The proposed GBRA increases are approximately \$195 million per year in 2028 and \$174 million per year in 2029. Together, these increases provide FPL with the opportunity to realize approximately \$5.241 billion in additional base rate revenues over the 2026-2029 period. These proposed increases in FPL's allowed revenue requirements, proposed midpoint ROE, proposed exclusion of the TAM, and related provisions are presented in comparison format in my Exhibit JTH-6.

The CMPs propose that FPL's rates be set using a midpoint ROE of 10.60 percent, which is 35 basis points less than proposed in the SIPs'

1 Proposed Settlement but still higher than any ROE approved by any utility
2 regulatory commission in the United States in 2024 or 2025, and nearly 80
3 basis points greater than the national averages for 2024 and 2025.

4 The terms proposed by the CMPs are, considered relative to the terms
5 in the SIPs' Proposed Settlement and in the specific context of resolving this
6 case with a reasonable balancing of the competing interests of all parties to
7 the docket, reasonable, and if approved, they would promote the public
8 interest. Additionally, the major financial terms of the CMPs' Proposal
9 would provide FPL with sufficient revenues to satisfy its duty to provide safe
10 and reliable service and would result in fair, just and reasonable rates to be
11 paid by FPL's customers. It is more than fair to say that the major financial
12 elements of the CMPs' Proposal are generous to FPL while providing for
13 rates that are significantly more favorable to FPL's customers than those in
14 the SIPs' Proposed Settlement.

15
16 **Q. As context to understanding why you believe that the CMPs' Proposal**
17 **include financial terms that are fair to both FPL and FPL's customers,**
18 **please summarize the positions advocated by the CMPs in the testimony**
19 **that they have filed in the case.**

20 **A.** In summary, the CMPs filed testimony and exhibits by eight witnesses
21 regarding these substantive financial and economic issues in this case.
22 Collectively and in summary, the CMPs' testimony and exhibits advocated

1 for an ROE between 9.2 percent and 9.8 percent, with an equity ratio of 59.6
2 percent associated with the 9.2 percent ROE but a lower equity ratio of 55
3 percent associated with a higher ROE. The CMPs' testimony and exhibits
4 support a rate decrease in 2026 of \$620 million per year, to be followed by a
5 rate increase of \$35 million per year in 2027. The CMPs recommended that
6 the 2028 and 2029 SoBRA increases be rejected and they also recommended
7 that FPL's proposed TAM be rejected.

8 In summary, the CMPs Proposal represents dramatic compromises in
9 favor of FPL as compared to the SIPs' Proposed Settlement.
10

11 **Q. Please summarize why you believe that the CMPs' Proposal regarding**
12 **the critical financial elements of the case are in the public interest.**

13 A. To understand why the financial elements of the CMPs' Proposal are fair to
14 both FPL and to FPL's customers, and why the CMPs' Proposal is in the
15 public interest, as well as fair to FPL and FPL's customers, the Commission
16 should recognize the significant difference between the positions supported
17 by the CMPs' testimony and exhibits and the compromises now proposed by
18 the CMPs. In short, the increases proposed by the SIPs' Proposed Settlement
19 are excessive; they would, if approved, represent the largest rate increases in
20 Florida history. If granted, FPL's requests would result in unfair, unjust, and
21 unreasonable rates being charged to FPL's customers; and, if granted, they
22 would be contrary to the public interest of Florida and Floridians by causing

1 an unreasonable transfer of wealth from the pockets of FPL's customers to
2 FPL and its sole shareholder, NextEra Energy, Inc.

3 The CMPs Proposal offers a package of compromises that would
4 provide FPL with the opportunity to realize more than \$5.2 billion in
5 additional base revenues over the 2026-2029 period, as compared to
6 approximately \$6.9 billion over that period from the SIPs' Proposed
7 Settlement. The CMPs' proposed revenue increases involve minimal
8 adjustments to FPL's operation and maintenance expenditures or to FPL's
9 actual planned rate base additions. The CMPs' Proposal would set FPL's
10 rates, again as a compromise, using an ROE of 10.60 percent, which is higher
11 than any ROE approved anywhere in the United States in 2024 or 2025.

12 The compromises offered by the CMPs will enable FPL to provide
13 safe and reliable service while earning the highest ROE in the U.S. The
14 CMPs' compromises are in the public interest as a settlement to resolve this
15 contested case with a reasonable balancing of all parties' competing interests.
16

17 **Q. Why do you believe that the CMPs' proposed 10.60 percent ROE is**
18 **reasonable and appropriate for setting FPL's rates?**

19 A. The CMPs' proposed 10.60 percent ROE is reasonable and appropriate as a
20 substantial term for resolving, by a settlement involving compromises by
21 both sides, all issues in this rate case. As I noted above, the proposed ROE
22 of 10.60 percent is generous to FPL when measured against objective

1 standards. Specifically, this proposed ROE is greater than the highest ROE
2 authorized or approved by any public utility regulatory authority in the
3 United States in 2024 or 2025. Additionally, relative to the standard that
4 returns are to be comparable to those realized in the same general part of the
5 country, the 10.60 percent ROE is greater than the highest ROEs approved
6 for any utility in the southeastern U.S. since the beginning of 2023. (Please
7 refer to my Exhibit JTH-4.)

8 Therefore, the CMPs' proposal to allow FPL to set its rates based on
9 the highest ROE in the U.S. is obviously generous to FPL. Any objection to
10 this ROE can only be characterized as unfounded compared to the criteria
11 applicable to utility rate-setting.

12

13 **Q. Other witnesses in this case, including those testifying on behalf of the**
14 **Citizens of the State of Florida and the Federal Executive Agencies, have**
15 **recommended ROEs significantly less than 10.60 percent. In light of**
16 **this, why would the CMPs support the highest ROE in the U.S.?**

17 **A.** As I have observed above, this is a generous compromise offer in the CMPs'
18 attempts to settle the case on terms that should be acceptable to FPL while
19 significantly better for FPL's customers as compared to the rates and
20 revenues proposed by the SIPs, including FPL.

21

1 **Q. What equity ratio does the CMPs' Proposal support for setting FPL's**
2 **base revenue requirements and base rates?**

3 A. The CMPs Proposal supports, as part of the compromises embodied in the
4 CMPs' Proposal, an equity ratio of 59.6 percent be used to establish FPL's
5 base revenues and base rates.

6
7 **Q. Why do you believe that the proposed 59.6 percent equity ratio is**
8 **reasonable and appropriate for setting FPL's rates?**

9 A. As with the CMPs' proposed ROE of 10.60 percent, the proposed 59.6
10 percent equity ratio is reasonable as a substantial term for resolving all issues
11 in this rate case. If anything, this equity ratio is generous to FPL in that the
12 59.6 percent value is substantially higher than comparable values for almost
13 all comparable utilities in the U.S. This is particularly true and significant in
14 light of the CMPs' specific proposal to allow FPL to set its rates using an
15 ROE that is higher than any public utility regulatory authority has approved
16 for any utility in the past two years.

17

18 **THE PUBLIC INTEREST AND OVERALL FAIRNESS**
19 **OF THE CMPs' PROPOSAL**

20

21 **Q. In your opinion, would implementing the terms proposed by the CMPs**
22 **be in the public interest?**

1 A. Yes. As I stated above, considered as a compromise resolution of this highly
2 contested rate case, I believe that the CMPs' Proposal is in the public interest.
3 The CMPs' Proposal would resolve all issues and would result in rates that,
4 considered as a set of compromises, are fair, just, and reasonable to FPL's
5 customers and that would provide FPL with sufficient revenues to fulfill its
6 duty of providing safe and reliable service.

7 It is also my opinion that, considered in the context of compromises
8 offered to settle this case, the CMPs' Proposal is fair to FPL and its
9 customers, that it will result in fair, just, and reasonable rates, and that,
10 considered as a whole, it is in the public interest. Objectively, the CMPs'
11 Proposal will provide FPL with the opportunity to get more additional base
12 revenues – approximately \$5.2 Billion over four years – than the base
13 revenue increases authorized by the settlement of FPL's 2021 rate case,
14 which were approximately \$4.9 Billion.

15
16 **Q. Please explain your intended meaning of the term “the public interest”**
17 **as you use it in your testimony.**

18 A. I believe that the “public interest” means the public welfare generally, and
19 this includes considerations of the overall health of the Florida economy
20 and the welfare of all Florida citizens. With respect to a specific utility
21 such as FPL, this means at least the welfare of all of the people served and
22 directly affected by the utility's service. This includes considerations of the

1 economic impacts of a utility's rates and rate increase requests on
2 individuals, households, and businesses. To be completely clear, I am not
3 advocating in any way that any customer classes should be subsidized by a
4 utility's other customers or by the utility's shareholders, but I am saying
5 that the PSC must consider the overall impacts on the Florida economy and
6 on all customers in making its decisions on rate increases, whether pursuant
7 to a rate increase petition or pursuant to a settlement agreement.

8 In short, I believe that the Commission must consider the impacts
9 that the SIPs' Proposed Settlement would impose on all Floridians through
10 the massive transfer of spending power and wealth from FPL's customers
11 to FPL and its sole shareholder, NextEra Energy.

12
13 **Q. You have stated that the rate increases proposed in the SIPs' Proposed**
14 **Settlement would be greater than any electric utility rate increases**
15 **approved by the PSC in Florida history. Upon what do you base this**
16 **statement?**

17 **A.** I base this statement on data presented in the Public Service Commission's
18 report titled, "REVENUE REDUCTIONS AND INCREASES ORDERED
19 BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
20 INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES,
21 UTILITIES FROM 1960 TO PRESENT (All Utilities from 1968 to
22 Present)," which is included as Exhibit No. JTH-2 to my testimony. This

1 document shows the amounts requested and amounts approved for
2 Florida's investor-owned electric utilities from 1960 to the present. This
3 Commission document shows that the largest base rate increases previously
4 approved by the PSC were those approved in the settlement of FPL's 2021
5 rate case. The actual base rate increases approved in that case were \$692
6 million per year in 2022, \$560 million per year in 2023, plus solar base rate
7 increases in 2024 and 2025. These are obviously less than the increases in
8 the SIPs' Proposed Settlement.

9
10 **Q. How do the total base rate revenues that would result from the CMPs'**
11 **Proposal compare to previous revenue increases that the Commission**
12 **has approved for FPL?**

13 A. Considered over four years, they are in fact greater than even the increases
14 approved in the 2021 settlement, approximately \$5.2 Billion available
15 through the CMPs' Proposal as compared to approximately \$4.9 Billion,
16 including the solar increases, through the 2021 settlement.

17
18 **FPL'S PROPOSED "RATE STABILIZATION MECHANISM"**

19 **Q. What is the "Rate Stabilization Mechanism," or "RSM" in the SIPs'**
20 **Proposed Settlement?**

21 A. The Rate Stabilization Mechanism in the RSM contained in the SIPs'
22 Proposed Settlement is a means by which FPL would, by use of certain

1 accounting entries, take money paid in by FPL's customers to cover future
2 tax liabilities (currently held in an account or accounts as deferred tax
3 liabilities) and excess depreciation payments and use those funds to
4 enhance FPL's earnings, with customers then effectively being required to
5 pay the money back over subsequent years as the accounting entry for the
6 monies used by FPL would be amortized.

7 Under the SIPs' Proposed Settlement, the amount of deferred tax
8 liabilities paid for by FPL's customers that FPL would be allowed to thus
9 appropriate is \$1.155 billion. FPL has acknowledged that this TAM is
10 essentially the same as the Reserve Surplus Amortization Mechanism
11 ("RSAM") that FPL has been allowed to use pursuant to the settlement of
12 its 2021 rate case.

13
14 **Q. Does the CMPs' Proposal include the RSM/TAM as proposed by FPL?**
15 **If not, why not?**

16 A. The CMPs' Proposal does not include FPL's proposed RSM/TAM for
17 several reasons. In the first instance, the RSM/TAM would use customers'
18 money to support FPL's earnings and then require future customers to pay
19 that money back. In other words, FPL proposes to use customers' money
20 now to support its earnings over the next four years and then to force future
21 FPL customers to pay the money back into FPL's accounts. This is unfair
22 and unjust on its face because it would, if approved, require FPL's

1 customers to pay for FPL's earnings. Additionally, it violates the principle
2 of "intergenerational equity" by forcing future customers to pay, in the
3 future, for FPL's earnings over the 2026-2029 period. The RSM/TAM also
4 violates the related "matching principle," which requires that customers
5 should pay for costs during the time frame when they are incurred. The
6 TAM violates this principle most egregiously, in that FPL's current and
7 recent customers have already paid for the future tax liabilities, such that
8 FPL's proposal will even further distort the principle that customers should
9 pay for costs as they are incurred.

10 Further, it appears virtually certain that FPL intends to use the
11 RSM/TAM in the same way that it has used the nearly identical RSAM - to
12 achieve earnings significantly above the midpoint ROE approved by the
13 Commission, whatever that midpoint ROE ultimately is. The midpoint
14 ROE is, by definition, the fair and reasonable ROE upon which a utility's
15 rates are to be set; FPL has used the RSAM to achieve earnings that are
16 nearly 100 basis points – that is, nearly one full percentage point – above
17 the midpoint ROE approved by the Commission the 2021 settlement. My
18 Exhibit JTH-5 shows that FPL's achieved ROEs exceeded its approved
19 ROE values by an average of 94 basis points, as reported on FPL's
20 Earnings Surveillance Reports, for the period from January 2022 through
21 July 2025. In addition, FPL's Vice President of Finance testified in a
22 recent deposition that the benefits of the RSM/TAM could be realized if its

1 use were to be capped at a midpoint ROE of 10.8 percent, but further stated
2 that that is not what FPL has proposed. It thus appears that FPL intends to
3 use the RSM/TAM exactly as it has used the RSAM to achieve returns that
4 violate the basic standards of fair, just, and reasonable rate-setting.

6 SUMMARY AND RECOMMENDATIONS

7 **Q. Please summarize your opinions regarding the SIPs' Proposed**
8 **Settlement and the CMPs' Proposal.**

9 A. My testimony principally addresses the main financial issues in this case,
10 i.e., revenue requirements including SoBRA and related base rate increases;
11 ROE; equity ratio; and FPL's proposed RSM and the TAM embedded in
12 the RSM. These elements account for the vast majority of the total revenue
13 and rate impacts on FPL's customers.

14 The SIPs' Proposed Settlement would allow FPL to overcharge its
15 customers and to achieve grossly excessive earnings. Accordingly, the
16 SIPs' Proposed Settlement is contrary to the public interest and would
17 result in FPL's customers paying unfair, unjust, and unreasonable rates.

18 Considered in the context of this case, it is my opinion that the key
19 financial elements of the CMPs' Proposal are part of a reasonable package
20 of compromises that reasonably balance the competing interests of FPL and
21 its customers, and that these compromises are in the public interest. If
22 anything, the revenue increases and ROE provided by the CMPs' Proposal

1 are overly generous to FPL, in that they would provide FPL with the
2 highest ROE approved by any regulatory authority in the U.S. in 2024 or
3 2025 and provide FPL with the opportunity to realize more in base revenue
4 increases over the next four years than even the 2021 settlement allowed.
5 Even so, the CMPs' Proposal is fair to FPL's customers when considered in
6 the balancing of interests that is required in any compromise.

7

8 **Q. Does this conclude your direct testimony regarding the Customer**
9 **Majority Parties' Proposal for submitted on August 26, 2025?**

10 A. Yes, it does.

1 BY MR. SCHEF WRIGHT:

2 Q Mr. Herndon, did you also identify, assemble
3 and cause to be filed with your September 19th testimony
4 six exhibits that were identified in your testimony as
5 exhibits JTH-1 through JTH-6?

6 A Yes, I did.

7 MR. SCHEF WRIGHT: Mr. Chairman, I note for
8 the record that Mr. Herndon's exhibits have been
9 identified as Exhibits Nos. 1304 through 1309 in
10 the Comprehensive Exhibit List.

11 CHAIRMAN LA ROSA: Okay.

12 BY MR. SCHEF WRIGHT:

13 Q Mr. Herndon, have you prepared a summary of
14 your testimony for the Commissioners?

15 A Yes, I have.

16 Q And will you please deliver it?

17 A Yes. Thank you.

18 Thank you, Mr. Chairman and members of the
19 Commission. It's a pleasure to be back with you again.

20 Good morning. Thank you for this opportunity
21 to testify on an important case. And I want to take the
22 opportunity, if you don't mind to pass along my thanks
23 to the Commission and the staff and the parties for
24 accommodating my need to testify today.

25 I am testifying on behalf of the five parties

1 to this proceeding who represent the interests of FPL's
2 residential customers, the citizens of the state of
3 Florida represented by their Office of Public Counsel,
4 FAIR, Florida Rising, Inc., the League of United Latin
5 American Citizens of Florida, Inc., LULAC, and the
6 Environmental Confederation of Southwest Florida,
7 ECOSWF. I refer to these parties as the customer
8 majority parties, or the CMPs, because they are the only
9 parties in this case who represent the real economic
10 interest of FPL's residential customers, who account for
11 approximately 89 percent of the FPL customer accounts,
12 and for approximately 63 percent of FPL's 2026 base rate
13 revenues.

14 A high level summary of my testimony is this:
15 As a former member of this commission, as a former
16 Executive Director of the State Board of Administration,
17 which manages the State's pension fund, and as a former
18 Chief of Staff to two governors of our great state, it
19 is my opinion that the settlement entered into by FPL
20 and the 10 other parties, almost all of whom are --
21 either represent or are large commercial and industrial
22 customers, is contrary to the public interest, and would
23 result in rates that are unfair, unjust and
24 unreasonable.

25 While the alternative settlement proposal

1 offered by the customer majority parties is, in my view,
2 very generous to FPL. I believe that considered as a
3 compromised resolution of this highly contested rate
4 case, the CMP's proposal is in the public interest. The
5 CMP's proposal would resolve all issues, and would
6 result in rates that are considered as a comprehensive
7 package of compromises are fair, just and reasonable to
8 FPL customers, and would provide FPL with sufficient
9 revenues to fulfill its duty of providing safe and
10 reliable service.

11 Regarding some of the specific details of my
12 testimony, I address why I believe that the special
13 interest parties settlement is contrary to the public
14 interest, and why the CMP's proposal would serve the
15 public interest. I particularly focus on the two
16 proposals with respect to their respective ROEs and the
17 total revenue requirements and the rates stabilization
18 mechanism in the special interest parties settlement.

19 With respect to ROE, the Commission must
20 recognize that the highest ROE approved by any public
21 service commission in the United States in the past two
22 years is 10.5 percent for Tampa Electric and for Georgia
23 Power. FPL's original request of 11.9 percent was
24 simply unconscionable and beyond the pale of
25 reasonableness. The 10.5 percent in the SIP's

1 settlement is still grossly excessive, and I would call
2 it outrageous.

3 The CMP's proposal offers FPL an ROE of 10.6
4 percent, still higher than any ROE approved by a PSC or
5 PUC in the United States in the past two years. This is
6 obviously generous to FPL, and any objection to this ROE
7 can only be characterized as unfounded compared to the
8 recognized criteria in the Bluefield and Hope cases
9 applicable to utility rate setting.

10 In terms of total revenue requirements FPL
11 initially requested roughly 9.8 billion of additional
12 base rate revenues over four years. The special
13 interest parties' settlement would only give FPL about
14 \$7 billion. The CMP's proposal generous still, in my
15 opinion, would provide FPL with an additional 5.2
16 billion over the same four-year period.

17 Finally, the SIP settlement would give FPL a
18 rate stabilization mechanism, including a tax adjustment
19 mechanism of up to \$1.55 billion -- excuse me, \$1.155
20 billion.

21 I could go on about the TAM, but, Mr.
22 Chairman, I realize I am running out of time. If I just
23 simply say that the strategy of FPL's would allow them
24 to earn excessive earnings and transfer unreasonable
25 amounts of income and wealth of Florida's residential

1 and business customers to FPL and its parent company
2 with these -- those customers then being forced to pay
3 for FPL's 2026 through 2029 earnings over future years,
4 effectively, with interest. This is contrary to any
5 reasonable understanding of the regulatory compact, and
6 the Commission should reject it.

7 In conclusion, the Commission should reject
8 the special interest parties' settlement, and should
9 approve the elements of the proposal offered by the
10 customer majority parties who represent the interest of
11 FPL's residential customers.

12 Thank you very much for the courtesy, and I am
13 happy to answer any questions.

14 CHAIRMAN LA ROSA: Thank you, Mr. Herndon.

15 I am going to go to my staff real quick just
16 to make sure we are following the correct order for
17 questioning.

18 MR. STILLER: We are, Mr. Chair. We mentioned
19 this Friday, and I apologize for not mentioning it
20 again this morning.

21 Mr. Herndon is being taken out of order by
22 agreement of all the parties, and you are hearing
23 about what we agreed to not talk about last week,
24 and I am sure it caused some confusion. I
25 apologize for not mentioning it again. There is

1 going to be one more witness tomorrow, and we will
2 be sure to flag it before it happens so there won't
3 be the same looks.

4 CHAIRMAN LA ROSA: So order of questioning?

5 MR. STILLER: It would start with FPL.

6 CHAIRMAN LA ROSA: Okay. So is it fair enough
7 that I go down the line as the order of everyone
8 seated, is that fair?

9 MR. STILLER: Yes, I believe that would be
10 correct.

11 CHAIRMAN LA ROSA: Okay. Start with FPL.

12 MR. BURNETT: No questions.

13 CHAIRMAN LA ROSA: FIPUG?

14 MR. MOYLE: FIPUG has no questions.

15 CHAIRMAN LA ROSA: FRF?

16 MR. BREW: No questions from FRF.

17 CHAIRMAN LA ROSA: Walmart?

18 MS. EATON: No questions.

19 CHAIRMAN LA ROSA: FEIA?

20 MR. MAY: FEIA has no questions.

21 CHAIRMAN LA ROSA: Okay. FEL?

22 MR. MARSHALL: No questions.

23 CHAIRMAN LA ROSA: OPC?

24 MS. CHRISTENSEN: No questions.

25 CHAIRMAN LA ROSA: Okay. Back to FAIR -- I am

1 sorry, staff?

2 MR. STILLER: We have no questions.

3 CHAIRMAN LA ROSA: Commissioners, are there
4 any questions of the witness?

5 Seeing no questions. Now, it's back in your
6 hands.

7 MR. SCHEF WRIGHT: Thank you very much, Mr.
8 Chairman, and thank you again for allowing Mr.
9 Herndon to testify today.

10 I would ask that Mr. Herndon be excused and
11 that his Exhibits Nos. 1304 through 1309 be entered
12 into the record.

13 CHAIRMAN LA ROSA: Seeing no objections, so
14 moved.

15 (Whereupon, Exhibit Nos. 1304-1309 were
16 received into evidence.)

17 CHAIRMAN LA ROSA: Anything else that needs to
18 be moved in? I assume not. Excellent.

19 Mr. Herndon, thank you very much for appearing
20 today. You are excused.

21 THE WITNESS: Thank you for the courtesy. I
22 appreciate it.

23 MR. SCHEF WRIGHT: Thank you again, Mr.
24 Chairman.

25 CHAIRMAN LA ROSA: Thank you.

1 (Witness excused.)

2 CHAIRMAN LA ROSA: Okay. So I am going to
3 then go back to FPL, we are going to allow some
4 folks to alter their seats.

5 MR. CHRISTOPHER WRIGHT: Thank you, Chairman.
6 Give us a moment to get set up here, but FPL calls
7 Tiffany Cohen.

8 CHAIRMAN LA ROSA: No problem. Thank you.

9 Ms. Cohen, when you arrive at the witness box,
10 feel free to stay standing and raise your right
11 hand.

12 Whereupon,

13 TIFFANY C. COHEN

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

17 THE WITNESS: Yes.

18 CHAIRMAN LA ROSA: Great. Thank you.

19 Feel free to take a moment to get settled in.

20 I turn it to the party, whenever you are
21 ready, you can to begin.

22 MR. CHRISTOPHER WRIGHT: Thank you, Chairman.
23 Good morning, Commissioners.

24 EXAMINATION

25 BY MR. CHRISTOPHER WRIGHT:

1 **Q Can you please state your name?**

2 A Tiffany Cohen.

3 **Q And what is your business address?**

4 A 700 Universe Boulevard, Juno Beach, Florida,
5 33408.

6 **Q By whom are you employed and in what capacity?**

7 A I am employed by Florida Power & Light Company
8 as Vice-President of Financial Planning and Rate
9 Strategy.

10 **Q On February 28th, 2025, did you file 34 pages**
11 **of direct testimony?**

12 A Yes.

13 **Q Do you have any corrections to your direct**
14 **testimony?**

15 A No.

16 **Q If I asked you the questions contained in your**
17 **direct testimony, would your answers be the same?**

18 A Yes.

19 MR. CHRISTOPHER WRIGHT: Mr. Chairman, I ask
20 that Ms. Cohen's direct testimony be inserted into
21 the record as though read.

22 CHAIRMAN LA ROSA: So moved.

23 (Whereupon, prefiled direct testimony of
24 Tiffany C. Cohen was inserted.)

25

1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**
3 **DOCKET NO. 20250011-EI**

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8 **FLORIDA POWER & LIGHT COMPANY**

9
10 **DIRECT TESTIMONY OF TIFFANY C. COHEN**

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23 **Filed: February 28, 2025**

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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Tiffany C. Cohen, and my business address is Florida Power & Light
4 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

6 A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Vice
7 President of Financial Planning and Rate Strategy.

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

9 A. I oversee and am responsible for FPL's financial forecast, analysis of financial results,
10 corporate budgeting, load forecast activities, rate strategy, developing the appropriate
11 rate design, and for administration of the Company's electric rates and charges.

12 Q. Please describe your educational background and professional experience.

13 A. I hold a Bachelor of Science Degree in Commerce and Business Administration, with
14 a major in Accounting from the University of Alabama. I obtained a Master of Business
15 Administration from the University of New Orleans. I am also a Certified Public
16 Accountant. Since joining FPL in 2008, I have held positions of increasing
17 responsibility, including: Manager of Nuclear Cost Recovery, Senior Manager of Rate
18 Development, Director of Rates and Tariffs; Senior Director, Regulatory Rates, Cost
19 of Service and Systems; Executive Director, Rate Development & Strategy; and my
20 current position as the Vice President of Financial Planning and Rate Strategy. Prior
21 to joining FPL, I was employed at Duke Energy for five years, where I held a variety
22 of positions in the Rates & Regulatory Division, including managing rate cases,

1 Corporate Risk Management, and Internal Audit departments. Prior to joining Duke
2 Energy, I was employed at KPMG, LLP.

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

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

- 5 • Exhibit TCC-1 List of MFRs Sponsored or Co-Sponsored by Tiffany C. Cohen
- 6 • Exhibit TCC-2 Typical Bill Projections
- 7 • Exhibit TCC-3 National Bill Comparisons
- 8 • Exhibit TCC-4 FPL's Load Forecasting Process for 2026-2029
- 9 • Exhibit TCC-5 Parity of Major Rate Classes
- 10 • Exhibit TCC-6 Summary of Proposed Rate Structure for Major Rate Schedules

11 I am co-sponsoring the following exhibit:

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

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

15 A. The purpose of my testimony is to address the following general areas:

- 16 • The customer, energy sales, and peak demand forecasts for the 2026 and 2027
- 17 test years.
- 18 • Rate design principles and rate structure.
- 19 • Revenue forecast by rate class.
- 20 • Allocation of rate increase to rate classes.
- 21 • Proposed changes to existing rates.
- 22 • Service charges.
- 23 • Other tariff changes.

- 1 • Proposed rate adjustments for the 2028 and 2029 Solar and Battery Base Rate
2 Adjustments (“SoBRAs”).

3 **Q. Please summarize your testimony.**

4 A. My testimony explains the process used to develop the forecasts for customer, energy
5 sales, and peak demand forecasts, and demonstrates that these processes are
6 fundamentally sound and consistent with criteria used by the Commission in evaluating
7 forecasts. In addition, my testimony supports FPL’s proposed base retail rates and
8 service charges that will produce revenues sufficient to recover the Company’s
9 jurisdictional revenue requirements in the 2026 and 2027 Projected Test Years. I also
10 support the methodology used to calculate the rate adjustments in 2028 and 2029
11 associated with the SoBRA mechanism.

12 **Q. Please summarize the estimated bill impacts of FPL’s proposed increases in base**
13 **revenues.**

14 A. As explained by FPL witnesses Fuentes and Laney, FPL’s jurisdictional revenue
15 requirements for the test year ending December 31, 2026 (referred to as the “2026
16 Projected Test Year”), reflect the need for an increase in base revenues of \$1.545 billion
17 in January 2026; and the jurisdictional revenue requirements for the test year ending
18 December 31, 2027 (referred to as the “2027 Projected Test Year”), reflect the need for
19 an incremental increase in base revenues of \$927 million in January 2027. FPL’s
20 proposed rates are designed to produce the necessary revenues and will be applied to
21 all customers across the entire service area.

22

1 FPL's filing proposes adjustments to rates and charges to more closely reflect the
2 projected cost of service for the various rate classes, and thus address parity, while
3 following the Commission practice of limiting base rate increases for a specific rate
4 class to 1.5 times the system average increase in total rate class operating revenue, as
5 well as providing no decreases to rate classes.

6
7 As benchmarked by Edison Electric Institute ("EEI"), FPL's typical residential bill is
8 32 percent¹ below the national average as shown in Exhibit TCC-3. Additionally,
9 FPL's bill is lowest among the largest twenty utilities as ranked by number of
10 customers and 36% below that average. As shown in Exhibit TCC-2, under FPL's
11 proposed four-year rate plan, the five-year compound annual growth rate ("CAGR") of
12 the typical residential bill increase from 2025 through the end of the four-year rate
13 proposal in 2029, is projected to be approximately 2.5 percent for peninsular Florida
14 customers and approximately 1.1 percent for Northwest Florida customers. Assuming
15 other utilities experience bill increases at only their historical rates of increase, typical
16 residential bills for customers would remain 25 percent below the projected national
17 average.

18
19 FPL's commercial and industrial ("CI") bills are 25 percent to 47 percent below the
20 national average. The CI rate classes will experience varying increases in January 2026
21 depending on the current rate of return for each class as compared to the system average

¹ Based on the EEI Typical Bills and Average Rates report for rates effective July 1, 2024. This is the latest information available from EEI. FPL also uses a 3rd party to benchmark against 50 peer utilities and is 32 percent below this national average data point as of February 1, 2025.

1 rate of return, *i.e.*, parity index, for each respective class. MFR E-8 shows that the 2026
2 total increase for CI rate classes is between 2 percent and 14 percent. Exhibit TCC-2,
3 shows the proposed CI typical bill increases of 0 percent to 5 percent over the four-year
4 rate plan. These four CI rate classes (General Service, General Service Demand and
5 General Service Large Demand 1 and 2), encompass 94 percent of FPL's CI customers.
6 Even with the proposed increases, FPL's bills will remain significantly below the
7 national average and below many other Florida electric utilities.

8 **Q. How do FPL's proposed typical bills compare to the forecast for inflation over the**
9 **four-year rate proposal?**

10 A. The Consumer Price Index ("CPI") is projected to increase 12 percent from 2024
11 through 2029 and 10 percent from 2025 through 2029. These increases are
12 significantly higher than FPL's proposed increases as shown in Exhibit TCC-2. In fact,
13 FPL projects that even with the requested 2026 base rate increase, typical bills for
14 January 2026 would be 20 percent less in real terms than in 2006.

15

16 **II. FORECASTS OF CUSTOMERS, ENERGY SALES, AND**
17 **SYSTEM PEAK DEMANDS**

18 A. **Overview of Economic Conditions**

19 **Q. Please describe the economic conditions in the FPL service area.**

20 A. As of December 2024, FPL provides retail electric service to more than six million
21 customers in 43 counties. FPL's service area includes approximately 12 million
22 persons, or more than half of Florida's population.

23

1 Florida has experienced significant increases in population over the term of the last
2 settlement agreement. From January 2022 through June 2024, Florida's population
3 grew 4.5 percent and FPL added approximately 225,000 customers.² This growth in
4 population led to job creation in Florida that outpaced the national average, with
5 Florida's non-farm employment growing 4.0 percent per year on average compared to
6 2.8 percent for the U.S.

7
8 During this same period, the Federal Reserve initiated a campaign to moderate inflation
9 by raising interest rates. Although the Florida and U.S. economy has remained resilient
10 through June 2024, the effects of elevated interest rates and inflation are starting to
11 filter through the economy. Florida retail sales decreased 1.9 percent from January
12 2022 through June 2024.

13
14 The impacts of a high interest rate environment are not expected to significantly affect
15 population growth in Florida. Starting in July 2024 through the end of 2027, Florida's
16 population is projected to grow at an average annual rate of 1.7 percent compared to
17 the 1.8 percent seen from January 2022 through June 2024. Over that same period,
18 Florida's non-farm employment is expected to grow an average of 1.1 percent, while
19 the U.S. is expected to grow at 0.7 percent.

20 **Q. What is the basis for the economic projections used for FPL's load forecast?**

21 A. The economic projections used for the customer, energy sales, and peak demand
22 forecasts are from S&P Global's (formerly IHS Markit) July 2024 economic forecast

² From January 2022 through December 2024, FPL added approximately 275,000 customers.

1 and the CPI projections are from S&P Global's June 2024 economic forecast. S&P
2 Global is a recognized industry expert who has consistently provided objective and
3 reliable economic projections. FPL has historically relied on projections from S&P
4 Global for forecasting and budgeting purposes, including for FPL's 2012, 2016, and
5 2021 rate cases.

6 **Q. What inflation measure is used by FPL for budgeting purposes?**

7 A. For its budgeting process, FPL uses S&P Global's forecast of CPI for all goods and
8 services, which is also called overall CPI. This same CPI is used when calculating the
9 O&M Benchmarks. The CPI projections are from S&P Global's September 2024
10 economic forecasts. Because FPL's budgeting process is finalized at a later date than
11 the load forecast, the budgeting process uses a different vintage of S&P Global's
12 economic forecast compared to the load forecasting process; however, both processes
13 rely on the most recent economic forecast available at the time they are prepared.³

14

15 **B. Overview of Load Forecasting**

16 **Q. What is the objective of the load forecasting process?**

17 A. The objective of FPL's load forecasting process is to produce reliable, unbiased
18 forecasts of customers, energy sales, and system peak demands for the FPL system.

19 **Q. Please explain how customers, sales, and peak demands are defined.**

20 A. Customer forecasts reflect the total number of active accounts served by FPL and
21 include the impacts of new service installations combined with other factors, including
22 changes in the number of inactive accounts. Retail delivered energy sales reflect the

³ The difference in the forecasted CPI used for FPL's load forecast and budgeting purposes is insignificant.

1 amount of energy provided to all retail customers served by FPL. Net Energy for Load
2 (“NEL”) is another measure of energy sales that accounts for the megawatt hours
3 (“MWh”) FPL provides to its retail and wholesale customers, as well as system losses
4 and energy used by company-owned facilities. Peak demands refer to the highest
5 hourly integrated NEL over a given period of time.

6 **Q. Please summarize how the customer, energy sales, and peak demand forecasts**
7 **were developed.**

8 A. The forecasts were developed using econometric models as the primary tool. The
9 various econometric models are statistically sound and include logically reasonable
10 drivers obtained from leading industry experts. This approach provides accurate
11 forecasts that are used for all business purposes. A more detailed description of the
12 forecasting process, results, and statistical soundness are provided in Exhibit TCC-4 –
13 FPL’s Load Forecasting Process for 2026-2029 and MFR F-5.

14 **Q. Is FPL’s load forecasting approach consistent with criteria used by the**
15 **Commission in recent years to evaluate utilities’ forecasts?**

16 A. Yes. The Commission has evaluated utilities’ forecasts based on the use of statistically
17 sound forecasting methods and reasonable input assumptions (*e.g.*, Order Nos. PSC-
18 16-0032-FOF-EI, PSC-14-0590-FOF-EI, PSC-13-0505-PAA-EI, PSC-12-0179-FOF-
19 EI, PSC-12-0187-FOF-EI, PSC-09-0283-FOF-EI and PSC-08-0518-FOF-EI). The
20 Commission has also considered whether a forecast is applied consistently; that is,
21 whether a forecast used for one purpose, such as a rate filing, is the same forecast used
22 for other purposes, such as generation planning (Order No. PSC-09-0283-FOF-EI).
23 Additionally, the Commission has considered a utility’s record of forecasting accuracy

1 when evaluating forecasts (Order No. PSC-16-0032-FOF-EI). FPL's approach to
2 developing the customer, energy sales, and peak demand forecasts for this proceeding
3 is the same approach used in FPL's most recent 2021 Rate Case in Docket No.
4 20210015-EI and in FPL's 2024 Ten Year Site Plan.

5 **Q. Please provide a summary of the forecasts for customers, energy sales, and peak**
6 **demands for years 2026 and 2027.**

7 A. Table 1 below summarizes the forecasts for customers, retail energy sales, and summer
8 peak demands for years 2026 and 2027.

Table 1 FPL Forecast Summary		
	2026	2027
Total Retail Customers (Average)	6,109,672	6,180,152
Retail Delivered Sales (GWh)	128,108	128,941
Summer Peak Demand (MW)	28,596	28,831

9

10 These forecasts were developed using well-established methods that have consistently
11 provided accurate and reliable forecasts that are used for all regulatory and planning
12 purposes. As shown in Exhibit TCC-4, the models used to develop these forecasts are
13 statistically sound, display excellent goodness of fit, have minimal model residuals,
14 and have insignificant serial correlation.

15 **Q. Did FPL develop customer, energy sales, and peak demand forecasts in support**
16 **of FPL's request for approval of a SoBRA mechanism for years 2028 and 2029?**

17 A. Yes. Table 2 summarizes the forecasts for customers, retail energy sales, and summer
18 peak demands for years 2028 through 2029.

19

20

Table 2 FPL Forecast Summary		
	2028	2029
Total Retail Customers (Average)	6,247,368	6,311,538
Retail Delivered Sales (GWh)	131,433	133,971
Summer Peak Demand (MW)	29,214	29,542

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III. RATE DESIGN PRINCIPLES AND RATE STRUCTURE

7

Q. Please provide an overview of FPL's retail rates.

8

A. FPL's Electric Retail Tariff book contains rate schedules for the various types of customers served by FPL. These include residential customers; small, medium, and large business and industrial customers; and lighting. Each of these customer classes is served through different rate schedules, which are designed to reflect the differences in the usage characteristics of each customer type and the cost incurred by FPL in providing service to each customer type.

9

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14

Q. Please describe the various types of rate schedules.

15

A. Rate schedules generally contain specific prices that are applied to each customer's electric usage amount. Most rate schedules incorporate a base charge, which is a fixed amount that recovers a portion of the fixed costs of providing service and does not vary with usage. Another price component is the energy charge, which for non-demand customers, is designed to recover the remainder of the fixed costs and the variable costs of providing service and varies with the amount of electricity consumed throughout the

16

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1 month. Some rate schedules also include a demand charge, which reflects the
2 Company's cost of supplying service to meet the maximum demand the customers
3 place on FPL's system. Finally, each rate schedule contains general terms and
4 conditions that describe how the customer's monthly bills are determined. Exhibit
5 TCC-6 provides a narrative explanation of the proposed rate structures of FPL's major
6 rate schedules.

7 **Q. What is the difference between rate classes and rate schedules?**

8 A. Rate classes are groups of individual rate schedules with like billing attributes (*e.g.*,
9 customer type and load size) and rate design relationships that are treated on a
10 combined basis for rate design purposes. As a result, one or more rate schedules may
11 be combined into a single rate class. For example, general service, Rate Schedule GS-
12 1, and general service time-of-use ("TOU"), Rate Schedule GST-1, are combined
13 together into the GS(T)-1 rate class.

14 **Q. What is the difference between revenue classes and rate schedules?**

15 A. Revenue classes represent general categories of customers and are used for financial
16 reporting purposes. There are six retail revenue classes: residential, commercial,
17 industrial, street and highway lighting, railroads and railways, and other. The revenue
18 classes are a combination of different rate schedules, with the exception of the railroads
19 and railways revenue class. This is the only class that is specific to a particular rate
20 schedule, *i.e.*, the Metropolitan Transit Service ("MET") rate schedule. To provide the
21 level of detail required in MFR E-13, the forecasts of sales and customers by revenue
22 class were converted into forecasts of sales and customers by rate schedule.

23

IV. REVENUE FORECAST BY RATE CLASS

Q. Please describe the steps for developing the forecast of base revenues by rate class.

A. First, the billing determinant forecast for customers, kilowatt-hour (“kWh”) sales, and kilowatt (“kW”) demand is developed by rate schedule. Next, these billing determinants are applied to the currently applicable rates to provide the base revenue forecast at present rates. The customer, demand, and energy rates are then adjusted as discussed in Section V below and applied to the forecasted billing determinants to provide the forecasted base revenue at proposed rates.

Q. What is meant by “base revenue”?

A. Base revenue represents FPL’s total revenues from the sale of electricity and other operating revenues, such as service charges – it excludes wholesale revenue, revenues generated from clauses, applicable storm charges, gross receipts taxes, regulatory assessment fees, and franchise fees. This breakdown is reflected in MFR C-5.

Q. What is meant by “billing determinants”?

A. Billing determinants are the parameters used for billing customers. The applicable billing determinants reflect the rate structure established for a given rate schedule. Base, demand, and energy charges are each associated with their own set of billing determinants. The annual customer billing determinants are expressed in terms of the number of accounts billed by month in a year. Demand billing determinants are expressed in terms of the sum of the kW of customer monthly demand during a year, while energy billing determinants are expressed in terms of kWh. Some rate schedules are limited to customer and energy billing determinants only. For example, customers in the small general service rate schedule (“GS-1”) are charged a base charge in

1 addition to a cents-per-kWh energy charge. GS-1 customers are the smallest of the CI
2 customers, with demands 24 kW or less and a rate schedule that does not include a
3 demand charge. Larger CI customers, on the other hand, are charged on the basis of
4 their demand, *i.e.*, the maximum electric usage in a given time period, and energy
5 consumed. Thus, the rate structure for the general service demand rate schedules
6 (“GSD-1”) includes a base charge, a cents-per-kWh energy charge and a dollar-per-
7 kW demand charge.

8 **Q. How is the billing determinant forecast developed?**

9 A. As described above, FPL developed the customer and energy sales forecasts for the
10 appropriate time period. These forecasts are developed on a revenue class basis and
11 must be allocated to the rate schedule level for use in the revenue forecast.

12

13 The allocation of customers and kWh sales by rate schedule is developed based on the
14 historical relationship between the number of customers and sales by rate schedule, and
15 customers and sales by revenue class. The result is an estimate of sales and customers
16 by retail rate schedule for the appropriate time periods, which in this case is the 2026
17 Projected Test Year and the 2027 Projected Test Year.

18

19 Finally, additional derivations are made to complete the estimate of customer and
20 energy billing determinants by rate schedule. For example, the kWh sales for the
21 residential rate schedule (“RS-1”) are segmented to reflect the inverted rates described
22 in Exhibit TCC-6. Likewise, for TOU rate schedules, total sales are segmented
23 between on-peak and off-peak sales based on historical patterns. In addition, for

1 demand-metered rate schedules, billing demands are developed based on the historical
2 relationship between billing demand and billed sales by rate schedule.

3 **Q. Are there any exceptions to the process as described?**

4 A. Yes. If a rate class is closed, there is no projected customer growth in a rate class, or a
5 rate schedule is new or experimental, then the number of customers under the rate
6 schedules within that rate class is based on their actual values during the last 12 months
7 ending September 2024, unless customer-specific information was known. These
8 exceptions are limited to a small number of customers (less than 0.5 percent).

9 **Q. Which MFRs provide detail on the retail base revenue forecast described above?**

10 A. MFR A-3 lists the currently approved base tariff charges. MFR E-15 provides a
11 description of how the billing determinants were developed. MFR E-13c provides the
12 results of applying the base tariff charges to the billing determinants, and MFR E-13d
13 provides additional detail on the base revenue forecast for the lighting rate schedules.

14

15 **V. ALLOCATION OF RATE INCREASE TO RATE CLASSES**

16 **Q. Please identify the steps necessary to transform an increased revenue requirement**
17 **into rate design.**

18 A. There are two main steps in the process. First, the total amount of the increased revenue
19 is allocated to the various rate classes. Consideration is given to the cost of service for
20 each rate class, as well as the Commission's guidelines for gradualism. The second
21 step is to design the specific rate components for each rate class. When developing
22 these components – base charge, energy charge, and demand charge – FPL ensures
23 consistency in the rate design for each customer class. FPL applies increases and

1 changes proportionately, where appropriate, based on the cost of providing services.
2 This approach takes into consideration customer acceptance and understanding while
3 maintaining objectivity in administering rates.

4 **Q. Please describe the first step of allocating the proposed revenue increase.**

5 A. Revenues are allocated in order to achieve FPL's requested revenue requirement. The
6 increase to revenue has been allocated across various rate classes as shown in MFR E-
7 8. The cost of service study sponsored by FPL witness DuBose provides a guide for
8 evaluating any proposed changes to the level of revenues by rate class. More
9 specifically, the allocation of any revenue increase should be assessed in terms of its
10 impact on the parity index for the respective rate class. FPL has set the target revenue
11 by rate class to improve parity among the rate classes to the greatest extent possible,
12 while following the Commission's longstanding practice of gradualism, which limits
13 the increase of each rate class to 1.5 times the system average increase in revenue,
14 including adjustment clauses, and not allowing any class to receive a decrease.

15 **Q. What does FPL's cost of service study show regarding the system average Rate of**
16 **Return ("ROR") and the parity indices by rate class?**

17 A. As explained by FPL witness DuBose, FPL's cost of service study shows a retail
18 jurisdictional average ROR of 6.10 percent for the 2026 Projected Test Year and
19 5.36 percent for the 2027 Projected Test Year. This is consistent with the retail ROR
20 reported in MFR A-1. The cost of service study indicates that parity varies by rate
21 class, with some classes above parity and others below parity. When a rate class is
22 under parity, its ROR is less than the overall FPL system average ROR. An important

1 goal in setting rates is that all rate classes should be as close to the FPL system average
2 ROR as reasonably practicable in order to minimize the interclass cross subsidies.

3 **Q. What impact would FPL's target revenues by rate class have on parity?**

4 A. Target revenues are the revenues allocated to each rate class in order to move each rate
5 class towards parity. As shown in Exhibit TCC-5 and MFR E-8, under FPL's proposed
6 target revenues by rate class, the parity of all rate classes is improved.

7 **Q. How does FPL propose to achieve these target revenues by rate class?**

8 A. FPL proposes to achieve these target revenues through changes to existing rates while
9 incorporating proposed revisions to service charges. The elements of FPL's proposal
10 are summarized below.

11

12 **VI. PROPOSED CHANGES TO EXISTING RATES**

13 **Q. Please explain FPL's objective for the proposed changes to existing rates.**

14 A. The objective of the proposed changes to existing rates and charges is to achieve the
15 target revenues by rate class as previously discussed. The adjustments to existing rates
16 align with the objectives of ensuring that rates are cost-based, convey appropriate price
17 signals, and are understandable to customers.

18 **Q. Please describe in general terms the methodology you used in developing the**
19 **proposed changes to FPL's existing base rates.**

20 A. MFR E-1 attachment 2 shows the maximum increase if all rate classes were to achieve
21 100 percent parity. Consideration was then placed on gradualism and each class's
22 proposed rate of return to achieve the overall rate increase target by rate class. The
23 resulting increase by rate class is presented in MFR E-8 and the projected revenues and

1 billing determinants by rate schedule are presented in MFR E-13c and MFR E-13d.
2 Current base charges, energy charges and demand charges, where applicable, are
3 increased by the same rate class percentage maintaining rate component relationships
4 established in previous rate proceedings to help ensure rate design consistency. This
5 methodology was applied to both increases proposed for the 2026 Projected Test Year
6 and 2027 Projected Test Year.

7 **Q. What changes are being proposed to the existing residential tariffs?**

8 A. FPL is proposing to increase the residential minimum base bill to \$30 from \$25 today.⁴
9 As approved in the 2021 Rate Case,⁵ the minimum base bill better ensures all
10 residential and general service non-demand customers contribute towards their fair
11 share of fixed system costs, which do not vary with usage of electricity. FPL incurs
12 fixed system costs to connect and serve a customer even if that customer's usage is low
13 or zero, which could result in other customers subsidizing the fixed costs incurred for
14 a customer with low or zero usage, including customers with second homes that may
15 have little or no consumption during periods when the home is unoccupied. Setting the
16 charge at \$30 continues to move the minimum bill towards a cost-based rate.

17

18 A minimum base bill is preferable to an increase in the residential base charge. FPL's
19 proposed residential base charge in 2026 will be \$10.92, which is the lowest among all
20 Florida investor-owned utilities and below the average in Florida. A higher base charge
21 impacts all customers including low-income customers, not just those customers with
22 low or zero usage. As such, it does not necessarily mitigate the potential for other

⁴ The calculation of the minimum bill is provided in MFR E-14 Attachment 15.

⁵ PSC Order Nos. PSC-2021-0446-S-EI and PSC 2021-0446A-S-EI in Docket No. 20210015-EI.

1 customers to subsidize the fixed costs incurred for a customer with low or zero usage.
2 In 2026, approximately 370,000 residential and 110,000 general service customers are
3 expected to have a base bill that is less than \$30 per month. These are customers using
4 less than 233 kWh and 224 kWh per month, respectively. This usage is essentially
5 equivalent to only running a water heater and no other appliances for the month. The
6 vast majority of customers will have usage that exceeds the low threshold for the
7 minimum base bill over the proposed four-year term.

8 **Q. Is FPL proposing any new residential tariffs, rates, or riders?**

9 A. Yes. The Residential Electric Vehicle Charging Services Rider Pilot (“RS-1EV”) has
10 been successful and, based on the lessons learned from this pilot, FPL is proposing two
11 changes to this program. First, FPL is proposing to close the existing RS-1EV to new
12 customers effective January 1, 2026, and provide a date certain for cancellation of this
13 tariff effective December 31, 2029. During this period, FPL proposes to increase the
14 fixed monthly price each January 1 to better reflect the actual costs and usage until the
15 program terminates as explained by FPL witness Oliver. FPL is proposing a new rate
16 schedule RS-2EV, with a fixed monthly price to cover the charger equipment and all
17 charging hours priced at the residential class off-peak rate. Existing customers on rate
18 schedule RS-1EV may voluntarily elect to switch to the new rate schedule RS-2EV.
19 However, at the termination date of rate schedule RS-1EV, these customers will be
20 migrated onto the new rate schedule RS-2EV.

21 **Q. What changes are being proposed to existing CI tariffs?**

22 A. FPL is proposing several changes to existing CI tariffs. FPL is proposing changes to
23 the following Economic Development tariffs.

- 1 • FPL is requesting to cancel the Existing Facilities Economic Development
2 Rider (EFEDR) as there are no customers on the tariff and no customers have
3 ever taken service under the tariff.
- 4 • FPL is requesting several modifications to the Economic Development Rider
5 (EDR). First, we propose adding a fifth-year discount of 5 percent to be
6 consistent with other IOUs in Florida. We also propose to remove the ratio of
7 job creation to kW. A minimum of 25 jobs will still be required, but not per
8 350 kW of new load.
- 9 • FPL is requesting similar changes to the Large Economic Development Rider
10 (EDR-L). We propose to add a fifth-year discount of 10 percent and to remove
11 the job creation ratio. Forty jobs will still be required to qualify for the tariff
12 but not per 1 MW of new load. FPL also proposes to add a 25 MW cap per
13 location for the EDR-L tariff. Additionally, FPL is proposing to add a target
14 industry qualifying requirement to focus eligibility on attracting competitive
15 economic development projects.

16
17 Based on the success and experience of certain pilot programs, FPL is proposing to
18 make the following programs permanent tariffs:

- 19 • Supplemental Power Services Rider (OSP-1);
- 20 • Solar Power Facilities Pilot Rider (SPF-1);
- 21 • Commercial Electric Vehicle Charging Services Rider (CEVCS-1);
- 22 • Electric Vehicle Charging Infrastructure Rider (GSD-1EV);
- 23 • Electric Vehicle Charging Infrastructure Rider (GSLD-1EV); and

- Utility-Owned Public Charging for Electric Vehicles Pilot (UEV).

FPL is proposing a modification to the General Service Constant Use (GSCU) tariff. Currently, eligibility for the tariff is restricted to customers whose maximum usage over the current and prior 23 months, is within 5 percent of their average monthly usage. However, extended power outages due to hurricanes and storms may restrict a customer's ability to participate on the tariff. FPL is proposing to modify the tariff to exclude months in the calculation when bills are estimated.

FPL is proposing to cancel the following legacy Gulf Power Company tariffs. All tariffs were closed to new customers in the 2021 Rate Case and there are no customers remaining on any of these riders.

- Small Business Incentive Rider (SBIR)
- Medium Business Incentive Rider (MBIR)
- Large Business Incentive Rider (LBIR)
- Extra-Large Business Incentive Rider (XLBIR)
- Curtailable Load (CL) Rider

Finally, FPL is proposing to cancel the Curtailable Service (CS-3) and Curtailable Service Time of Use Tariffs (CST-3) for 69 kV or higher. These rate schedules were closed to new customers in 2018 and there are no customers remaining on these rate schedules.

1 **Q. Is FPL proposing any new CI tariffs, rates, or riders?**

2 A. Yes. FPL is proposing a new rate schedule Large Load Contract Service-1 (LLCS-1)
3 and a new rate schedule Large Load Contract Service-2 (LLCS-2) for future customers
4 with projected new or incremental load of 25 MW or more and a load factor of
5 85 percent or more consistent with FPL's tariff.

6 **Q. Has FPL included any LLCS-1 or LLCS-2 customers in its 2026 or 2027 forecasts?**

7 A. No. FPL currently does not have agreements to serve any customers of this size in
8 2026 or 2027. As such, FPL did not include any customers, costs, or revenues
9 associated with Rate Schedules LLCS-1 or LLCS-2 in either its 2026 or 2027 forecasts
10 used in this proceeding.

11 **Q. If FPL is not forecasting any customers, why is FPL is proposing the new rate**
12 **schedules LLCS-1 and LLCS-2?**

13 A. FPL developed the proposed rate schedules LLCS-1 and LLCS-2, and the associated
14 LLCS Service Agreement, to proactively address the potential scenario that future
15 customers of this size request service within the FPL service area and, if so, to ensure
16 that the general body of customers is protected from higher costs to serve such large
17 load customers. A customer with load of 25 MW or more and a load factor of
18 85 percent or more will have significant impacts on FPL's transmission system and
19 generation resource plan. In order to serve a customer of this magnitude, FPL will need
20 to make significant investments in new incremental generation capacity that, but for
21 the customer's request for service, would not otherwise be incurred or needed to serve
22 the general body of customers. Thus, the proposed new rate schedules LLCS-1 and
23 LLCS-2 were developed to meet the following objectives: (i) ensure that FPL has a

1 tariff and service agreement available to serve customers of this magnitude should they
2 request service in the future; (ii) ensure that the cost-causer bears primary responsibility
3 and risk for the significant generation investments required to serve a customer of this
4 size; and (iii) protect the general body of customers and mitigate risk of subsidization
5 and stranded assets.

6 **Q. Please describe FPL's proposed rate schedule LLCS-1.**

7 A. The proposed LLCS-1 rate schedule will be available to serve a combined total load of
8 3 GW in the Company's service area. Service under the LLCS-1 rate schedule will be
9 limited to three zones in the vicinity of Sunbreak in St. Lucie County, Tesoro in Martin
10 County, and Sugar in Palm Beach County. These zones were selected based on their
11 proximity to FPL's existing 500 kV transmission facilities and in areas suitable for the
12 incremental generation and transmission capacity necessary to serve up to a combined
13 total load of 3 GW, which reduces the need for network upgrades and the overall costs
14 incurred to serve these customers' loads. Rate schedule LLCS-1 will include a stated
15 rate for the costs of the incremental generation capacity necessary to serve the
16 combined total load of 3 GW, which will be reset in a subsequent rate proceeding based
17 on the type, characteristics, size, location, and in-service of the facilities and generation
18 resources installed to serve the load under this rate schedule. The rate schedule will be
19 closed to new or incremental load at the time the total combined 3 GW load cap
20 becomes fully subscribed.

21 **Q. Please describe FPL's proposed rate schedule LLCS-2.**

22 A. Proposed new rate schedule LLCS-2 is similar to LLCS-1 with three primary
23 exceptions: (i) LLCS-2 is not available in the regions serviced under rate schedule

1 LLCS-1; (ii) LLCS-2 is not capped at 3 GW; and (iii) FPL is not able to provide a stated
2 rate for the incremental generation capacity necessary to serve customer loads under
3 this rate schedule. This is an optional rate for those customers that elect not to site their
4 load within one of the three regions included in LLCS-1.

5 **Q. Please describe how the base rates were designed for rate schedules LLCS-1 and**
6 **LLCS-2.**

7 A. To recover the shared total system costs from these customers, the base, demand, and
8 non-fuel energy charges for the new rate schedules LLCS-1 and LLCS-2 will all
9 initially be set at unit cost equivalents for the GSLD(T)-3 rate class at parity for
10 transmission costs and weighted for fixed production costs to appropriately recognize
11 the incremental generation above and beyond the total system fixed production that
12 will be deployed to serve these customers. FPL submits that using the unit equivalent
13 charges is reasonable and fair because these customers would otherwise take service
14 on a GSLD-3 rate schedule in absence of the proposed new rate schedules LLCS-1 and
15 LLCS-2. Moreover, the rates ensure that these customers are paying their fair share of
16 the costs of the total system that will be used to serve them. The base, demand, and
17 non-fuel energy charges for rate schedules LLCS-1 and LLCS-2 will be reset in the
18 ordinary course in subsequent base rate proceedings. Additionally, both rate schedules
19 will include an Incremental Generation Charge (“IGC”) that is designed to ensure that
20 costs for the incremental generation necessary to serve these loads is recovered from
21 the LLCS-1 and LLCS-2 customers.

22

1 Because rate schedule LLCS-1 is only available in close proximity to existing
2 transmission facilities and areas that are suitable for the incremental generation needed
3 to serve up to 3 GW of new demand, FPL calculated the initial IGC based on the
4 estimated cost of the incremental generation that would need to be installed to serve
5 the combined total of 3 GW of demand under rate schedule LLCS-1. This \$/kW charge
6 will become effective upon the in-service date and will be reset in subsequent general
7 rate cases in accordance with the actual and estimated type, cost, and in-service date of
8 the generation assets installed to serve the load under this rate schedule.

9

10 The incremental generation costs incurred to serve the LLCS customers located outside
11 the regions serviced under rate schedule LLCS-1 will be highly dependent on where
12 the customer is located, timing of when FPL can install the generation and transmission
13 capacity necessary to serve these customers. As a result, the IGC for LLCS-2 will be
14 a formula rate designed to recover the costs incurred for the specific incremental
15 generation resource(s) built to serve the individual customer's contract demand. This
16 \$/kW charge will become effective upon the in-service date and, if needed, will be reset
17 in subsequent general rate cases in accordance with the actual type, cost, and in-service
18 date of the generation assets installed to serve the customer's load.

19 **Q. Please describe the protections for the general body of customers included in rate**
20 **schedules LLCS-1 and LLCS-2.**

21 A. Both rate schedules LLCS-1 and LLCS-2, as well as the LLCS Service Agreement,
22 include important measures designed to protect the general body of customers from the
23 incremental costs incurred for providing the incremental generation capacity necessary

1 to serve these significantly large load customers with high load factors. These
2 protections include:

- 3 • Service under these rate schedules is limited to the Company's available
4 capacity based on the estimated in-service date.⁶
- 5 • FPL will have sole discretion to select the resource(s) necessary and
6 appropriate to serve all load under these rate schedules schedule consistent
7 with the Company's standard total system resource planning process and
8 the applicable Ten-Year Site Plan approved by the Commission.
- 9 • Customers must enter the proposed LLCS Service Agreement, which is a
10 tariff agreement that, among other things: implements the terms of service
11 under rate schedules LLCS-1 and LLCS-2; explains ownership, operational,
12 and construction responsibilities; addresses the in-service date for
13 contracted capacity; requires a new system impact study and agreement for
14 any additional load to be installed at the site; and details the commercial
15 terms and conditions of the service.
- 16 • Minimum term of 20 years with a 2-year termination notice requirement,
17 which ensures that the LLCS customers pay back the costs incurred to serve
18 them over the term of the agreement.
- 19 • A set maximum contracted demand amount with a negotiated load ramp
20 period, which will allow FPL to match the deployment of its transmission

⁶ The rates for service will likewise not apply until the in-service date and will be subject to an agreed-upon load ramp.

1 and generation resources with a negotiated and mutually agreeable ramp-up
2 in the customer's demand.

- 3 • Minimum take-or-pay requirements starting with the in-service date, which
4 ensures that the LLCS-1 and LLCS-2 customers pay their fair share of the
5 costs incurred to serve them even if their projected load is delayed or fails
6 to materialize.
- 7 • Exit fees for early termination, which are designed to help ensure that the
8 general body of customers does not subsidize the incremental generation
9 costs incurred to serve the LLCS-1 and LLCS-2 customers.

10 These measures are all designed to proactively protect the general body of customers
11 from incremental generation costs that, but for the LLCS-1 and LLCS-2 customers,
12 would not have otherwise been incurred and are not needed to serve the general body
13 of customers. These protective measures are further described in rate schedule LLCS-
14 1, rate schedule LLCS-2, and the LLCS Service Agreement included in the proposed
15 tariff sheets presented in MFR E-14, Attachment 1.

16 **Q. Is FPL proposing any changes to the incentive levels for Commercial/ Industrial**
17 **Demand Reduction Rider ("CDR") or Commercial/ Industrial Load Control**
18 **("CILC") customers?**

19 A. Yes. As explained by FPL witness Whitley, FPL has determined the appropriate and
20 cost-effective incentive levels for the load control programs. For CDR, the appropriate
21 incentive is \$6.22/kW. For CILC, because the credit is built into the rate schedule as a
22 percentage reduction from the standard rate rather than a flat \$/kW credit, FPL proposes
23 to reduce the incentive level commensurate with the proposed incentive level for CDR.

1 To determine the proposed CILC rates, FPL follows its cost of service study and
2 allocates revenue requirements to bring the CILC customers closer to parity as shown
3 on Exhibit TCC-5, and then applies a percentage reduction that is equivalent to the
4 \$/kW percentage reduction in CDR incentive as recommended by FPL witness
5 Whitley.

6
7 The revenues from the CILC/CDR credits are recovered through the Energy
8 Conservation Cost Recovery (“ECCR”) clause and are paid for by all customers. The
9 annual savings associated with the reduction in the credit for CILC and CDR customers
10 is approximately \$22 million in 2026 and 2027.

11 **Q. How will the target revenues be recovered from the lighting rate classes?**

12 A. Exhibit TCC-6 reflects how each of the lighting rate classes are adjusted to achieve the
13 target revenues for each class.

14 **Q. Is FPL proposing any changes to the lighting rate schedules?**

15 A. Yes. There are a number of lighting rate schedules that were closed to new customers
16 in the 2021 Rate Case. Sodium vapor and metal halide lights used in these rate
17 schedules are no longer manufactured and customers will be migrated to LED lighting
18 over the next few years. FPL is proposing a date certain in which to cancel rate
19 schedules Street Lighting (SL-1), Outdoor Service (OS-I/II) and Outdoor Lighting
20 (OL-1) of December 31, 2029.

21

22

1 **Q. Which MFRs provide additional information on the proposed changes to existing**
2 **rates that you have outlined?**

3 A. MFR A-2 presents the impact of the proposed rate changes to the typical bills. MFR
4 A-3 provides a summary of those proposed rate changes. The applicable proposed
5 tariff sheets are presented in MFR E-14, Attachment 1.

6
7 MFR E-14, starting in Attachment 2, provides work papers outlining the derivation of
8 the proposed changes to FPL's existing rates. The revenue impact from the proposed
9 changes to existing rates is shown in MFRs E-12, E-13a, E-13c and E-13d. The parity
10 indices under proposed rates are shown in MFR E-8. In addition, Exhibit TCC-6
11 provides a narrative explanation of the proposed rate structures and rate design.

12

13 **VII. OTHER TARIFF CHANGES**

14 **Q. Is FPL proposing other changes to its tariff in this proceeding?**

15 A. Yes. FPL is proposing a tariff change to modify the Contribution-in-Aid of
16 Construction ("CIAC") tariff (Tariff Sheet No. 6.199), which is discussed below and
17 further sponsored by FPL witness De Varona. In addition, FPL has made certain
18 modifications and improvements to various existing tariff provisions to update and
19 better clarify the language, and to provide greater transparency on the expectations and
20 obligations of the Company, customers, and applicants for service. All of the foregoing
21 tariff changes are presented in MFR E-14, Attachment 1.

22

23

1 **Q. Please describe the proposed modification to the CIAC tariff.**

2 A. The general body of customers bears the interim risk that the projected load and
3 estimated annual revenue used to calculate the applicant's CIAC amount will, in fact,
4 materialize over the four-year period used to calculate the CIAC amount. This risk to
5 the general body of customers increases for large projects requiring significant
6 transmission and/or distribution costs to extend service as further explained by FPL
7 witness De Varona. To better protect the general body of customers from the risks
8 associated with the cost incurred to install new or upgraded facilities to serve
9 significantly large new or incremental loads, FPL is seeking to modify its CIAC tariff,
10 Tariff Sheet No. 6.199.

11

12 The proposed CIAC tariff requirement will apply to all non-governmental applicants
13 that (i) have total projected load of 15 MW or more at the point of delivery or
14 (ii) require new or upgraded facilities with a total estimated cost of \$25 million or more
15 at the point of delivery. An applicant that meets or exceeds one or both of these
16 thresholds will be required to advance the total estimated costs to extend service and
17 will receive a refund of the advanced costs minus the CIAC amount due under Rule
18 25-6.064, Florida Administrative Code. Upon the in-service date, the applicant will
19 receive the refund through monthly bill credits that are equal to the applicant's actual
20 monthly base energy and base demand charges for that billing cycle. The total amount
21 eligible for refund shall be limited to the total costs to extend service less the required

1 CIAC amount.⁷ The refund period will be limited to a maximum of five years from the
 2 in-service date or until the full costs to extend service, less the required CIAC, has been
 3 refunded to the applicant through bill credits, whichever occurs first. Any remaining
 4 balance after the end of the five-year refund period will become non-refundable.

5 **Q. Can you provide an example of how the proposed CIAC tariff requirement would**
 6 **be applied?**

7 A. Yes. The Table 3 below provides simplified illustrative examples of how the proposed
 8 new CIAC tariff requirement would be applied for an applicant that requires FPL to
 9 incur \$125 in costs to extend service to the applicant with a projected load that produces
 10 an estimated annual revenue of \$25.⁸

Table 3

		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total Refund ⁹	Total CIAC ¹⁰
Example 1	Upfront Cost	\$125							
	Base Bill		\$25	\$25	\$25	\$25	\$25		
	Credit		\$25	\$25	\$25	\$25	\$0	\$100	\$25
Example 2	Upfront Cost	\$125							
	Base Bill		\$10	\$10	\$25	\$40	\$25		
	Credit		\$10	\$10	\$25	\$40	\$15	\$100	\$25
Example 3	Upfront Cost	\$125							
	Base Bill		\$25	\$50	\$25	\$25	\$25		
	Credit		\$25	\$50	\$25	\$0	\$0	\$100	\$25
Example 4	Upfront Cost	\$125							
	Base Bill		\$15	\$15	\$15	\$15	\$15		
	Credit		\$15	\$15	\$15	\$15	\$15	\$75	\$50

⁷ Importantly, the CIAC amount to be paid by the applicant will continue to be calculated using the formulas prescribed in Rule 25-6.064, Florida Administrative Code. Thus, all things being equal, at the end of the refund period the applicant will ultimately pay the same total CIAC amount they would pay today.

⁸ Under Rule 25-6.064, Florida Administrative Code, the CIAC amount would be \$25 for this hypothetical example ($\$125 - (4 \times \$25) = \$25$), and the potential refund amount would be \$100.

⁹ Sum of total credits issued over the five-year refund period.

¹⁰ Total CIAC paid at end of five-year period equals upfront costs minus the total refund.

1 Under these examples, in no event will the applicant receive a refund of more than
2 \$100, and the CIAC the applicant must pay is \$25. The refund is a bill credit equal to
3 the monthly base charges, and the refund period runs a maximum of five years or until
4 the \$100 has been refunded, whichever occurs first. However, as shown in Example 3
5 above, if the applicant's revenues over the five-year period do not total \$100, the
6 balance at the end of that five-year period is not refunded, which is consistent with the
7 current treatment under FPL's existing Performance Guaranty Agreement tariff.

8

9 Importantly, it is the applicant, not FPL or the general body of customers, that controls
10 whether the projected load that caused the costs to be incurred will actually materialize.
11 Thus, rather than placing the interim risk on the general body of customers that an
12 applicant with large projected load will materialize, the proposed new CIAC tariff
13 requirement shifts that risk to the cost causer.

14 **Q. Is FPL proposing any changes to its service charges?**

15 A. Yes. FPL has updated the cost basis of all the Company's service charges as shown on
16 MFR E-7. The proposed service charges are shown on MFR E-13b, aligning the rates
17 for these services with their current cost structure.

18

19 As discussed by FPL witness De Varona, FPL is proposing to add a charge for
20 temporarily relocating FPL facilities to accommodate existing customer' electrical
21 installations, as well as the associated disconnection and reconnection of service to
22 enable such installations. Currently, there are no applicable tariff provisions that
23 address the treatment of these costs and they are borne by the general body of FPL

1 customers. FPL is proposing the change to ensure that the existing customer who is
2 causing FPL to incur additional temporary relocation expenses pays for the expenses.
3 The new tariff provision will be implemented once system changes are complete, on or
4 about early 2027.

5
6 Final service charge revenue is accounted for in the Company's final rates as presented
7 in MFR E-13b.

8

9 **VIII. PROPOSED RATE ADJUSTMENTS FOR 2028 AND 2029 SoBRAS**

10 **Q. How does FPL propose to recover the revenue requirements of the SoBRA**
11 **mechanism for years 2028 and 2029?**

12 A. FPL proposes to implement new rates to recover the annualized revenue requirements
13 associated with the 2028 and 2029 SoBRAs concurrent with the in-service date of the
14 projects as described in Exhibit SRB-7 attached to the direct testimony of FPL witness
15 Bores. Exhibit TCC-2 provides illustrative bill projections associated with the SoBRA
16 mechanism for years 2028 and 2029. If future SoBRA filings are approved by the
17 Commission, FPL will send a letter to advise when the unit has gone into service, at
18 which time the tariffs reflecting the Commission-approved SoBRA adjustment can be
19 administratively verified.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.

1 BY MR. CHRISTOPHER WRIGHT:

2 Q Ms. Cohen, do you have Exhibits TCC-1 through
3 TCC-6 that were attached to your direct testimony?

4 A Yes.

5 MR. CHRISTOPHER WRIGHT: Chairman, I would
6 note that these have been identified on staff's
7 Comprehensive Exhibit List as CEL Exhibits 138
8 through 143.

9 CHAIRMAN LA ROSA: Okay.

10 BY MR. CHRISTOPHER WRIGHT:

11 Q Were these exhibits prepared by you or under
12 your direct supervision?

13 A Yes.

14 Q Are you co-sponsoring any exhibits?

15 A Yes. I am co-sponsoring SRB-7, attached to
16 the direct testimony of FPL Witness Bores.

17 MR. CHRISTOPHER WRIGHT: Mr. Chairman, I note
18 that that's been identified as CEL Exhibit 131. We
19 heard Mr. Bores sponsor that. I will move it into
20 the record when we close here with Ms. Cohen.

21 BY MR. CHRISTOPHER WRIGHT:

22 Q Ms. Cohen, do you have any corrections to any
23 of your exhibits?

24 A Yes. The errata made certain corrections to
25 the language in the proposed LLCs-1 and 2 tariffs that

1 were included in MFR E-14, attachments 1 and 1A. I note
2 that these corrections are also included in the revised
3 LLCs tariffs provided in Exhibit TCC-9 to my rebuttal
4 testimony.

5 **Q Do you have any additional corrections to any**
6 **of your exhibits or your rebuttal testimony?**

7 A No.

8 **Q I am sorry, your direct testimony?**

9 A No.

10 **Q If I asked -- I am sorry for rebuttal**
11 **testimony. If I asked you the questions contained in**
12 **your rebuttal testimony, would your answers be the same?**

13 A Yes.

14 **Q All right. Thank you.**

15 MR. CHRISTOPHER WRIGHT: Mr. Chairman, I ask
16 that Ms. Cohen's rebuttal testimony be inserted
17 into the record as though read.

18 CHAIRMAN LA ROSA: So moved.

19 (Whereupon, prefiled rebuttal testimony of
20 Tiffany C. Cohen was inserted.)

21

22

23

24

25

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF TIFFANY C. COHEN

July 9, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tiffany C. Cohen, and 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 any rebuttal exhibits in this case?

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

- Exhibit TCC-7 – FPL’s Response to Staff’s Sixth Set of Interrogatories No. 121
- Exhibit TCC-8 – FPL’s Response to FIPUG’s First Set of Interrogatories No. 20
- Exhibit TCC-9 – LLCS Tariff Update
- Exhibit TCC-10 – FPL’s Corrected Response to Staff’s First Set of Interrogatories No. 8

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the following intervenor testimonies: Office of Public Counsel (“OPC”) witness Thomas; Florida Rising, League of United Latin American Citizens of Florida, and Environmental Confederation of Southwest Florida, Inc. (collectively “FEL”) witnesses Rábago and Marcelin; Florida Industrial Power Users Group (“FIPUG”) witness Pollock; Federal Executive Agencies (“FEA”) witness Gorman; Florida Retail Federation (“FRF”) witness Georgis; Walmart witnesses Perry and Chriss; and Florida Energy for Innovation Association (“FEIA”) witnesses Mangum, Ahmed, Loomis, Provine and

1 Rizer. Specifically, I will address the Florida Public Service Commission's
2 ("Commission") policy on gradualism and FPL's application of that policy,
3 benchmarking of the typical residential 1,000 kWh bill, rate design for the commercial
4 Electric Vehicle ("EV") rate schedules, the minimum bill, the proposed changes to the
5 Contribution-in-Aid of Construction ("CIAC") tariff, the proposed Large Load
6 Contract Service ("LLCS") tariffs, and the proposed load forecast. Please note that I
7 am responding to specific issues. Consequently, any argument raised in the testimony
8 presented by intervening parties to which I do not respond, should not be accepted as
9 my support or approval of the positions offered.

10 **Q. Please summarize your rebuttal testimony.**

11 A. My testimony shows that:

- 12 • FPL has correctly applied the Commission's policy regarding gradualism;
- 13 • FPL's benchmark of the typical residential 1,000 kWh bill is proper and
14 consistent with industry practice and the Commission's benchmarking
15 practices;
- 16 • FPL's proposed minimum bill is fair and reasonable;
- 17 • FPL's proposed rate design for commercial EV rate schedules is appropriate;
- 18 • FPL's proposed changes to the CIAC tariff are fair and reasonable;
- 19 • FPL's proposed large load tariffs protect the general body of customers and are
20 reasonable; and
- 21 • FPL's load forecast is reasonable based on the best and most current data that
22 is available at the time it was prepared, is statistically sound, and should be
23 approved.

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II. GRADUALISM

Q. FIPUG witness Pollock, FEA witness Gorman and FEA witness Georgis each take issue with FPL's allocation of revenue increases and the application of gradualism. Please explain the concept of gradualism as it applies to the allocation of revenue increases for rate design.

A. The intent of the Commission's practice of gradualism is to allocate the revenue increase to rate classes in a manner that moves the class rate of return indices as close to parity as practicable based on the approved cost allocation methodology, subject to the following constraints: (1) no class shall receive an increase greater than 1.5 times the system average percentage increase, in total; and, (2) no class shall receive a decrease.

In the Commission's order that first instituted the gradualism guideline for FPL, the Commission stated: "All parties in this proceeding agree that the revenue increase should be allocated between classes to move toward an equalized rate of return for all classes. While we embrace this concept, we feel the impact on customers' bills must be considered in allocating revenues." Order No. 10306, p. 179. The Commission articulated its guideline for addressing bill impacts stating that "[n]o customer class shall receive a revenue increase greater than 1.5 times the system average increase as a result of this proceeding." Order No. 10306, p. 179. Additionally, as I further explain below, the Commission has made it clear in subsequent orders that the calculated 1.5 times increase is based on total revenues.

1 **Q. Has FPL applied the Commission’s guidelines on revenue allocation and**
2 **gradualism correctly?**

3 A. Yes.

4 **Q. Please explain.**

5 A. The rates proposed by FPL in this case appropriately reflect the allocated costs by rate
6 class and move all classes closer to an equalized rate of return (*i.e.*, parity) while
7 limiting the increase to each class to no more than 1.5 times the system average based
8 on total operating revenues including clause revenues. FPL has requested a 9.6%
9 increase in total revenues for 2026. Under the gradualism guideline, any increase to a
10 rate class is limited to 1.5 times 9.6%, or by a maximum of 14.4%. As shown on
11 Minimum Filing Requirement (“MFR”) E-8, under FPL’s proposed rates, no class will
12 receive an increase of more than 14.4% in total.

13 **Q. FIPUG witness Pollock and FRF witness Georgis assert that the proper**
14 **application of gradualism should be to limit the increase to any customer class to**
15 **not exceed 1.5 times the system average base revenue increase (excluding cost**
16 **recovery clauses). Do you agree with their assertion that the principle of**
17 **gradualism should be applied to base revenues only?**

18 A. No. The Commission has stated explicitly in its orders that revenues from adjustment
19 clauses are to be included in the gradualism calculation. In fact, FIPUG raised this
20 same issue in FPL’s most recent fully litigated rate case, which the Commission
21 rejected. In rejecting FIPUG’s position, the Commission stated that, “Consistent with
22 our decisions in more recent electric rate cases, we find that in this case no class shall
23 receive an increase greater than 1.5 times the system average percentage increase in

1 total, *i.e.*, with adjustment clauses, and no class should receive a decrease.” Order No.
2 PSC-10-0153-FOF-EI, p. 179. Thus, the proposal by FIPUG and FRF has been
3 considered and rejected by the Commission.

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5 Further, excluding clause revenues would distort the proper application of gradualism,
6 impede the movement of several rate classes toward parity, significantly reducing the
7 likelihood of ever achieving parity for those classes, and continue inter-class subsidies
8 that benefit one class of customers over another.

9 **Q. FIPUG witness Pollock also contends that total operating revenues incorrectly**
10 **include the CILC/CDR incentive payments. Do you agree?**

11 A. No. CILC/CDR payments are considered base revenue and, therefore, are
12 appropriately included in total operating revenue as shown on MFR E-5 (supporting
13 schedule MFR C-1). FIPUG witness Pollock is choosing to remove certain rate
14 components, then claiming that the increase to the adjusted CILC/CDR class violates
15 gradualism, which is a distortion of the gradualism guidelines. FPL followed the
16 Commission’s gradualism guidelines in determining each rate class’s revenue
17 apportionment of the proposed increase. Based on the current parity of each rate class,
18 FPL correctly applied the Commission’s gradualism guidelines and designed rates
19 accordingly.

1 **Q. FIPUG witness Pollock asserts that the Commission's practice is to apply**
2 **gradualism to sales revenue and cites page 179 of Order No. 10-0153-FOF-EI. Is**
3 **he correct?**

4 A. No. Order No. 10-0153-FOF-EI page 179 states, "Consistent with our decision in more
5 recent electric cases, we find that in this case no class shall receive an increase greater
6 than 1.5 times the system average percentage increase in total *i.e.*, with adjustment
7 clauses, and no class should receive a decrease. When calculating the percentage
8 increase, FPL shall use the approved 2010 adjustment clause factors." Not once is the
9 term sales revenue cited in the Commission's Order.

10 **Q. FEA witness Gorman asserts that FPL's application of gradualism in this docket**
11 **is different than prior cases and does not produce a gradual movement toward**
12 **cost of service. He then attempts to recreate FPL's gradualism calculation for**
13 **2026 and 2027 in Tables 1 and 2 of his testimony. Do you agree with his assertion**
14 **and calculations?**

15 A. No. First, FPL's application of gradualism in this docket is consistent with past practice
16 and the Commission's direction as explained above. Second, FEA witness Gorman
17 excludes Other Operating Revenue in his calculations and performs the gradualism
18 calculation on base revenue not total operating revenue. This is an improper calculation
19 of gradualism. Additionally, I note that his revenue allocation is based on a 4CP
20 Production Allocator, which should be rejected for the many reasons explained in the
21 rebuttal testimony of FPL witnesses DuBose and Phillips.

1 **Q. Are there other Commission orders that support FPL’s calculation of the**
2 **gradualism guidelines?**

3 A. Yes. The Commission has consistently held that the gradualism guidelines should be
4 based on 1.5 times the system average percentage increase, in total, including
5 adjustment clauses. *See, e.g.*, Order No. PSC-08-0327-FOF-EI issued May 19, 2008,
6 in Docket No. 070304-EI; Order No. PSC-09-0283-FOF-EI issued April 30, 2009, in
7 Docket No. 080317-EI; Order No. PSC-10-0153-FOF-EI issued March 17, 2010, in
8 Docket No. 080677-EI; and Order No. PSC-13-0443-FOF-EI issued September 30,
9 2013, in Docket No. 130040-EI.

10 **Q. FIPUG witness Pollock states that FPL did not reflect the impact of using the**
11 **proposed 12CP and 25% cost of service methodology in various cost recovery**
12 **clause allocations when applying the gradualism principle. Please explain.**

13 A. Mr. Pollock is correct that the cost recovery clause allocations shown on MFR E-8
14 reflect the existing 12CP and 1/13th cost of service methodology. This is due to timing.
15 The cost of service using 12CP and 25% allocation method for production plant was
16 completed in January 2025 and the MFR E-8 was completed a few weeks later. There
17 was not sufficient time to adjust clause allocations based on the 12CP and 25%
18 allocation method. FPL provided the clause impact to all classes shown in MFR A-2
19 in response to FIPUG’s First Set of Interrogatories No. 10. FPL agrees to use the final
20 approved cost of service methodology to calculate gradualism on total operating
21 revenues in the final approved revenue allocation in this docket.

1 **Q. FRF witness Georgis recommends that FPL establish a band of +/- 15% “to**
 2 **establish a tolerance zone within which a customer class should expect to receive**
 3 **no more or no less than the system average increase.” He also recommends that**
 4 **FPL “apply an equal percentage increase to all customer classes for any base rate**
 5 **revenue increase that the Commission may authorize.” Do you agree with his**
 6 **proposal?**

7 A. No. Essentially, FRF is asking the Commission to abandon cost-based allocations and
 8 gradualism. Regardless of the amount of revenue increase, any increase should be
 9 spread to all customer classes based on cost of service allocations that move all
 10 customer classes closer to parity while adhering to the Commission’s gradualism
 11 guidelines.

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13 **III. FPL’S TYPICAL RESIDENTIAL BILL**

14 **Q. FEL witnesses Rábago and Marcelin criticize FPL for using the typical residential**
 15 **1,000 kWh bill as a benchmark to other utilities and the national average instead**
 16 **of the average bill. Do you have any comments?**

17 A. FPL was very clear throughout its direct testimony that we are using the “typical”
 18 residential 1,000 kWh bill, which is an industry-accepted benchmark. This benchmark
 19 is utilized by Edison Electric Institute and by this Commission to compare a residential
 20 bill at a certain usage level to other utilities.

21 **Q. Why do you not benchmark the average residential bill?**

22 A. The average residential electric bill is not a meaningful benchmark due to several
 23 factors. First, average usage varies significantly across states because of differences in

1 climate and the availability of other energy sources. Using the average residential bill
 2 for FPL's energy costs artificially inflates the costs compared to states with mixed
 3 energy sources since Florida households rely almost entirely on electricity for most end
 4 use appliances, as well as both heating and cooling.

5
 6 The tables below compare the five lowest average bills for investor-owned utilities
 7 ("IOU") with bundled service rates and more than 100,000 residential customers to
 8 FPL based on the same data from the U.S. Energy Information Administration ("EIA")
 9 relied upon by FEL witnesses Marcelin and Rábago. Table 1 compares temperature,
 10 fuel sources, and reliance on electricity; and Table 2 focuses on total energy
 11 consumption and expenditure, where FPL ranks the lowest consumption per capita
 12 despite higher temperatures.

Table 1		Temperature ⁽¹⁾		Energy Source % ⁽²⁾	
IOU	State	Avg °F	Rank	Electricity	Natural Gas/Other
PacifiCorp	WY	44	48	23%	77%
Public Service Co of Colorado	CO	48	40	25%	75%
PacifiCorp	UT	51	33	17%	83%
Commonwealth Edison Co	IL	56	23	19%	81%
Public Service Co of NM	NM	56	21	24%	76%
FPL	FL	73	1	90%	10%

Sources: (1) NOAA National Centers for Environmental information, Climate at a Glance: Statewide Mapping, published June 2025; (2) U.S. Census Bureau, U.S. Department of Commerce. "House Heating Fuel." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B25040

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Table 2		Total Energy Consumption ⁽¹⁾		Total Expenditures ⁽¹⁾	
IOU	State	Per Capita	Rank	Per Capita (\$)	Rank
PacifiCorp	WY	854	47	\$10,116	49
Public Service Co of Colorado	CO	232	17	\$4,114	6
PacifiCorp	UT	248	19	\$4,160	9
Commonwealth Edison Co	IL	276	25	\$4,117	7
Public Service Co of NM	NM	321	33	\$4,873	27
FPL	FL	188	6	\$3,744	1

Source: (1) U.S. Energy Information Administration, State Energy Data System

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2 These tables illustrate a few important points. FPL provides service in Florida, which
3 has the highest average temperature of peer utilities and ranks first in the nation for
4 warmest climate. Florida temperature is 43% hotter than the average of the lowest five
5 utilities shown in Table 1. However, despite having the highest temperature, Florida
6 ranks lowest in total energy consumption per capita and lowest in total energy
7 expenditures per capita of the comparison group shown in Table 2. Further, FEL
8 witnesses Marcelin and Rábago disregard that Florida households are almost entirely
9 electric for every major end-use appliance, whereas customers in most other states split
10 those needs among two or more fuels, such as electric for cooling in the summer and
11 gas for heating in the winter. Notably, in the five states shown in the comparison,
12 electricity supplies only 17% to 25% of the household needs. By contrast, 90% of
13 household energy in Florida is electricity, the largest in the United States. Any
14 comparison that looks only at average electric bills with Florida's all-inclusive energy
15 bill against only a partial bill in states with mixed energy sources, is artificially
16 overstating Floridians' true energy burden and understating the true energy burden of
17 customers elsewhere.

1 Second, the benchmarks used by the EIA do not account for individual rate schedules
2 or regional factors, such as storm restoration costs that are more common in Florida.
3 The data reported to EIA aggregates total revenue and usage across the entire
4 residential revenue class, which includes the standard residential rate, clauses and
5 riders, and optional residential riders like time-of-use, EV schedules, and residential
6 lighting schedules. Therefore, EIA's average residential bill is not a true direct
7 comparison for the typical residential 1,000 kWh electric bill under the standard
8 residential rate schedule that serves over 5.3 million residential customers. Both 2023
9 and 2024 bills included the recovery of storm costs for Hurricanes Ian, Nicole, Sally,
10 and Zeta (unique to only a few states in the country) and also \$2.2 billion in fuel under-
11 recovery, both of which increased the bill in those years. Benchmarking the typical
12 residential 1,000 kWh electric bill is an industry-accepted approach and more
13 appropriate and meaningful for purposes of comparing and evaluating electricity rates.

14 **Q. FEL witness Rábago asserts that comparing the typical 1,000 kWh bill to the**
15 **national average misrepresents the average usage of FPL customers, which he**
16 **claims is substantially greater than 1,000 kWh per month. Do you have a**
17 **response?**

18 A. Yes. In 2024, average monthly usage for FPL customers varied from approximately
19 850 kWh to 1,425 kWh over the course of a year with an average usage of
20 approximately 1,125 kWh. The climate in Florida plays a large role in the amount of
21 electricity used by customers, which is why FPL customers use more electricity in the
22 summer months than in the winter months. Though usage varies, approximately 55%
23 of FPL residential customers used less than 1,000 kWh on average.

1 **Q. FEL witness Rábago suggests that FPL proposes to increase the volumetric energy**
2 **charge for residential customers in an economically regressive way. Do you have**
3 **a response?**

4 A. Yes. Commission Order No. 10306 in Docket No. 81002-EU established the
5 residential rate’s penny differential between the kWh usage tiers. When applying
6 percent increases to all base rates, such as done with limited base rate adjustments (*e.g.*,
7 “*SoBRA*”), the same percentage when applied to two different numbers produces
8 different results and the penny differential is skewed. Resetting the penny differential
9 is strictly in adherence to the Commission order and is a matter of policy.

IV. MINIMUM BILL

12 Q. FEL witness Rábago states that customers affected by the minimum bill are
13 required to pay for a service they do not use and for costs they did not cause. Do
14 you agree with this statement?

15 A. No. FEL witness Rábago’s assertion overlooks essential elements of the minimum bill.
16 The minimum bill ensures that all residential and general service non-demand
17 customers contribute to their fair share of fixed system costs that FPL incurs to maintain
18 readiness to serve customer loads, regardless of actual usage. This readiness includes
19 infrastructure required for reliable service (*e.g.*, wires, poles, and transformers), which
20 are essential to connect and serve electricity to all customers, including those with low
21 or zero usage.

1 For example, a seasonal homeowner who has the means to afford more than one
2 residence might only occupy their property part of the year, yet this customer benefits
3 from FPL's existing investment in the facilities that must be maintained and ready to
4 provide service all year. Reliable electric service must be available to meet customer
5 needs at all times. This results in fixed costs that are not driven by actual energy
6 consumption but by the necessity to ensure service availability at any time. Therefore,
7 the minimum bill is a fair measure to recover these costs equitably across all customers.

8 **Q. FEL witness Rábago asserts that the minimum bill is economically regressive and**
9 **forces low use customers to subsidize high use customers and violates core**
10 **principles of sound utility ratemaking. Please comment.**

11 A. The assertion misunderstands the role of the minimum bill. This minimum bill
12 structure ensures that all users fairly contribute to the necessary costs of maintaining
13 the system, which is crucial for reliable electricity supply. By having a minimum bill,
14 unavoidable fixed costs are appropriately distributed, ensuring that every customer
15 contributes fairly, irrespective of their usage level.

16 **Q. FEL witness Rábago asserts that FPL incorrectly attempts to recover fixed costs**
17 **through a fixed charge and concludes that rate design should not mimic cost**
18 **structure. Do you agree?**

19 A. No. In fact, recovering fixed costs through a fixed charge is exactly in line with several
20 key ratemaking principles. Fixed costs are those necessary to maintain the readiness
21 and availability of the utility infrastructure regardless of consumption levels. By
22 recovering these costs through a fixed charge, each customer contributes fairly to the
23 expenses incurred by the utility to provide consistent and reliable service. This

1 approach prevents low-usage customers, such as seasonal or part-time occupants, from
2 being subsidized by those who consume more since all benefit from the same
3 infrastructure.

4 5 V. EV RATE DESIGN

6 **Q. Walmart witness Chriss recommends that the GSD-1EV and GSLD-1EV riders**
7 **be modified to eliminate the demand charge and recover all revenue requirements**
8 **through the base charge and energy charge. Do you agree?**

9 A. No. All customers with demand over 25 kW pay a demand charge under FPL's rate
10 structure. This ensures that the cost incurred by FPL for infrastructure needed to serve
11 the load is recovered through the appropriate charge. Demand charges make the pricing
12 more reflective of the actual costs associated with electricity delivery, particularly the
13 costs of maintaining the capacity required to meet high demand levels. The EV rate
14 contains a demand limiter meaning that the demand charged to a customer each month
15 is no greater than the kWh sales divided by 75 hours. As a result, billing months in
16 which the customer experiences a load factor less than 10.4%¹ will see a lower billing
17 demand and reduced demand cost than they otherwise would under rate schedule GSD-
18 1 or GSLD-1. This means that low-load factor customers are not subject to the full
19 demand charge and are provided a reduced rate. Walmart witness Chriss's proposal is
20 already achieved through the demand limited rate structure.

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¹ For a 30-day bill month.

1 As explained further by FPL witness Oliver, the goal is that over time the load factor
2 for the EV station increases over 11%, meaning utilization of the EV station increases,
3 and the station moves to the full demand rate and is therefore treated the same as all
4 other customers with similar load and load factors taking service under the GSD-1 and
5 GSLD-1 rate schedules.

6 **Q. Walmart witness Chriss recommends that the revenue requirements for GSD-**
7 **1EV and GSLD-1EV be set by applying a multiplier to the GSD-1 and GSLD-1**
8 **average base rate and applying the calculated rate to the forecasted kWh. Do you**
9 **agree?**

10 A. No. The GSD-1EV and GSLD-1EV rates are in the same rate class as GSD(T)-1 and
11 GSLD(T)-1 as they have similar usage characteristics. The EV rates were designed to
12 follow the GSD-1 and GSLD-1 standard rates and include a provision to limit billing
13 demand kW to equal the monthly kWh divided by 75 hours. The demand limiter
14 provision, all else being equal, provides a discount that would otherwise be recovered
15 through the demand charge absent the kW limiter provision. By proposing an
16 alternative method for increasing the GSD-1EV and GSLD-1EV rates, he is further
17 disconnecting the cost relationship between the EV and standard rates and creating an
18 instance where costs will not be recovered consistently across the customer class and
19 could create intra-class subsidies among the already discounted low load factor EV
20 customers.

1 **Q. Walmart witness Chriss proposes that GSLD-1EV be uncapped to permit loads**
2 **of 2,000 kW and greater to take service on this rate schedule. Do you agree?**

3 A. No. Walmart's proposal for FPL to expand the General Service Demand Limiter EV
4 tariffs to loads above 2,000 kW implies they are expanding their EV charging
5 infrastructure program and their proposal would essentially give that expanded
6 program a bill discount. Moreover, FPL's rate classes, for the purpose of the cost of
7 service study, offer rate schedules for customers with similar attributes, such as
8 customer type, monthly consumption, demand or load, delivery requirements and cost
9 causation. The Commercial and Industrial classes are generally segmented and based
10 on specific levels of demand.

Class Type	Demand kW
GS(T)-1 – General Service - Non-Demand	0-24
GSD(T)-1 – General Service - Demand	25-499
GSLD(T)-1 – General Service - Demand	500-1,999
GSLD(T)-2 – General Service - Demand	2,000+
GSLD(T)-3– General Service - Demand	2,000+ (69 kV or Above Delivery Service)

11
12 EV loads of 2,000 kW or greater should be on GSLD-2 standard rates. FPL believes
13 based on the information available at this time, there is no need to expand GSLD-1 for
14 EV loads above 2,000 kW.

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VI. CIAC TARIFF

Q. FIPUG witness Pollock states that FPL's proposed modification to its existing CIAC tariff would be a significant and drastic change over the current long-standing policy. Do you agree with his characterization?

A. No. I agree that FPL is proposing to change the way it backstops the non-CIAC amount of the total project transmission and distribution costs it recovers from the customer seeking new or upgraded facilities to better protect the general body of customers from the risks associated with the cost incurred to install new or upgraded facilities to serve significantly large new or incremental loads, but I disagree that this is a drastic change. Under FPL's existing CIAC tariff, applicants requesting new or upgraded facilities are required to pay the CIAC amount up front, and the remaining balance of the total project costs are recovered from the applicant through base rates (*i.e.*, the non-CIAC amount). It is the applicant, not FPL or the general body of customers, that controls whether the projected load that caused the costs to be incurred will actually materialize. However, as I explain in my direct testimony, the general body of customers bears the interim risk that the projected load and estimated annual revenue used to calculate the applicant's CIAC amount will, in fact, materialize over the four-year period.

To help protect the general body of customers from this risk, FPL currently requires an applicant with speculative or uncertain load or revenues to enter into a Performance Guaranty Agreement ("PGA") set forth in FPL's Commission-approved tariff. In summary, the PGA requires the applicant to post security in the form of cash, surety, or letter of credit in an amount equal to the non-CIAC amount to be recovered in base

1 rates. Under the PGA, if the revenues paid by the applicant by the end of the four-year
2 period are less than the non-CIAC amount, FPL can draw on the security to cover the
3 differential and the remaining security amount, if any, is released to the applicant.
4 Thus, under FPL's current CIAC policy, an applicant pays the CIAC up front, posts the
5 security amount up front, repays the non-CIAC amount through base revenues, and
6 pays the differential (if any) at the end of the four-year period. Notably, FPL's general
7 body of customers continue to bear the interim risk until year five of the applicant's
8 service when FPL is permitted under the PGA to retain the differential, if any, to keep
9 the general body of customers whole.

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11 FPL's proposed modification to its CIAC tariff is substantially similar to, and based
12 on, FPL's Commission-approved PGA. The proposed CIAC tariff mechanism is
13 explained in detail in my direct testimony. In summary, under the proposed CIAC
14 tariff, the applicant pays the CIAC up front, pays the non-CIAC amount up front similar
15 to the security amount under the PGA, receives a bill credit up to the non-CIAC amount
16 over a five year period similar to paying base revenues over that same period, and FPL
17 is permitted to retain the differential, if any, at the end of the five-year period to keep
18 the general body of customers whole.

19 Thus, FPL's current PGA and proposed CIAC tariff are substantially similar except
20 that, under the proposed CIAC tariff, applicants get the benefit of one additional year
21 to repay the non-CIAC amount and the general body of customers do not have to bear
22 the interim risk until year five of the applicant's service. Notably, under both the PGA
23 and the proposed CIAC tariff, the applicants end up paying the exact same CIAC and

1 non-CIAC amounts, all things being equal. The primary difference is when the risk to
2 the general body is addressed -- up front under the proposed CIAC tariff versus at the
3 end under the PGA.

4 **Q. If the PGA is currently available, why does FPL believe the proposed CIAC tariff**
5 **is needed?**

6 A. The proposed CIAC tariff applies to applicants requesting significantly large new or
7 upgraded facilities. As explained in the direct and rebuttal testimonies of FPL witness
8 De Varona, there is a significant risk to the general body of customers for costs they
9 would be required to front for large transmission and/or distribution projects to extend
10 service if the forecasted load does not materialize. To better protect the general body
11 of customers from the risks associated with the cost incurred to install costly new or
12 upgraded facilities to serve significantly large new or incremental loads, FPL is
13 proposing to address that risk up front under the proposed CIAC tariff rather than have
14 the general body of customers bear that interim risk until year five of the applicant's
15 service.

16 **Q. FIPUG witness Pollock claims that FPL's proposed CIAC tariff shifts cost**
17 **recovery risk from FPL to the applicants. Do you have a response?**

18 A. Yes. Currently, if the revenues paid by the applicant by the end of the four-year period
19 are less than the non-CIAC amount, any shortfall is either paid by the applicant under
20 the PGA or paid through the revenues received from the general body of customers
21 (*i.e.*, subsidized by FPL's other customers). Again, it is the applicant, not FPL or the
22 general body of customers, that controls whether the projected load that caused the
23 costs to be incurred will actually materialize. Thus, rather than placing the interim risk

1 on the general body of customers that an applicant with large projected load will
2 materialize, the proposed new CIAC tariff requirement shifts that risk to the cost causer.

3 **Q. FIPUG witness Pollock argues that the proposed CIAC tariff should not apply to**
4 **existing customers that have already established a credit history and relationship**
5 **with FPL. Do you agree?**

6 A. No. Any customer, whether they are existing or new, that is adding net new incremental
7 load of 15 MW or more on to FPL's system, or that requires the installation of new or
8 upgraded facilities that cost \$25 million or more, should be subject to the proposed
9 CIAC tariff to better protect the general body of customers from the risks associated
10 with these costly new or upgraded facilities as further addressed in the direct and
11 rebuttal testimonies of FPL witness De Varona. Given that the potential impacts and
12 cost recovery risks are the same, whether the applicant is a new or existing customer,
13 FPL proposes to treat these customers similarly under the proposed CIAC tariff. I also
14 note that FIPUG witness Pollock incorrectly assumes that a new customer would be
15 less creditworthy than an existing customer.

16 **Q. FIPUG witness Pollock states that FPL gives preferential treatment to**
17 **governmental agencies by exempting them from the proposed new CIAC policy.**
18 **Can you explain why the proposed new CIAC policy only applies to non-**
19 **governmental agencies?**

20 A. The proposed CIAC tariff modification is only applicable to non-governmental
21 applicants given the complexities and limitations that governmental entities may have
22 with funding CIAC obligations. For example, governmental entities are subject to
23 budgeting and appropriations approved by their governing body and may be prohibited

1 from incurring obligations or making expenditures in certain circumstances.
2 Additionally, governmental entities carry less financial risk to FPL's general body of
3 customers by virtue of having a taxpayer base to support their financing needs.

4 **Q. FIPUG witness Pollock recommends that the proposed CIAC policy should apply**
5 **when customers request more than 50 MW of new load and the required spend**
6 **for the new and/or upgraded facilities exceeds the costs that are supported under**
7 **the applicable base rates. Do you have a response?**

8 A. Yes. FPL witness De Varona addresses why FPL believes the proposed 15 MW
9 threshold is reasonable. Further, FIPUG witness Pollock's proposal to apply the
10 proposed CIAC policy only to customers where the total project costs exceed the annual
11 revenues projected to be received from the applicant through the applicable base rates
12 paid over a four-year period would create a loophole. As required by Rule 25-6.064,
13 Florida Administrative Code, both the CIAC and non-CIAC amount are determined
14 from (i) the total project costs and (ii) the applicant's estimated four-year annual
15 revenues. If the required spend for the new and/or upgraded facilities exceeds the costs
16 that are supported under the applicable base rates, the applicant is required to pay a
17 CIAC amount. If, however, the required spend for the new and/or upgraded facilities
18 does not exceed the costs that are supported under the applicable base rates, no CIAC
19 amount is required to be paid by the applicant. Thus, under FIPUG witness Pollock's
20 approach, the proposed CIAC policy would not apply to applicants that are not required
21 to pay CIAC. The problem with this approach is that significantly large customers,
22 such as a new 500 MW customer seeking service under FPL's proposed LLCS-1 tariff,
23 could require capital investments exceeding \$100 million but may nonetheless not be

1 required to pay any CIAC under the Rule due to their expected revenues. Under FIPUG
2 witness Pollock's theory, these customers would not be subject to the proposed new
3 CIAC policy and the general body of customers would bear the risk that the annual
4 revenues estimated to be recovered from the applicant to repay these significant capital
5 investments will, in fact, materialize. This very realistic loophole is directly contrary
6 to the purpose of FPL's proposed new CIAC policy and should be rejected.

7 **Q. Do the intervenors take issue with FPL's proposal under the new CIAC policy to**
8 **give applicants a refund of the non-CIAC amount through monthly bill credits for**
9 **a period limited to a maximum of five years from the in-service date or until the**
10 **full non-CIAC amount has been refunded to the applicant through bill credits?**

11 A. Yes, FIPUG witness Pollock and FEIA witness Loomis both propose alternatives.
12 FIPUG witness Pollock suggests that the five-year refund period should be extended to
13 customers who have a specific load ramp so that the five-year refund period begins at
14 the end of the load ramp period. I disagree with this proposal for three reasons. First,
15 to the extent the applicant and FPL have agreed to a specific load ramp, that load ramp
16 is already factored into the calculation of the applicant's CIAC and non-CIAC amounts.
17 Second, FPL gives applicants one additional year to meet their CIAC obligation under
18 the proposed new CIAC policy (five years) as compared to the current PGA policy
19 (four years) as previously explained. Third, it is my understanding that FPL must
20 install and incur the costs for the new and upgraded facilities required to serve the
21 applicant's full contract demand as of the customer's in-service date irrespective of the
22 load ramp. And fourth, under FIPUG witness Pollock's proposal, a customer with a
23 five-year load ramp would have to wait until year six from their in-service date to start

1 receiving refunds and would not receive the full entitled refund for up to 10 years from
2 their in-service date. This approach would result in a significant delay in the refund,
3 as well as artificially increase the total amount to be refunded due to interest accruing
4 on the upfront payment through both the load ramp period and the refund period.

5
6 FEIA witness Loomis recommends that the five-year refund period be eliminated from
7 the new CIAC policy. In essence, FEIA witness Loomis believes applicants should get
8 a full refund of the non-CIAC amount regardless of how long it takes. Similar to
9 FIPUG witness Pollock, FEIA witness Loomis ignores that FPL must install and incur
10 the costs for the new and upgraded required to serve the applicant's full contract
11 demand as of the customer's in-service date. I also submit that the limitless refund
12 period suggested FEIA witness Loomis is not consistent with the spirit and purpose of
13 Rule 25-6.064, Florida Administrative Code, that calculates the CIAC and non-CIAC
14 amounts based on four-years of estimated annual revenue requirements. As explained
15 above, applicants would currently only get four years under the current PGA policy
16 before the remaining unpaid balance of the non-CIAC amount would be drawn from
17 the applicant's upfront security amount. Under the proposed new CIAC policy, FPL is
18 proposing to give applicants one additional year (five total) before any remaining
19 balance of the non-CIAC amount becomes non-refundable. FPL submits that this is
20 reasonable and generally consistent with the Rule and existing PGA, while better
21 protecting the general body of customers.

22

1 **VII. LARGE LOAD CONTRACT SERVICE**

2 **Q. Can you please summarize the intervenor testimony regarding FPL's proposed**
3 **new LLCS-1, LLCS-2, and LLCS Service Agreement tariffs?**

4 **A.** Yes. Four different intervenors submitted testimony regarding FPL's proposed LLCS
5 tariffs. FEIA submitted testimony opposing the proposed LLCS tariffs and argues that
6 data center customers should be permitted to stay on the existing GSLD-3 rate schedule
7 or, in the alternative, the LLCS rates should be set to be competitive with data center
8 rates in other jurisdictions. The FEIA witnesses also oppose certain protections for the
9 general body that are included in the proposed LLCS tariffs. Walmart generally
10 supports the LLCS tariffs but questions whether the 25 MW demand threshold is too
11 low and could unintentionally include more traditional commercial and industrial
12 customers. Both FIPUG and FEA agree that the general body of customers should be
13 protected from the costs incurred to serve new large data centers, but they question
14 whether the tariffs are premature given that there are no current customers that would
15 qualify under the LLCS tariff. FIPUG also questions whether the rates under the LLCS
16 tariffs are too high as compared to the GSLD-3 rate, as well as the potential impacts on
17 fuel costs. Finally, FEA proposed that the termination notice for the LLCS tariffs be
18 increased from 2 years to 5 years to better protect the general body of customers, the
19 minimum take-or-pay demand charge be reduced, and question the security amount
20 included in the LLCS Service Agreement.

1 **Q. Do you have any general observations regarding the intervenors’ argument**
2 **related to the LLCS tariffs?**

3 A. Yes. The proposed LLCS tariffs, if approved as filed, would apply to any customer
4 with new or incremental load of 25 MW or more and a load factor of 85% or higher
5 (hereinafter, referred to as “Large Load Customers”). The proposed tariffs would apply
6 equally to any customer that meets these thresholds and are not limited to data centers
7 or any other type of business or industry. Although FPL does not have any existing
8 customers that would meet the proposed thresholds for a Large Load Customer, FPL
9 nonetheless believes it is reasonable and appropriate to implement a tariff mechanism
10 now in order to ensure that FPL is ready and able to provide safe and reliable service
11 to future Large Load Customers without impacting service to FPL’s other customers.

12
13 The FEIA witnesses that oppose the proposed LLCS tariffs, and to some extent FIPUG
14 witness Pollock, ignore that FPL currently does not have the capacity on its system to
15 serve these Large Load Customers. As explained in my direct testimony, FPL will
16 need to construct new generation and transmission capacity in order to provide electric
17 service to customers of this magnitude. This additional capacity is not needed to serve
18 the load of either our existing customers or the load growth forecasted for the 2026 and
19 2027 Projected Test Years, nor is it needed to meet FPL’s resource needs. Thus, FPL
20 has designed the LLCS tariffs to ensure that the incremental costs for this new capacity
21 are recovered from the cost causers – the Large Load Customers. If FPL were to allow
22 these Large Load Customers to remain on rate GSLD-3 or reduce the LLCS rate to be
23 “competitive” with other jurisdictions as suggested by FEIA and FIPUG, this would

1 result in the general body of customers subsidizing the costs associated with generation
2 and transmission upgrades that, but for the addition of Large Load Customers, are not
3 needed to serve our other customers or meet FPL's resource needs. Such an approach
4 violates ratemaking principles that base rates should be cost-based and avoid interclass
5 subsidies. Large Load Customers face unique operational requirements that necessitate
6 predictable pricing structures, clear terms and conditions, and expedited market entry
7 processes before they can justify the substantial capital investments required for their
8 facilities. While FPL's proposed tariff incorporates relatively low MW thresholds
9 coupled with restrictive terms and conditions, I believe FPL's proposed tariff or
10 reasonable modifications to the tariff can achieve dual objectives: providing Large
11 Load Customers with the commercial viability necessary to support Florida's economic
12 growth while simultaneously maintaining appropriate safeguards for the general body
13 of customers.

14 **Q. You stated that FPL believes now is the appropriate time to propose the LLCS**
15 **tariffs even though FPL currently does not have any customers that would be**
16 **subject to the tariffs. Can you please further explain the basis for proposing the**
17 **LLCS tariffs in this proceeding?**

18 A. Yes. The electric industry across the country is experiencing significant growth in
19 demand due to the rapid increase in very large load, high usage customers, driven by
20 cloud computing, AI technology, data generation and analytics, data security, and the
21 Internet of Things. Although many data centers are smaller and fall in the range of 5-
22 20 MW of load, the trend is moving towards very large facilities with loads of 100 MW
23 to over 1,000 MW or more at a single location. According to a 2024 report from the

1 U.S. Department of Energy, total data center electricity usage climbed from 60 TWh
2 in 2014-2016 to 176 TWh in 2023 and estimates an increase between 325 to 580 TWh
3 by 2028.² This potential for significant growth due to substantially large load, high
4 usage customers is real. Indeed, since 2023, FPL has received inquiries from over 50
5 Large Load Customers seeking to site a combined total of approximately 21 GW of
6 load, with speed to market being a top priority.

7

8 This growth in significantly large and unprecedented customers has the potential for
9 significant impacts to transmission and generation capacity across the grid. Based on
10 discussions with recent Large Load Customers inquiring about service within FPL's
11 service area, FPL estimates that it could take several years after an agreement is reached
12 for both the Large Load Customers and FPL to build out their respective infrastructure
13 and facilities, which means it could be several years before the customer will begin
14 taking electric service and paying rates to recover the costs. Further, the cost of
15 building the capacity and infrastructure necessary to provide service to Large Load
16 Customers can have very significant impacts on the electric rates paid by existing utility
17 customers if adequate and appropriate safeguards are not implemented.

18

19 Given the time necessary to construct both the Large Load Customer and FPL facilities,
20 as well as the ongoing interest in electric service by multiple Large Load Customers,
21 FPL believes that it is reasonable and appropriate to develop tariffs now to be ready

² See Arman Shehabi, *et al.*, Energy Analysis and Environmental Impacts Division, Lawrence Berkeley National Laboratory, 2024 Report on U.S. Data Center Energy Use (Dec. 2024), available at: <https://eta-publications.lbl.gov/sites/default/files/2024-12/lbnl-2024-united-states-data-center-energy-usage-report.pdf>.

1 and able to serve these customers, while still protecting the general body of customers
2 from incremental costs incurred to serve this new load. Simply waiting until a Large
3 Load Customer begins to take service before filing proposed new tariffs, as suggested
4 by FIPUG witness Pollock and FEA witness Gorman, would erode these important
5 customer protections and result in subsidization by the general body of customers until
6 new tariffs and rates are approved. Further, this “wait and see” approach would create
7 significant uncertainty for both FPL and the Large Load Customers as to the terms and
8 conditions of service that will ultimately be approved by the Commission and applied
9 to the customer’s service, which could be commercially untenable for both FPL and
10 the Large Load Customers given the substantial capital investment required.

11 **Q. Multiple FEIA witnesses claim that FPL is closing the GSLD-3 rate schedule to**
12 **data centers and that FEIA members would be reclassified as LLCS customers.**
13 **Do you agree with this characterization of FPL’s proposal?**

14 A. No. To be clear, FPL is not closing the GSLD-3 rate schedule, and it will continue to
15 be available for all customers that (i) meet the applicability requirements and (ii) do
16 not fall under the applicability requirements of another rate schedule. I also disagree
17 that the FEIA members are being reclassified from GSLD-3 to the LLCS rate
18 schedules. As explained in my direct testimony, FPL has not entered into any service
19 agreements with any existing or future potential Large Load Customers that would take
20 service under the proposed LLCS tariffs, if approved. Likewise, I note that FEIA
21 claims in its petition to intervene that its members are purportedly developing data
22 centers that could become customers of FPL at some point in the future. Thus, the
23 FEIA members are not being reclassified as suggested.

1 **Q. But do you agree that the GSLD-3 rate schedule would not be available to FEIA's**
2 **members if the LLCS tariffs are approved?**

3 A. Potentially. Just like every other rate schedule in FPL's Commission-approved tariff,
4 the proposed LLCS tariffs have specific applicability requirements based on the unique
5 usage characteristics of that rate class. If FPL's proposed LLCS tariffs are approved
6 and any of FEIA's members become retail end-use customers that have usage
7 characteristics of Large Load Customers under the LLCS tariff approved by the
8 Commission, then the FEIA members would be subject to those tariffs. If, however,
9 the FEIA members become retail end-use customers that have usage characteristics that
10 meet the applicability requirements of another rate schedule, including GSLD-3, then
11 the FEIA members would be subject to those tariffs. This is no different than any other
12 rate schedule in FPL's tariff.

13 **Q. FEIA witness Provine claims that FPL advised that the GSLD-3 tariff would be**
14 **applicable to data centers. Do you have a response?**

15 A. Yes. Currently, the only Commission-approved tariffs that would apply to a non-
16 standby and/or interruptible Large Load Customer who has service supplied at a
17 transmission voltage of 69 kV or higher are FPL's existing GSLD(T)-3 tariffs. The
18 GSLD(T)-3 tariffs apply to data centers taking service today at a transmission voltage
19 of 69 kV or above. However, this does not mean that FPL is precluded or somehow
20 barred from proposing appropriate new or amended tariffs for the Commission's
21 consideration and approval.

22

1 Once a new or amended tariff is approved by the Commission, those tariffs apply to all
2 customers that meet the applicability requirements in the Commission-approved tariff.
3 I also want to point out that, although I do not know the identity of FEIA's members,
4 FPL disclosed to all entities that inquired about potential electric service for data
5 centers that it was considering the proposed LLCs tariffs. FPL sent each entity a
6 memorandum of understanding that advised, among other things, that FPL's tariffs are
7 subject to change. Furthermore, the memorandum of understanding provided
8 indicative drafts of the potential LLCs tariffs that FPL intended to file as part of this
9 case and provided transparency on FPL's internal process for evaluating and providing
10 generation and transmission capacity for data center applicants. It is important to note
11 that FPL expects the LLCs class will ultimately achieve parity with overall system
12 costs. Once cost alignment is realized, it will conclusively establish that no additional
13 burden will be imposed upon the general body of customers. At that juncture, the LLCs
14 class rates will be substantially equivalent to GSLD-3 rates.

15 **Q. FEIA witness Provine claims that the terms and conditions of the proposed LLCs**
16 **tariffs are discriminatory because they are not applicable to GSLD-3 customers.**
17 **Do you have a response?**

18 A. Yes. I disagree that FPL's proposed LLCs tariffs are unjustly discriminatory or
19 preferential. FPL has no Large Load Customers that meet both the demand and load
20 factor thresholds in the LLCs tariffs. FPL is creating a new rate schedule that will
21 apply to future Large Load Customers with the usage characteristics that are vastly
22 different than FPL's existing customers that will continue to be served under the
23 GSLD-3 tariff. Further, FPL will need to make significant investments in new

1 incremental generation capacity that, but for the Large Load Customer's request for
2 service, would not otherwise be incurred or needed to serve the general body of
3 customers. These potential system impacts and required upgrades to the system caused
4 by a single Large Load Customers are unique and unlike any other customer served on
5 FPL's system, including any existing GSLD-3 customer. Thus, the customers to be
6 served under the proposed LLCs tariffs and the GSLD-3 tariff are not similarly situated
7 customers and, therefore, applying different rates and conditions is not discriminatory
8 or preferential treatment.

9 **Q. Multiple FEIA witnesses appear to suggest that data centers should continue to**
10 **be served under the current GSLD-3 rate or at a rate that is equivalent to the**
11 **GSLD-3 rate. Do you have concerns with their proposal?**

12 A. Yes. As I explained above, the FEIA witnesses ignore that FPL does not have the
13 capacity on its system today to serve customers of this size. Likewise, they overlook
14 that, in order to serve a customer of this magnitude, FPL will need to make significant
15 investments in new incremental generation capacity that, but for the customer's request
16 for service, would not otherwise be incurred or needed to serve the general body of
17 customers or to meet FPL's resource needs. FPL's current and proposed GSLD-3 rate
18 does not include the costs required to serve any Large Load Customers that would
19 qualify under either the LLCs-1 or LLCs-2 rate schedules. Thus, allowing data centers
20 to be served under the current GSLD-3 rate as suggested by the FEIA witnesses would
21 result in data centers being subsidized by the general body of customers.

1 **Q. What would be the potential impact if Large Load Customers were served under**
2 **the GSLD-3 rate schedule?**

3 A. Again, these customers would be subsidized by the general body of customers. Further,
4 during FPL's next applicable rate case, all the costs incurred to serve these customers
5 would be evaluated consistent with the then approved cost of service study. If each
6 rate class were taken to full parity in the next applicable rate case, FPL would expect
7 the very significant costs required to be incurred to serve these data center customers
8 to be allocated to and significantly increase the rates for all customers in the GSLD-3
9 rate class, which would include a large number of existing commercial and industrial
10 customers that take transmission service but fall well below the thresholds proposed
11 for the LLCS tariffs. Such an approach could become untenable for these smaller-sized
12 customers taking service under GSLD-3. On the other hand, if the rate increases in the
13 next applicable rate case were limited by the Commission's gradualism policy, this
14 approach could significantly limit the rate increase that could be allocated to the GSLD-
15 3 rate class and result in these data centers continuing to be subsidized by the general
16 body of customers. Given the magnitude of the capital investment necessary to serve
17 Large Load Customers under the LLCS rate schedules, this later approach relying on
18 gradualism could take many years and multiple rate cases to "dig out" of such a parity
19 hole.

1 **Q. FIPUG witness Pollock and Walmart witness Perry oppose the Large Load**
2 **Customer thresholds for the proposed LLCS tariffs and recommend that they be**
3 **increased to 50 MW and 75 MW, respectively. Do you have a response to this**
4 **recommendation?**

5 A. Yes. Both FIPUG and Walmart recommend increasing the Large Load Customer
6 thresholds because, according to their witnesses, a threshold of 25 MW or more and
7 load factor of 85% or more could unintentionally pick up existing customers and
8 traditional commercial and industrial customers. However, the LLCS tariffs are not
9 designed to include any specific end-use customer type but, rather, are intended to
10 capture all customers that meet the thresholds approved for the LLCS tariffs.
11 Therefore, customers that meet Large Load Customer thresholds should be subject to
12 the LLCS tariffs irrespective of whether they are considered a traditional or non-
13 traditional commercial and industrial customer.

14
15 FPL initially proposed the thresholds for the Large Load Customers to address the
16 potential that a customer with load of 25 MW or more and a load factor of 85% or more
17 could have impacts on FPL's transmission system and generation resource plan. Since
18 the time FPL initially developed the LLCS tariffs, FPL has responded to inquiries from
19 multiple potential applicants, completed two engineering and system impact studies for
20 potential Large Load Customers under the LLCS-1 tariff, and has five other studies
21 currently in progress. Based on this more recent data, including the contract demands
22 and likely load ramps requested in these studies, FPL believes that it is reasonable for

1 the Large Load Customer threshold for the LLCS tariffs to be set at 50 MW or more of
2 new or incremental load with a load factor of 85% or more.

3 **Q. FEIA witnesses Loomis and Provine argue that the Incremental Generation**
4 **Charge (“IGC”) included in FPL’s proposed LLCS-1 tariff turns a 15% rate**
5 **increase for GSLD-3 into a 69% rate increase for LLCS-1. Do you agree?**

6 A. No. The argument by these FEIA witnesses is flawed because it is based on the
7 assumption that FPL has the capacity today to serve a new customer with load of 25
8 MW or more and a load factor of 85% or more, which is incorrect for the reasons I
9 previously explained. I also disagree that FPL is proposing an increase of 69% for the
10 LLCS-1 rate schedule. The LLCS rate schedules do not exist today, so there is no
11 increase. Rather, FPL is proposing new rates for the LLCS tariffs that are designed to
12 recover the forecasted incremental costs that, but for the LLCS customers, would not
13 otherwise be incurred or needed to serve the general body of customers. The rate
14 components under the proposed LLCS tariffs will be reset in subsequent rate
15 proceeding(s) based on the type, characteristics, size, location, and in-service date(s)
16 of the facilities and generation resource(s) installed to serve the LLCS customer loads.
17 I also note that FPL currently has no customers that meet thresholds as Large Load
18 Customers under the LLCS tariffs and, therefore, there are no existing customers that
19 are being migrated from GSLD-3 to LLCS-1 and would experience the increase
20 claimed by the FEIA witnesses

1 **Q. The FEIA witnesses raise concerns that the LLCS rates are not supported by a**
2 **cost of service study. Can you please respond to their concerns?**

3 A. Yes. It appears that FEIA believes the proposed new LLCS rates should be rejected
4 because they are not supported by FPL's cost of service in this case. This is another
5 attempt by FEIA to argue that its members should be permitted to take service under
6 GSLD-3 and be subsidized by the general body of customers. As I explained in my
7 direct testimony, FPL has not projected any LLCS customers until 2028 at the earliest
8 and, therefore, there are no customers, costs, or revenues associated with the LLCS
9 tariffs included in FPL's forecast for the 2026 and 2027 Projected Test Years. Thus, if
10 FPL were to base the proposed new LLCS tariffs on the results of the cost of service
11 study for the 2026 and 2027 Projected Test Years, the associated rates under these new
12 tariffs would be \$0.00, which is a nonsensical result for a Large Load Customer that
13 causes FPL to incur costs for incremental capacity that is not otherwise needed to serve
14 other customers on our system. Because it is not practicable to include the LLCS rates
15 in a cost of service study for this proceeding or to develop a cost of service study for
16 2028 and beyond, FPL used an incremental revenue requirement model to determine
17 the proposed rates for the LLCS-1 tariff based on the difference in the embedded
18 system cost with and without the addition of 3 GW of load onto the FPL system. This
19 revenue requirement model was produced and made available to parties in FPL's
20 response to OPC's Request for Production No. 15.

1 **Q. FEIA witness Loomis claims that FPL failed to comply with parity and**
2 **gradualism when increasing the rates for LLCS-1. Do you have a response?**

3 A. Yes. This is a fallout from his argument that there was no cost of service study to
4 support the proposed LLCS rates, which should be rejected for the reasons I previously
5 explained. Parity and gradualism are concepts that apply when evaluating the present
6 rates and rate increase (or decrease) to be assigned to a particular rate class as compared
7 to the system average increase. As I previously explained, the LLCS tariffs are new
8 tariffs and there are currently no Large Load Customers that meet thresholds for these
9 tariffs. Because there are no present rates for the LLCS rate schedules and, logically,
10 no increase from non-existent present rates, the principles of parity and gradualism are
11 not applicable.

12 **Q. If FPL did not apply parity and gradualism in designing the rates for the LLCS**
13 **tariffs, how are they consistent with standard ratemaking principles?**

14 A. The initial rates proposed for the LLCS tariffs were equitably designed based on the
15 principle of cost causation in order to avoid subsidies by the general body of customers
16 to the greatest extent practicable. The proposed LLCS tariffs include two types of base
17 rates: the typical base rates (*i.e.*, customer, demand, energy) and the IGC. As explained
18 on page 25 of my direct testimony and in FPL's response to Staff Interrogatory No.
19 121, which is provided as Exhibit TCC-7, the base, demand, and non-fuel energy
20 charges for the new rate schedules LLCS-1 and LLCS-2 will be initially set at unit cost
21 equivalents for the GSLD(T)-3 rate class at parity for transmission costs and weighted
22 for fixed production costs to ensure that the LLCS customers pay their fair share of the
23 total embedded system costs.

1 The IGC under proposed rate schedules LLCS-1 and LLCS-2 is designed to recover
2 and highlight the additional, or incremental costs associated with the generation
3 capacity that must be added to FPL's system to serve the LLCS-1 and LLCS-2 load
4 that would otherwise be collected through a base demand charge. To ensure that the
5 general body of customers are protected from higher costs associated with serving
6 Large Load Customers, the LLCS tariffs are designed to account for the difference in
7 the embedded system cost with and without the addition of 3 GW of load for the LLCS-
8 1 tariff, or the addition of large load outside of the 3 GW regions for the LLCS-2 tariff.
9 The difference in embedded cost to the system is reflected in the IGC proposed for Rate
10 Schedules LLCS-1 and LLCS-2. FPL's proposed LLCS tariffs are all designed to
11 proactively protect the general body of customers from incremental generation costs
12 that, but for the LLCS-1 and LLCS-2 customers, would not have otherwise been
13 incurred and are not needed to serve the current general body of customers. A more
14 detailed explanation of how the IGC was designed for the LLCS-1 and LLCS-2 tariffs
15 is provided in FPL's response to FIPUG Interrogatory No. 20, which is provided as
16 Exhibit TCC-8.

17

18 To ensure the rates under the proposed LLCS tariffs remain in line with the principle
19 of cost causation, the IGC and other rate components under rate schedules LLCS-1 and
20 LLCS-2 will be reset in subsequent rate proceeding(s) based on the type,
21 characteristics, size, location, and in-service date(s) of the facilities and generation
22 resource(s) installed to serve the LLCS customer loads. Other factors that will be
23 included in the reset of the rates for the LLCS tariffs will include, but are not limited

1 to, existing and forecasted contracted demand, impacts of load ramps, and received and
2 forecasted revenues.

3 **Q. FEIA witness Ahmed claims that FPL's IGC revenue model results in an over-**
4 **recovery because, according to him, FPL used an overly simplified approach to**
5 **the calculation by taking the highest annual revenue requirement (the "peak"**
6 **year) over the 20-year period and assuming that same revenue requirement for**
7 **every year over the life of project. Can you respond to his criticisms of the IGC**
8 **revenue model?**

9 A. Yes. The IGC in this case was developed using a widely accepted and standard annual
10 revenue requirement calculation. Revenue requirements for utility rates in Florida use
11 the same methodology. The calculation will be adjusted periodically, subject to
12 Commission approval, to account for changes in costs incurred. The IGC proposed in
13 this case, is based on the annual revenue requirement needed to recover the cost
14 expected to be incurred to initially serve an incremental 3 GW of load. The IGC will
15 be reset in subsequent rate proceedings to account for changes in costs incurred, similar
16 to how all other rates are reset before the Commission. Stated otherwise, the declining
17 revenue requirement will be reflected in FPL's subsequent base rate proceedings.

18 **Q. Do you have any other comments?**

19 A. Yes. FEIA witness Ahmed also states: "There is no normalization across the years
20 ranging from \$28.07 / kW-month to \$9.81/ kW-month or a 65% delta. This results in
21 revenue requirements that exceed what would be produced under a levelized or time-
22 weighted average, leading to an unjustified increase in charges." I disagree that using
23 a normalized or levelized approach is appropriate. Setting rates using either of these

1 approaches, all else being equal, would result in the under-recovery of revenue
2 requirements during the first part of the contract period due to the declining nature of
3 the revenue requirements. This shortfall would be borne by the general body of
4 customers throughout that time and until rates could be reset.

5 **Q. In opposition to FPL's proposed IGC, FEIA witnesses Ahmed and Loomis state**
6 **that it is uncertain whether investment tax credits ("ITCs") and production tax**
7 **credits ("PTCs") will continue to be available, which they claim could increase**
8 **rates for the general body of customers. Do you have a response to their concerns**
9 **about the uncertainty of ITCs and PTCs as it relates to the proposed LLCS**
10 **tariffs?**

11 A. Yes. The IGC is designed to recover the incremental costs associated with the
12 generation capacity installed to serve the LLCS loads. The revenue requirement used
13 to calculate the initial IGC rate for the LLCS-1 tariff includes ITCs associated with the
14 batteries that FPL currently estimates will be used to serve the 3 GW of customer load
15 under the LLCS-1 tariff. If the ITCs are not available to offset a portion of the revenues
16 to be recovered through the IGC, this would increase the rates to be recovered from the
17 LLCS customers and would be addressed through FPL's proposed mechanism for
18 changes in tax laws, if approved, or FPL's next applicable base rate proceeding. I note,
19 however, that this is no different than the loss of ITCs or PTCs that offset a portion of
20 the rates and revenues recovered from every other rate class. The IGC proposed for
21 Rate Schedule LLCS-1 is based on the annual revenue requirements for the projected
22 addition of 6,100 MW of battery capacity on FPL's system that would be needed to
23 serve an additional 3 GW of load. As explained by FPL witness Whitley, solar and

1 battery storage are the only limited resource options reasonably available to meet FPL's
2 near-term resource needs for Large Load Customers. Additionally, it is important to
3 note that while the current plan is to use batteries to serve the LLCS loads, whatever
4 generation source that is ultimately built is a system-asset. The cost of the incremental
5 generation will be reset in subsequent rate proceeding(s) based on the type,
6 characteristics, size, location, and in-service date(s) of the facilities and generation
7 resource(s) installed to serve the LLCS customer loads.

8 **Q. FEIA witness Ahmed also indicates that it is not equitable to allocate the full cost**
9 **of battery storage to the LLCS-1 customers because these batteries provide**
10 **system-wide benefits, such as enhanced grid stability and solar energy shifting,**
11 **that he claims accrue to all customer classes. Do you have a response?**

12 A. For pricing purposes only, FPL is assigning the full incremental cost of system assets
13 caused by the addition of 3 GW of large load through the IGC. Operationally, the
14 LLCS customers will be served from all assets on the FPL system. Full assignment of
15 the batteries through the IGC for pricing is appropriate in this case where the
16 incremental cost to the system *is* equal to the annual revenue requirement that the IGC
17 is based upon. The LLCS tariff rates together reflect the total cost to serve 3 GW of
18 load. In subsequent rate cases, any potential system benefits realized would be factored
19 in the LLCS rates and cost of service study performed at that time.

1 **Q. The FEIA witnesses assert that large load customers with high load factors**
2 **support efficient transmission planning, enhance utilization of fixed assets, and**
3 **reduce per-unit costs for all ratepayers. Do you have a response?**

4 A. As a general matter, I agree that the presence of large load customers with high load
5 factors can provide system benefits and share in fixed costs placing downward pressure
6 on rates for all customers. However, those benefits are reduced when the addition of a
7 customer causes the need to add significant and costly new generation capacity,
8 transmission capacity, and/or network upgrades that are not otherwise needed to serve
9 other customers. FPL's proposal in this case is meant to balance the needs of Large
10 Load Customers while also protecting the general body of customers from cost
11 increases.

12 **Q. FEIA witnesses Rizer and Mangum note potential tax revenues, capital**
13 **reinvestment, and job creation as benefits from data centers, and FEIA Rizer**
14 **suggests the Commission should consider these economic benefits when setting**
15 **rates under FPL's proposed LLCs tariff. Do you agree?**

16 A. I agree that, just like any other business looking to locate within FPL's service area,
17 data centers provide local economic benefits and jobs. I also agree that data centers
18 will pay taxes like every other FPL customer. However, the level of local economic
19 benefits and tax revenue that a business provides should not be the basis for setting
20 electric rates. Electric rates are based on the cost incurred to provide electric service.

1 **Q. The FEIA witnesses compare FPL’s rate under the proposed LLCS-1 tariff to**
2 **rates purportedly charged to data centers in other states and argue that the**
3 **Commission should set a rate for the LLCS-1 tariff that is competitive. Do you**
4 **have a response?**

5 A. Yes. In Florida, regulated rates are designed to be cost-based to the greatest extent
6 practicable. The FEIA witnesses cite purported data center rates ranging from 5.5
7 cents/kWh to 8 cents/kWh, which they observe is lower than the 10.16 cents/kWh under
8 FPL’s proposed LLCS-1. The fundamental flaw with FEIA’s approach to setting
9 “competitive” rates is that it is not cost-based and may force customers to subsidize
10 data centers.

11 **Q. Do you have any other observations about FEIA’s rate comparisons?**

12 A. Yes. FEIA’s rate comparisons are not apples-to-apples and ignore regulatory
13 differences among the jurisdictions. For example, several FEIA witnesses cite
14 Dominion Energy rates purportedly paid by data centers in Loudoun County, Virginia.
15 However, FEIA fails to disclose the fact that Dominion Energy is located in a
16 deregulated state located within the regional transmission organization operated by
17 PJM Interconnection LLC. In deregulated states, such as Virginia, suppliers of electric
18 generation capacity compete for the business of data centers, which can negotiate
19 competitive pricing and terms among the various suppliers in the market. Further, the
20 transmission and network upgrades caused by data centers located in PJM are allocated
21 among all the customers in the zones; meaning, all the customers within the allocated
22 zones are paying for the costs of the transmission upgrades caused by the data centers.
23 It is my understanding that approximately \$9.4 billion of additional costs will be

1 allocated to customers in PJM due primarily to the unprecedented demand from data
2 centers.³ Finally, I note that FEIA failed to disclose that Dominion Energy recently
3 proposed a new rate class for high energy users, including data centers, as well as new
4 consumer protections to ensure these customers pay the full cost of their service and
5 other customers are protected from stranded costs.⁴ Although the rates paid by data
6 centers in Loudoun County, Virginia may have historically been lower than FPL's
7 proposed LLCS-1 rate, it appears the effects of the data center demand growth in that
8 area are likely to increase upcoming prices.

9

10 Additionally, FEIA witness Ahmed stated that in lieu of the IGC, FPL should use an
11 Additional Facilities Charge similar in structure and pricing to Entergy Louisiana. The
12 Additional Facilities Charge on Entergy Louisiana's tariff is intended to recover
13 customer-specific distribution and transmission delivery level assets, not incremental
14 generation. The comparison is not meaningful for the LLCS-1 tariff.

³ See Monitoring Analytics, Analysis of the 2025/2026 RPM Base Residual Auction (Jun. 3, 2025), available at: https://www.monitoringanalytics.com/reports/reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_G_20250603_Revised.pdf.

⁴ See Dominion Energy Press Release (Apr. 1, 2025), available at: <https://news.dominionenergy.com/press-releases/2025/Dominion-Energy-Virginia-proposes-new-rates-to-continue-delivering-reliable-service-and-increasingly-clean-energy/default.aspx#:~:text=If%20approved%2C%20the%20new%20fuel,even%20if%20they%20use%20less.>

1 **Q. FIPUG witness Pollock states that the incremental pricing used for the IGC will**
2 **not prevent higher fuel costs being passed on to all customers, and recommends**
3 **that the Commission assign both fixed and variable costs. Do you have a**
4 **response?**

5 A. Yes. All things being equal, I agree that that large energy users can cause higher fuel
6 costs that are recovered from customers. However, when those capacity needs are met
7 with renewable generation resources, such as solar combined with battery, there can be
8 a reduction in fuel costs and a corresponding savings for all customers. Importantly,
9 however, even if the LLCS customers cause an increase in the fuel costs to be recovered
10 from customers, these same LLCS customers will pay their allocated share of these
11 costs through the fuel clause just like every other customer. In fact, non-fuel costs
12 would be spread over a larger base of kilowatt hours with the addition of large load
13 customers putting downward pressure on rates for the general body.

14 **Q. FEIA witness Loomis states that the LLCS rate schedules are prohibitively**
15 **expensive and will not accommodate the entry of data centers in Florida. Do you**
16 **have a response?**

17 A. Yes. As I have explained above, the LLCS tariffs are cost-based and designed to
18 recover the incremental costs from the cost causer. Clearly, if FPL were to offer
19 significantly discounted power to data centers it would encourage data centers to locate
20 within FPL's service territory. However, it could also mean that FPL's other customers
21 would need to subsidize the costs incurred to provide electricity to these data centers.
22 I submit that the challenge is not whether to accommodate this new load growth but,
23 rather, how to do so without distorting electric pricing or forcing other customers to

1 significantly subsidize private infrastructure. FPL welcomes data centers to our service
2 area and supports their efficient growth and development. To ensure sustainable
3 expansion that benefits all customers, data centers should appropriately cover the costs
4 of the incremental capacity they require, allowing them to grow while maintaining fair
5 cost allocations.

6 **Q. In response to the intervenors' concerns regarding the pricing, has FPL**
7 **reevaluated any of its pricing structure for the LLCS-1 tariff?**

8 A. Yes. FPL has confirmed that battery storage remains the only option reasonably
9 available to meet FPL's near-term resource needs for Large Load Customers under rate
10 schedule LLCS-1. However, FPL will continue to evaluate the resource options and
11 availability. The IGC initially proposed in the LLCS-1 tariff was priced based on the
12 revenue requirement for the capacity additions needed to serve the full 3 GW of load
13 to be served under the LLCS-1 tariff be available by 2030, with the IGC and other rate
14 components to be reset in subsequent rate cases as previously discussed.

15
16 Since the time FPL initially developed the IGC for the LLCS-1 tariff, FPL has
17 completed two engineering and system impact studies for potential Large Load
18 Customers that would take service under the LLCS-1 tariff, if approved, and has five
19 other studies currently in progress. Based on this more recent data, including the
20 contract demands and likely load ramps requested in these studies, FPL reasonably
21 expects to only serve a combined total load of approximately 1 GW under the LLCS-1
22 tariff by the end of 2029.⁵ As such, FPL believes it is appropriate to update and reprice

⁵ See FPL's response to FRF Interrogatory No. 4.

1 the proposed IGC for the LLCS-1 tariff based on the capacity additions needed to serve
2 the 1 GW of load by the end of 2029, rather than the entire 3 GW of load available to
3 be served under that rate schedule. The lower 1 GW threshold results in the LLCS-1
4 IGC rate being reduced from the originally proposed rate of \$28.07/kW to \$12.18/kW.
5 Similarly, the LLCS-1 Base Demand rate is adjusted as well. In total, the estimated
6 LLCS-1 rate reduces from 10.16 cents/kWh to 8.68 cents/kWh. The IGC and other
7 rate components of the LLCS-1 will be re-priced in the next base rate case, which if
8 FPL's four-year plan is approved, is expected to be filed in 2029 for rates effective in
9 2030, based on actual and forecasted costs and revenues at that time. The updated
10 proposed tariff is provided in Exhibit TCC-9.

11 **Q. FEIA witness Loomis argues that the LLCS security requirements requiring**
12 **100% collateral for the IGC is excessive and duplicative because the IGC is**
13 **included in the contractual assurances. Do you have a response?**

14 A. Yes. FPL's proposed LLCS Service Agreement requires the Large Load Customers to
15 provide performance security. The performance security is intended to help mitigate
16 the risk associated with a Large Load Customer that breaches or otherwise terminates
17 the agreement and is required to pay the exit fee under the LLCS Agreement. As
18 initially proposed, the security amount was equal to the total IGC to be paid by the
19 Large Load Customer over the 20 year-term of the LLCS Service Agreement, which
20 was a very conservative approach to account for potential Large Load Customers
21 without investment grade credit ratings. However, the FEIA witnesses assert that
22 requiring an upfront security amount equal to the total IGC to be paid over the 20-year
23 term of the agreement would not be commercially acceptable to data center customers.

1 Although I disagree with FEIA witness Loomis that the security should be eliminated
2 for Large Load Customers that meet FPL's credit requirements, I believe that it would
3 be reasonable for the security amount to be based on and reflective of the Large Load
4 Customer's credit rating relative to the investment, with customers that have higher
5 credit ratings required to post lower collateral to reflect their lower relative risk as
6 compared to a customer with a low credit rating, all things being equal.

7 **Q. FEIA witness Loomis opposes FPL's 90% minimum take-or-pay demand charge**
8 **under the proposed LLCS tariffs and recommends that 65% is adequate and**
9 **consistent with industry standard. Do you agree?**

10 A. No. The minimum take-or-pay provision under the LLCS tariffs only applies to the
11 demand charges, which recovers a portion of the fixed transmission, distribution, and
12 customer costs incurred to provide service to the Large Load Customers. Importantly,
13 by the time the Large Load Customer begins to take service, FPL will already have
14 incurred necessary costs to provide electric service to the customer at their full
15 contracted demand. The minimum take-or-pay demand charge under the proposed
16 LLCS tariffs helps ensure that the customer pays for these fixed costs, which would
17 have already been incurred, in the event the Large Load Customer's contract demand
18 does not materialize and/or their demand subsequently drops.

19
20 Given the very significant capital expenditure anticipated to be required to interconnect
21 these Large Load Customers to the system, FPL submits that a 90% minimum take-or-
22 pay demand charge is reasonable. However, in light of FPL's proposed CIAC tariff
23 modification, if approved, and the existing tariff PGA mechanism, if applicable, both

1 of which help backstop the non-CIAC amount to be recovered from the customer as I
2 explained previously, it would not be unreasonable for the Commission to approve a
3 modest reduction in the minimum take-or-pay demand charge from 90% to 70%. The
4 minimum take-or-pay demand charge, combined with the proposed new CIAC
5 modification or PGA, would help mitigate some of the concerns raised by FEIA witness
6 Loomis, while still providing adequate safeguards for the general body of customers in
7 the event the Large Load Customer's contract demand does not materialize and/or their
8 demand subsequently drops.

9 **Q. FEIA witness Loomis opposes the 20-year term proposed for the LLCS tariffs and**
10 **recommends a 12-year term with two 5-year optional extensions. Please comment.**

11 A. The IGC under the proposed LLCS tariffs is designed to recover incremental costs
12 associated with the generation capacity installed to serve the LLCS-1 and LLCS-2 load.
13 The 20-year minimum term of service proposed for the LLCS tariffs corresponds with
14 the expected useful life of the battery storage assets that FPL currently forecasts would
15 be installed to serve the customers load under LLCS-1 and LLCS-2. All things being
16 equal, if Large Load Customers were only required to pay the IGC over a 12-year
17 period as suggested by FEIA, FPL potentially would need to consider increasing the
18 IGC (*i.e.*, recover the same costs over a shorter period of time). I also disagree with
19 the proposal to include two 5-year optional extensions, which would likewise impact
20 the IGC rate to be charged and could have significant impacts on system planning.

1 **Q. FEA witness Gorman recommends that the termination notice for the LLCS**
2 **tariffs be increased from two years to five years. Do you oppose his**
3 **recommendation?**

4 A. No, but I am concerned that a five-year termination notice may not be palatable or
5 reasonable for a Large Load Customer served under the LLCS tariffs. FPL submits
6 that a two-year termination notice requirement is a reasonable approach that will allow
7 both the exiting Large Load Customer and FPL to plan for the customer's termination
8 of service, including any actions needed to safely and adequately address the physical
9 termination of service and potential loss of significant load at the Large Load
10 Customers site. Additionally, FPL believes that the proposed two-year notice
11 requirement will provide FPL with a reasonable period of time to appropriately plan
12 for and determine the overall best use of the capacity for the benefit of its customers.

13 **Q. Do you have a response to the FEIA witnesses claim that data centers will not be**
14 **willing to come to Florida under the terms and rates set forth in FPL's proposed**
15 **tariffs?**

16 A Yes. First, I note that there are no customers on FPL's system that would qualify for
17 LLCS tariffs and, although I do not know the identity of their members, it is my
18 understanding that FEIA represents developers of potential data center sites and not
19 end-use data center customers that would take retail service from FPL. FPL has
20 developed the LLCS tariffs to ensure it can provide safe and reliable service to the
21 Large Load Customers while protecting the general body of customers. Just like any
22 other rate schedule, FPL fully expects to re-evaluate the rates/pricing and terms and
23 conditions for the LLCS tariffs based on actual experience, costs, and revenues known

1 at that time. The re-evaluation and resetting of the rate components of the LLCS tariffs
2 would occur in the ordinary course as part of FPL's base rate proceedings. The non-
3 rate terms and conditions would likewise be re-evaluated as part of FPL's base rate
4 proceedings and/or, if appropriate, potentially through a limited proceeding. Thus, FPL
5 will continue to monitor the needs and demands of existing and potential new Large
6 Load Customers and, if appropriate and necessary, will submit proposed changes to the
7 LLCS tariffs for the Commission's review and consideration. Meaning, even if the
8 rates and terms of the LLCS tariffs are not commercially acceptable to actual end-use
9 retail data center customers, as claimed by the FEIA witnesses, these terms potentially
10 could change in the future subject to Commission review and approval. This is no
11 different than any other business seeking to relocate/set up a business and deciding
12 between FPL's service territory or somewhere else.

13 **Q. Do you have any additional comments related to the LLCS tariffs shown in**
14 **Exhibit TCC-9?**

15 A. Yes. In preparing rebuttal testimony, FPL identified a change needed in the LLCS
16 tariffs within the Rules and Regulations section as it pertains to CIAC. As proposed,
17 the CIAC section stated that "the Incremental Generation Charge will not be used to
18 calculate the CIAC amount to be paid by new and incremental Customers under the
19 schedules." FPL believes this exclusion is not aligned with the intent of Rule 25-6.064,
20 Florida Administrative Code, and has been removed from the tariff and incorporated
21 into Exhibit TCC-9.

22

1 **VIII. FORECAST OF CUSTOMERS, ENERGY SALES, AND**
2 **SYSTEM PEAK DEMANDS**

3 **Q. Can you please summarize the intervenor testimony regarding FPL's proposed**
4 **load forecast?**

5 A. Yes. OPC witness Thomas and FEL witness Rábago both provide testimony criticizing
6 the proposed load forecast and recommend adjustments to FPL's load forecasting
7 methodology. OPC witness Thomas proposes significant revisions to FPL's customer
8 and energy forecasting models, including: increasing the residential customer forecast
9 by approximately 40,000 customers over two years based on recent short-term growth
10 patterns; adjusting commercial, lighting, and industrial customer forecasts using what
11 he terms "forecast error" based on limited monthly data; restricting historical data to
12 shorter time periods; and implementing a simplified constant load factor approach for
13 peak demand forecasting. OPC witness Thomas also asserts that FPL is double-
14 counting energy efficiency impacts in its models and as a result is under-forecasting
15 sales.

16
17 FEL witness Rábago focuses primarily on FPL's energy sales forecasting accuracy,
18 claiming that FPL consistently under-forecasts energy and the forecast contains
19 "significant" forecast error. He proposes that the Commission should direct FPL to
20 add an arbitrary and unsupported 3% adjustment to its sales forecast to correct for an
21 alleged systematic bias.

1 Additionally, both the OPC and FEL witnesses advocate for reducing FPL's weather
2 normalization period from 20 years to 10 years, arguing that shorter historical periods
3 better reflect recent climate trends and would improve forecast accuracy.

4 **Q. Before addressing their specific arguments, do you have any general observations**
5 **regarding the intervenors' argument related to the load forecast?**

6 A. Yes. The intervenor witnesses' criticisms are fundamentally flawed because they rely
7 on inappropriate analytical methodologies and ignore established industry best
8 practices. It is important to note that not one intervenor took issue with the validity of
9 any of FPL's customer, sales, or peak forecast models. However, based on short-term
10 variances in actuals compared to the forecast, intervenors propose adjustments to a
11 long-term forecast that is used for all ratemaking and generation resource planning
12 purposes. FPL's load forecast demonstrates reasonable accuracy when properly
13 evaluated against weather-normalized actuals, which is the appropriate standard for
14 forecast performance assessment. FPL's methodology employs statistically robust
15 approaches using 20-year historical datasets, econometric modeling, and weather
16 normalization periods that align with industry standards and provide the stability
17 necessary for responsible utility planning. The proposed arbitrary adjustments, such as
18 FEL witness Rábago's unsupported 3% increase or OPC witness Thomas's haphazard
19 customer count revisions, lack proper analytical foundations and would degrade
20 forecast quality by introducing bias and volatility inappropriate for long-term
21 infrastructure planning and regulatory decision-making.

1 **Q. Please comment on the proposed adjustment provided by OPC witness Thomas**
2 **to increase the residential customer forecast.**

3 A. I disagree with revising the residential customer forecast. OPC witness Thomas has
4 not provided any workpapers or calculations to support his proposed increase of
5 approximately 40,000 customers over two years. His support appears to be based solely
6 on short-term deviations without considering longer term economic impacts that are
7 embedded in FPL's proposed forecast. FPL's models are well-supported to address
8 short-term fluctuations in actuals, as they incorporate features such as moving averages
9 and/or incorporate lag dependent variables to capture growth momentum without
10 overreacting. OPC witness Thomas is oversimplifying the forecasting process. The
11 residential customer forecast is not based merely on adjustments or subjective
12 judgment; rather, FPL employs a linear mathematical model that incorporates multiple
13 variables to approximate real-world conditions. It is not appropriate to make a topside
14 adjustment to customer counts, as proposed by OPC witness Thomas.

15 **Q. OPC witness Thomas also proposes to change the commercial and lighting**
16 **customer forecasts. Do you agree?**

17 A. No. I disagree with the proposed changes and calibration methodology. OPC witness
18 Thomas proposes to use either eight months of "forecast error" or multiply a single
19 month's "error" by twelve. The 0.10 p-value threshold proposed by OPC witness
20 Thomas is too lenient (standard practice uses 0.05), and eight months of data is
21 insufficient for reliable long-term adjustments. I strongly disagree that "forecast
22 error" should be used to adjust prospectively. Forecasts are accurate at the time they
23 are prepared if they are based on the most accurate and best information that is

1 available at the time. Variances or differences in a forecast compared to actuals are
2 nothing more than that and calling it “error” is strictly for inflammatory purposes.
3 Effective forecasting should be grounded in broader historical data — typically
4 covering many years — to capture meaningful trends, changes, and patterns in
5 customer behavior over time. Short-term deviations may reflect temporary or seasonal
6 variation, or recent shifts in economic conditions, but are not sufficient on their own
7 to justify long-term changes to the forecast. FPL’s models use 20 years of historical
8 data, providing a stable foundation.

9 **Q. Due to a customer decline from July 2024 to February 2025, OPC witness**
10 **Thomas proposes a decrease to the industrial class customer forecast. Do you**
11 **have a response?**

12 A. Yes. I disagree with revising the forecast based on the July 2024 to February 2025
13 decline. This decrease was related to change in temporary GS-1 industrial customers,
14 not a structural shift in the long-term industrial base. Adjusting for temporary
15 customer changes inappropriately treats a one-time event as permanent decline.
16 Temporary service accounts in the industrial class are inherently lumpy and project-
17 based, making short-term adjustments inappropriate.

18
19 The industrial customer forecast as proposed reflects historical patterns, expected
20 economic conditions from reputable third-party sources and proper model design. The
21 pattern mirrors projected housing starts decline in 2026 followed by a modest increase
22 in 2027.

1 **Q. OPC witness Thomas also asserts that the industrial customer model should**
2 **exclude customer data prior to January 2011. Is this appropriate?**

3 A. No. I disagree with limiting the use of historical data to 2011 for modeling purposes.
4 Not only is OPC witness Thomas introducing bias by limiting the history, he also
5 removes meaningful trends that are essential for robust forecasting (*e.g.*, economic
6 cycles) by excluding earlier years – FPL customer models use 20-years of history. In
7 addition, FPL replicated OPC witness Thomas’s calculation and found that choosing
8 to limit the history, the primary driver of the FPL model, which are housing starts,
9 becomes statistically insignificant. Meaning, removing housing starts disconnects real
10 world influences from customer projections, which is a critical component of our
11 forecasting where we use economic variables to explain changes in customer count.

12 **Q. OPC witness Thomas proposes an adjustment to the energy forecasts based on his**
13 **recommended adjustments to the customer forecasts. Do you agree?**

14 A. No. As I explained above, OPC witness Thomas’ customer forecast adjustments are
15 not appropriate and should be rejected. For these same reasons, his proposal to flow
16 those adjustments through to the energy sales forecasts are likewise inappropriate and
17 should be rejected.

18 **Q. Despite a proposed decrease in industrial customers, OPC witness Thomas**
19 **proposes an increase in the industrial sales forecast. He also proposes a decrease**
20 **in the street lighting and metro rate class sales forecasts. Do you have a response**
21 **to his proposed adjustments?**

22 A. Yes. Adjustments based on short-term anomalies could lead to overcompensation and
23 misalignment with future demands. OPC witness Thomas’ proposed adjustments are

1 unsupported and have no statistical or rational basis. FPL's models are statistically
2 robust, reliable and use well-established fundamentally sound methods.

3 **Q. Based on a claim that FPL's energy forecast contains "significant" error, FEL**
4 **witness Rábago recommends the Commission direct FPL to add 3% to its sales**
5 **forecast. Do you agree?**

6 A. No. First, FEL witness Rábago's assertion that FPL consistently under-forecasts
7 energy demand is fundamentally flawed because it relies on an inappropriate
8 comparison methodology. He compares FPL's forecasts to raw actual sales data that
9 have not been weather-normalized, which is not appropriate for evaluating forecast
10 performance because it is comparing "apples-to-oranges." As demonstrated in FPL's
11 Corrected Response to Staff's Interrogatory No. 8, which is provided as Exhibit TCC-
12 10, when FPL's energy sales forecasts are compared to weather-normalized actuals --
13 the appropriate methodology -- they show an average variance over the last few years
14 of 0.6%. This "apples-to-apples" comparison properly removes the effects of abnormal
15 weather conditions and allows for an accurate assessment of forecasting model
16 performance. Weather is a major driver of residential and commercial energy usage,
17 particularly for heating and cooling. Raw actual sales data includes volatility from
18 abnormal weather conditions that can create significant variations from normal weather
19 assumptions used in forecasting. For example, higher-than-expected usage may simply
20 reflect hotter-than-normal weather rather than a forecasting deficiency. When
21 differences in weather are not accounted for, forecast variances may be incorrectly
22 attributed to the forecasting model rather than abnormal weather conditions. This

1 makes non-weather-normalized actuals an unfair and inappropriate basis for evaluating
2 forecast performance designed to reflect normal weather conditions.

3
4 FEL witness Rábago's recommendation to arbitrarily add 3% to FPL's sales forecast
5 is unsupported by any sound analytical methodology. In its Request for Production of
6 Documents No. 3, FPL requested all workpapers supporting the witness testimony and
7 exhibits. FEL did not produce any workpapers, calculations, or technical justifications
8 to explain how FEL witness Rábago's 3% adjustment was derived. More importantly,
9 there is no demonstration of how such an adjustment would improve forecast accuracy
10 or analysis of how it would impact the numerous downstream financial models and
11 operational planning processes that rely on these forecasted values as inputs. A blanket
12 percentage increase of this nature is not an industry accepted forecasting practice.
13 Responsible utility forecasting relies on statistically robust methodologies,
14 econometric modeling, and well-documented assumptions — not arbitrary adjustments
15 based on flawed analytical comparisons.

16
17 As explained above, the low variance rate when comparing weather-normalized actuals
18 to the weather-normalized forecast, combined with regulatory approval and adherence
19 to industry best practices, confirm that FPL's energy sales forecasting methodology is
20 appropriate and does not require the arbitrary adjustments proposed by FEL witness
21 Rábago.

1 **Q. OPC witness Thomas asserts that FPL is double counting energy efficiency in its**
2 **models leading to under-forecasting sales. Is he correct?**

3 A. No. FPL is not double-counting energy efficiency in the energy sales forecast. There
4 are two appropriate adjustments for energy efficiency in the energy sales forecast. The
5 first adjustment is for Demand Side Management (“DSM”) programs. This represents
6 company-managed, incentive-based programs with quantifiable, program-specific
7 impacts. The second adjustment is for codes and standards which capture broader
8 market-driven efficiency improvements from building codes, appliance standards, and
9 consumer behavior, all of which are independent of FPL’s programs. These two
10 adjustments are distinct mechanisms carefully separated in our forecasting approach.
11 It is appropriate to reflect both of these adjustments so sales are not artificially
12 overstated.

13 **Q. OPC witness Thomas and FEL witness Rábago criticize FPL’s use of 20-year**
14 **normal weather and recommend 10-year normal weather. Do you agree?**

15 A. No. Energy forecasts aim to project average long-term conditions for infrastructure
16 planning and regulatory proceedings, not predict short-term weather variations. First,
17 a 20-year historical period remains the most common practice and period of time for
18 determining normal weather. The National Oceanic and Atmospheric Administration
19 (“NOAA”) is a U.S. federal agency that focuses on weather, climate, oceans, and
20 atmospheric research. NOAA uses 30-year weather data to establish “climate normal”
21 that are baseline averages for temperature, precipitation, and other weather conditions
22 that help define what is typical for different locations.

23

1 Second, it is important to remember that these forecasts are used for much more than
2 revenue projections. They are used in all regulatory filings that have been approved by
3 this Commission, for long-term generation and system planning purposes and
4 approved for use in the Florida Reliability Coordinating Council studies and reliability
5 assessments.

6
7 While the rolling 20-year trend has shown warmer temperatures in recent years, this is
8 reflected in the history. It is unknown at what rate and how long this trend could persist
9 into the future. Based on this uncertainty, FPL and many other utilities have chosen to
10 continue with the 20-year average. This broader historical view captures both recent
11 climate patterns and long-term variability. FPL's energy sales forecast using 20-year
12 weather normalization has demonstrated low variances when compared to weather-
13 normalized actuals, indicating the methodology's effectiveness.

14
15 Moving to a 10-year period risks anchoring forecasts too heavily on recent trends that
16 may not persist. A 20-year historical period is more stable than using a shorter period.
17 Stability of weather assumptions is important for forecasting but also for long-term
18 system and generation planning. Extreme years appearing in shorter windows do not
19 establish reliable predictive trends for long-term planning decisions and could cause
20 under or overinvestment in generation and infrastructure.

1 **Q. OPC witness Thomas states he is concerned that peak demands for Summer and**
2 **Winter and FPL and NWFL are modeled differently. Do you have a response?**

3 A. Yes. Each peak demand model, whether for summer or winter and across FPL's
4 different service areas, is developed independently to achieve the best possible
5 statistical performance. These models are not meant to be uniform in structure, but
6 rather tailored to the distinct characteristics of the regions and seasons they represent.
7 For example, the climate and weather patterns in northwest Florida differ significantly
8 from peninsular Florida, with northwest Florida experiencing cooler winters and more
9 variable seasonal temperatures that require distinct forecasting methodologies for
10 summer cooling peaks and winter heating peaks compared to the predominantly
11 cooling-driven demand patterns in peninsular Florida. The model development process
12 involved deliberate, data-driven decisions to optimize forecasting accuracy and
13 performance. For example, population was selected over employment as an economic
14 driver for one winter peak model because it demonstrated stronger statistical correlation
15 with peak demand in that region and season, resulting in improved model fit. Similarly,
16 a codes and standards variable was intentionally excluded from another winter peak
17 model. This was not an oversight but a conscious choice made after testing showed
18 that including this variable alongside other key variables degraded overall model
19 performance. These selective decisions prioritized model robustness and forecast
20 accuracy throughout the development process.

1 **Q. OPC witness Thomas criticizes the current peak forecasting methodology and**
2 **suggests that applying a constant load factor to the forecast period is a better**
3 **approach. Do you agree?**

4 A. No. OPC witness Thomas's load factor approach oversimplifies the complex
5 relationship between energy usage and demand during system peak times. In applying
6 a constant load factor to the forecast period, monthly energy values are smoothed and
7 do not reflect the actual intensity of peak hours. This method underrepresents actual
8 capacity needed for reliable service during highest demand days. For example, a winter
9 peak forecast is needed to plan for a true winter peak. Using average historical load
10 factors to develop a winter peak forecast risks underestimating true peak magnitude,
11 potentially compromising system reliability. Conversely, FPL's energy and peak
12 forecasts are appropriately developed independently since peak demand represents
13 critical system moments not directly proportional to average energy consumption.
14 While it is noted that FPL is projecting a minimal decline in system load factor over the
15 longer term, it is important to clarify that this is not inconsistent with historical practice
16 when viewed in the proper planning context and reflects FPL's projected customer base.
17 Our goal when developing peak forecasts is not to mimic the volatility seen in historical
18 data but to provide a consistent and reasonable expectation of future normal system peak
19 conditions. Using a smoothed load factor as the basis for a peak forecast avoids
20 embedding unpredictable weather fluctuations, recognizes changing customer mix and
21 expected change in usage per customer into long-term planning, all of which helps
22 mitigate the risk of over- or under-investment and ensures a more operationally sound
23 approach.

1 **Q. Do you have any final comments on FPL's load forecast?**

2 A. Yes. FPL's load forecasting methodology represents a comprehensive, statistically
3 robust approach that has been developed using industry best practices and proven
4 analytical techniques. The criticisms raised by intervenor witnesses are fundamentally
5 flawed in their analytical foundations and recommendations.

6
7 Specifically, the proposed adjustments by OPC witness Thomas lack proper statistical
8 support, rely on inappropriately short time periods, and fail to account for broader
9 economic conditions and established forecasting principles. Meanwhile, FEL witness
10 Rábago's critique is based on a fundamentally incorrect comparison methodology that
11 ignores weather normalization, rendering his analysis and recommendations
12 meaningless for purposes of evaluating forecast performance.

13
14 FPL's approach demonstrates its soundness through multiple key factors, including,
15 but not limited to: our energy sales forecasts show low variances when properly
16 evaluated against weather-normalized actuals; our use of 20-year weather
17 normalization aligns with industry standards and provides the stability necessary for
18 long-term utility planning; and our forecasting models appropriately incorporate 20
19 years of historical data, econometric relationships, and tailored approaches for different
20 service areas and seasonal patterns.

21
22 The forecasts presented in this proceeding were developed using well-established
23 methods, incorporate inputs from leading industry experts, and were based on the best

1 available information at the time of development. These forecasts for 2026 through
2 2029 are reasonable, appropriate for rate-setting purposes, and should not be subject to
3 the arbitrary and unsupported adjustments proposed by the intervenors. FPL's
4 forecasting methodology has withstood regulatory scrutiny and continues to provide
5 reliable planning foundations for maintaining system reliability while serving our
6 customers' needs.

7 **Q. Does this conclude your rebuttal testimony?**

8 A. Yes.

1 BY MR. CHRISTOPHER WRIGHT:

2 Q Ms. Cohen, do you have Exhibits TCC-7 through
3 TCC-10 that were attached to your rebuttal testimony?

4 A Yes.

5 MR. CHRISTOPHER WRIGHT: I would note that
6 these have been identified as CEL Exhibits 328
7 through 331.

8 BY MR. CHRISTOPHER WRIGHT:

9 Q Were these exhibits prepared by you or under
10 your direct supervision?

11 A Yes.

12 Q Do you have any corrections to your exhibits?

13 A No.

14 Q Ms. Cohen, can you please summarize the topics
15 addressed in your direct and rebuttal testimonies?

16 A Yes.

17 My direct testimony addresses the load
18 forecast for the projected test years, revenue
19 allocation and rate design, tariff changes and rate
20 adjustments for the 2028 and 2029 SoBRAs.

21 My rebuttal testimony responds to intervenor
22 proposals regarding rate design, tariff changes, bill
23 impacts and load forecast.

24 I am here to answer any questions you may
25 have.

1 **Q Thank you.**

2 MR. CHRISTOPHER WRIGHT: We tender the witness
3 for cross.

4 CHAIRMAN LA ROSA: Great. Thank you.

5 OPC, you are recognized for questioning.

6 MR. PONCE: Thank you.

7 EXAMINATION

8 BY MR. PONCE:

9 **Q Good morning.**

10 A Good morning.

11 **Q In part, your testimony supports the customer**
12 **energy sales and peak demand forecast developed in this**
13 **case?**

14 A Yes.

15 **Q These forecasts are, in part, ultimately used**
16 **to determine FPL's revenue requirement ask?**

17 A They are ultimately used to determine the
18 rates in the forecast.

19 **Q The objectives of FPL's forecasting process is**
20 **to produce reliable, unbiased forecast of customers'**
21 **energy sales and system peak demand?**

22 A Yes.

23 **Q If we can go to C5-1470, that's C as in**
24 **Charlie. Ms. Cohen, that should appear on your screen.**
25 **If you need to manipulate it, there should be a mouse**

1 **there.**

2 A What number?

3 Q It should come up automatically, but the
4 **number was C5-1470. That's Exhibit TCC-4 of your direct**
5 **testimony.**

6 A I am there.

7 Q Okay. This chart shows that over '25 and --
8 **2025 and 2026 test years, customers are forecast to**
9 **grow, right?**

10 A Yes.

11 Q If we could then go to your chart three pages
12 **down, C5-1473?**

13 If we look at this chart, this the forecast of
14 **FPL's retail sales for 2025-2026 test year?**

15 A Yes.

16 Q Isn't it true that those amounts are
17 **relatively flat for those time periods?**

18 A It's important to know that forecasted sales,
19 they are a product of a number of models. They include
20 inputs such as weather, and customers, and economic
21 conditions. So the economic indicators that we are
22 using to project sales are showing a lower increase over
23 time.

24 Q I am sorry, but my question was: Isn't it
25 **true that those numbers there are relatively flat? Was**

1 **that a yes or a no?**

2 A No, they go up in the out years.

3 Q **So for 2025, I am looking at numbers 128,076,**
4 **is that correct?**

5 A Can you repeat the number?

6 Q **128,076?**

7 A I see that number.

8 Q **And then for 2026, 128,108?**

9 A Okay.

10 Q **Is that even one percent growth?**

11 A I don't know the number.

12 Q **So it's your testimony that this -- if it's**
13 **even one percent growth, has nothing to do with the fact**
14 **that customers are growing?**

15 A Customers are growing. The economic
16 indicators that also go into the sales forecast for
17 energy are showing a lower increase over time.

18 Q **If we could go to E, as in Eric, 91190?**

19 A I have it.

20 Q **So this chart is a comparison of residential**
21 **customer forecast growth and actuals, right?**

22 A It is.

23 Q **The negative number for these percentages**
24 **indicates that the actuals were higher than forecasted?**

25 A Yes.

1 Q Without belabor the point of going through
2 each and every one of these columns themselves, isn't it
3 fair to say that these forecasts have been consistently
4 below actuals for every year?

5 A By less than one percent, and in most years,
6 way less than one percent.

7 Q If we can go to E90794?

8 A I am there.

9 Q This is a comparison of total retail customer
10 forecast and actuals?

11 A Yes.

12 Q And again, it's fair to say that these are
13 consistently -- the forecasts are consistently below the
14 actuals?

15 A It is below, again, by less than one percent.

16 Q And if we go to the next chart, that's weather
17 normalized retail energy sales?

18 A Are you on the bottom of the page?

19 Q I am at the second chart.

20 A The second chart?

21 Q Correct.

22 A Yes. Again, by less than one percent.

23 Q Moving on, if we could go to E61690?
24 Specifically the page below that.

25 A Page two?

1 **Q Correct.**

2 A Yes.

3 **Q These are the non-normalized results, right?**

4 A Correct. These are actuals.

5 **Q And again, fair to say, the forecasts have**
6 **been consistently below actuals?**

7 A These are not weather normalized. Yes, it
8 is -- it is below. It's not the proper way to examine a
9 forecast. You should always look at weather normalized
10 actuals. Weather will always have an impact on your
11 actuals. Your forecasts will always be different than
12 your -- your actuals will always be different than your
13 forecasts.

14 **Q Well, the weather normalized results were also**
15 **consistently below forecast, right?**

16 A 5.16 to 1.1 percent over the time that we were
17 looking at.

18 **Q Finally, if we could go to F, as in frank,**
19 **2-3312?**

20 **If we look at the last paragraph there -- let**
21 **me know if you need to read it to yourself.**

22 A Okay.

23 **Q These are the 2025 year-to-date for when this**
24 **discovery was responded to, right?**

25 A Yes.

1 Q And when we are looking at actuals, we are
2 comparing about 66 million-megawatt per hour of a
3 planned forecast of 64 million?

4 A Yes, that is the numbers.

5 Q That's a difference of about two million,
6 right?

7 A Yes, and less than one percent.

8 Q That's when you -- that's with the weather
9 forecasting applied, right?

10 A I am sorry, I didn't hear you.

11 Q The one-percent is with weather normalized?

12 A Yes.

13 Q Okay. Since these results, weather normalized
14 or not, are always various degrees of under-forecasted,
15 doesn't that indicate that these results are biased?

16 MR. CHRISTOPHER WRIGHT: I'm going to object
17 to the term under-forecasted. That was not a term
18 she used.

19 MR. PONCE: I will rephrase.

20 CHAIRMAN LA ROSA: Please.

21 BY MR. PONCE:

22 Q Since the forecasts are always below actuals,
23 weather normalized or not, doesn't that demonstrate that
24 they are biased?

25 A Absolutely not. The forecast is not biased.

1 **Q Despite the forecast always pointing towards,**
2 **well, being under-forecasted?**

3 MR. CHRISTOPHER WRIGHT: I will renew my
4 objection.

5 MR. PONCE: I don't -- what's the basis of
6 your objection?

7 MR. CHRISTOPHER WRIGHT: Ms. Cohen has not
8 stated that the forecast is understated.

9 BY MR. PONCE:

10 **Q Let me just ask -- let me just ask, then.**
11 **If the forecast actuals are below the**
12 **forecasted amount, doesn't that mean they are**
13 **understated?**

14 A No. A forecast will always be different than
15 your actuals.

16 **Q So even if they are consistently different as**
17 **far as one direction, you still wouldn't say that's**
18 **under-forecasted?**

19 A I disagree with the premise of your question.
20 Weather normalization is the appropriate way to look at
21 a forecast. It appropriately accounts for the impact of
22 weather and other variability in weather. Just as we
23 went through the numbers, it's within one percent of our
24 forecast, when you look at weather normalized actuals.

25 **Q But the weather normalized results are also**

1 below the forecast, right?

2 A Yes, less than one percent.

3 Q So doesn't that demonstrate that they are --
4 the weather normalized results are also
5 under-forecasted?

6 A They are less than the forecast.

7 Q Now, you have mentioned that at least some of
8 these numbers are at or below one percent, right?

9 A Yes.

10 Q Isn't it fair to say that a forecast that is
11 below actuals is likely to continue to be below actuals
12 going forward?

13 A No, I don't know what the weather is going to
14 be going forward.

15 Q So even though the only way for the forecast
16 to catch up would be for actual growth to drop, you
17 still don't believe that the under -- the below actual
18 results would be likely to continue?

19 A No, I don't think we know what the weather
20 will be tomorrow. Our forecast is based on 20 years of
21 historical data. It incorporates a number of robust
22 practices. It's consistent with what we have done
23 historically with the Commission. I can't tell you what
24 the weather is going to be tomorrow, and whether it's
25 going to be -- it will always different than our

1 forecast, higher or lower.

2 Q Hypothetically, all other things being equal,
3 if the forecast used for FPL's revenue forecast is
4 consistently below actuals, doesn't that put upward
5 pressure on FPL's revenue requirement?

6 A Can you repeat your question, please?

7 Q Sure.

8 All other things being equal, if,
9 hypothetical, a forecast is under-forecasted, doesn't
10 that put upward pressure on FPL's revenue requirement?

11 MR. CHRISTOPHER WRIGHT: Chairman, I'm sorry.
12 I am going to continue to object to the use of the
13 term that a forecast is under or overstated.

14 We will certainly agree, and I think Ms. Cohen
15 has said multiple times, that the actuals will be
16 different than the forecast. That doesn't mean
17 that there is an issue with the forecast or that
18 it's been over or understated. There is going to
19 be a difference, and she certainly talked to that,
20 but he keeps using that term, and implying that
21 because the actuals are different than the
22 forecast, somehow the forecast is understated.

23 The forecast is done at a point in time. And
24 the integrity of the forecast is based on what's
25 done at that time. It doesn't mean that's it's

1 under or overstated.

2 CHAIRMAN LA ROSA: Hold on.

3 MR. PONCE: First, I would just like to lodge
4 an objection that counsel is effectively testifying
5 with his objection.

6 Second of all, I would point out, Ms. Cohen is
7 an expert in forecasting. I am asking her this as
8 a hypothetical.

9 CHAIRMAN LA ROSA: Hold one second. I am
10 going to go to my staff on this, because I feel
11 like we are defining the word under-forecasted.

12 MS. HELTON: Mr. Chairman, I think it might be
13 better if he can rephrase the question.

14 CHAIRMAN LA ROSA: To the OPC, if you can
15 rephrase the question that you are asking of the
16 witness?

17 BY MR. PONCE:

18 **Q Let me phrase it like this: If,**
19 **hypothetically, actuals in the forecast are always below**
20 **the forecasted amount, doesn't that put upward pressure**
21 **on FPL's revenue requirement?**

22 A No, it does not. The forecast is set at a
23 point in time. It's based on 20-year weather. I think
24 the point that OPC is trying to make is that if your
25 sales are low, all things being equal, you have to

1 recover more from rates -- your revenue requirement from
2 your customers.

3 All things are not equal when you are looking
4 at a forecast. So, for example, if sales are higher, we
5 are also likely running our power plants more. Burning
6 more energy. You are having more wear and tear on your
7 plants. There is more O&M on your facilities. So it's
8 not -- there is a lot of puts and takes in a forecast,
9 and there is a lot that can happen when you are looking
10 at actuals as well.

11 **Q Is it your testimony that so long as the**
12 **forecasts were made in good faith, that means they**
13 **cannot be an error?**

14 A A forecast, you don't -- we don't talk about
15 forecast in terms of errors, right. A forecast is
16 prepared at a point in time. It's based on the best
17 information available at that point in time.

18 Our forecast uses robust data. We use leading
19 third-party inputs into the forecast. It's used for all
20 purposes, not just setting rates, but it's used for
21 planning purposes. It's used for resource planning.
22 It's used in the ten-year site plan. So all of those
23 factors are taken into account in the forecast.

24 **Q You just mentioned you shouldn't talk about**
25 **forecasts in terms of error, right?**

1 A Yes.

2 Q Isn't it one of the ways of measuring forecast
3 **MAPE, which stands for mean absolute percentage error?**

4 A Yes, that is one of the model statistics that
5 we use to evaluate the validity of our models.

6 Q And that measures historical accuracy, right?

7 A It is.

8 Q If I have me one moment.

9 FPL continually reviews its forecasting
10 **through post forecast reasonable checks, right?**

11 A I am sorry, can you repeat your question?

12 Q Sure.

13 FPL continually reviews its forecasts through
14 **post forecast reasonable checks, right?**

15 A We review our forecast inputs annually when we
16 prepare a new forecast.

17 Q And if necessary, FPL makes modifications to
18 **improve the model's predictive accuracy, right?**

19 A Yes, we would do that in the normal course of
20 business as we are preparing a forecast each year.

21 Q If these forecasts are consistently
22 **under-forecast, doesn't that show that FPL has not been**
23 **able to improve the model's predictive accuracy?**

24 A I disagree with the under-forecast term. Our
25 models show that we are within one percent accuracy. We

1 have 128,000 gigawatt hours on our system. I think
2 within one percent accuracy is highly reasonable.

3 Q We have been talking a little bit about the
4 concept of weather normalization. It's true that FPL
5 develops its weather forecast by averaging historical
6 weather data from the most recent 20 years?

7 A Yes.

8 Q If we can go to E9096? Excuse me, that should
9 be E90796.

10 Now, this chart here is the accuracy of summer
11 peak forecast using weather normalized results, right?

12 A Yes, it is.

13 Q And again, it's fair to say that the actuals
14 have been -- excuse me -- that the forecasts have been
15 consistently below weather normalized actuals?

16 A The forecast is below weather normalized
17 actuals.

18 Q And if we look at E91995, these are the
19 non-normalized summer peak results, right?

20 A That's correct. These are actuals. And
21 again, actuals will always be different than a forecast.

22 Q In this case, in comparison to what we have
23 been looking at previously, if you look at the zero
24 years part of the chart here, you see that there is a
25 mix of actuals being both above and below forecast?

1 A Yes. Again, actuals will always be different
2 than a forecast.

3 Q Fair enough. If we can go back to the first
4 chart. Look at the winter version, E90796. Looking at
5 the second chart on this one now, this is the accuracy
6 of winter peak forecast with -- compared to weather
7 normalized results?

8 A It is. Winter peaks are much more different
9 -- difficult to forecast than the summer peak. It's
10 very hot in Florida. We always usually come really
11 close to our summer peak, but a winter peak we do have
12 to plan for a winter peak even if it doesn't occur.
13 Sort of like planning for a hurricane. One bad
14 hurricane could be a really big deal. So we still have
15 to plan for a winter peak whether or not it actually
16 occurs in a given year.

17 Q If we look at the again at the zero years
18 part, it's fair to say that these percentages are
19 increasing as we go from 2021 to 2024?

20 A The math is increasing, yes.

21 Q Now, if we can go to the actual chart, which I
22 believe is E91996?

23 A I am there.

24 Q So it's fair to say that, again, when we are
25 looking at the zero years portion, the magnitude of

1 **those differences are increasing as we go towards 2024?**

2 A Mathematically, yes. 2024 was also a very
3 mild winter, so it's going to -- there is going to be
4 fluctuations for sure.

5 Q **It's fair to say that's becoming increasingly**
6 **harder as the years go by, to increase the win -- to**
7 **predict the winter peak?**

8 A It is hard to predict the winter peak.

9 Q **Well, I asked if it's become increasingly**
10 **harder?**

11 A I think that's fair. Climate -- climate
12 variability, weather changes, right, it's -- it is
13 difficult.

14 Q **Isn't it fair to say, based on what we have**
15 **been looking at here, that the way that FPL has been**
16 **normalizing these results when it comes to the summer**
17 **and winter peaks has something wrong with it?**

18 A Absolutely not.

19 Q **Even though at least when it comes to the**
20 **winter peaks, the magnitude is increasing every year?**

21 A That's the math. Again, I just said 2024 was
22 a very mild year of weather. We still have to predict
23 for a peak whether or not it happens. Summer peaks are
24 easier to predict. Winter peaks are more volatile.

25 We had a mild winter in 2024, it also snowed

1 in Northwest Florida in 2025. So there is no way to
2 really predict that. Our models use robust data 20
3 years of history. The way that we have done it has been
4 approved by this commission in the last three rate
5 cases. It's consistent. It's reliable, and it's used
6 for all planning purposes, including resource planning,
7 rate design, rate -- setting rates on.

8 **Q Isn't it fair to say that from 2015 to 2024,**
9 **that this decade features a winter peak minimum degree**
10 **temperatures that are significantly higher than the**
11 **prior four decades?**

12 A Repeat your question, please.

13 **Q Sure.**

14 **So from 2015 to 2024, that decade, doesn't**
15 **this timeframe feature winter peak minimum degree**
16 **temperatures that are significantly higher than the**
17 **prior four decades?**

18 A Can you point me to that data, please?

19 **Q Give me one moment. If we could go to E92028?**

20 **So the average from 2014 was 38.15, right? I**
21 **am going to give you a moment to read it.**

22 A I am sorry, repeat the numbers one more time.

23 **Q Sure. The average from 20 -- from 2005 to**
24 **2014 was 38.15, right?**

25 MR. CHRISTOPHER WRIGHT: Chairman, I just want

1 to note that it appears that FPL objected to this.
2 This was -- the data shown here is not actually
3 data that appears to be provided from FPL. So the
4 response says, see FPL's objections filed
5 contemporaneously herewith. The information is
6 available in a different workbook.

7 BY MR. PONCE:

8 **Q Let me try rephrasing my question then.**

9 **If we can go to E92027. It's fair to say that**
10 **FPL is aware a rising trend in winter peak minimum**
11 **temperatures over the past several decades, including**
12 **the increase in the 2015 to 2024 period?**

13 A Yes, that's what it says. It also says our
14 forecasting methodology has consistently relied on
15 20-year weather normalization, which has historically
16 produced reliable results, has been accepted by the
17 Florida Public Service Commission in previous filings.

18 I would note that the last 10 years would also
19 be incorporated in the 20 years of whether data that we
20 have got.

21 **Q If we can go to F2-3301? At that chart, table**
22 **1.**

23 **Doesn't this chart demonstrate that the**
24 **results of FPL's weather normalization adjustment is to**
25 **consistently modify it downwards actual energy sales?**

1 A There is a three-percent change in -- adjusted
2 to forecast.

3 Q I am sorry, is that a yes or a no?

4 A Repeat your question, please.

5 Q Sure.

6 Looking at column B, this consistently shows
7 downward adjustments based on FPL's 20-year weather
8 normalization, right?

9 A There are downward adjustments, yes.

10 Q So it's fair to say -- let me rephrase.

11 So based on this chart, isn't it fair to say,
12 then, that FPL's method of normalizing weather
13 consistently results in downward adjustments to energy
14 sales?

15 A By less than three percent.

16 Q Moving on. Isn't it fair to say that the past
17 10 years have been hotter than the previous 10 years?

18 A The last 10 years have been warmer than the
19 previous 10 years. That is incorporated in our 20-year
20 weather.

21 Q You mentioned it's incorporated in your
22 20-year weather. If that's the case, doesn't this
23 introduce an implicit bias towards a lower weather
24 projection?

25 A No. In fact, I think it's the opposite. If

1 we use a different -- if we use different years, that
2 would be impliciting -- that would bring a bias in the
3 forecast. 20 years is what we've done historically.
4 It's widely accepted around the United States, other
5 utilities in Florida do it. In fact, some also use 30.
6 NOAA, N-O-A-A, where we get weather data from, also uses
7 30 years.

8 So I think the stability of our forecast is
9 very important. Were we to change any years in there,
10 you start introducing bias. You could influence your
11 forecast by shorter term weather patterns. It could
12 lead you to overbuild or underbuild generation based on
13 that, which then will also introduce bill volatility to
14 our customers.

15 So the way that we have been doing it with 20
16 years provides stability to our forecasting process.
17 And, as I just mentioned, it's used for all purposes,
18 not just rate setting.

19 **Q So even though the past 10 years have been**
20 **hotter than the previous ones, it's your testimony that**
21 **switching to a ten-year weather normalization period**
22 **would be more biased than the current method?**

23 A It would be different than the current method,
24 and it would introduce perhaps a higher sales forecast
25 that can also lead to increased resources that are

1 needed to build for our customers, and higher bills as
2 well.

3 **Q Couldn't the state -- couldn't FPL maintain**
4 **stability in its forecast by using a 20-year weather**
5 **normalization period but with higher weights afforded to**
6 **the more recent ones?**

7 A I suppose we could. I don't think that's -- I
8 don't think that's appropriate. You would be
9 introducing bias into warmer weather in the more recent
10 years.

11 **Q Has FPL considered any alternative weather**
12 **normalization methodologies to a 20-year average method?**

13 A No, because we don't believe that it is
14 necessary. We believe the 20 years is the right way to
15 examine weather. It's what we have done historically.
16 It's what is widely accepted around the industry, and in
17 the state and by this commission.

18 **Q And FPL was able to come to that conclusion**
19 **without making any comparisons?**

20 A I just gave you a few comparisons.

21 **Q Let's move on. If we could go to C5-1428?**

22 **Rate schedules are developed -- excuse me, let**
23 **me rephrase. FPL develops rate schedules for each of**
24 **its different kinds of customers, right?**

25 A Yes.

1 Q And these rate schedules are designed to
2 reflect the characteristics of those customers?

3 A Yes.

4 Q This also includes taking into account the
5 costs incurred by FPL for serving those customers?

6 A Yes.

7 Q When you look at a rate schedule, generally
8 you would see the prices that are attached to the
9 customer's electricity usage?

10 A You would see the price charged to a customer
11 for their electricity usage.

12 Q Stuff like the base demand charge?

13 A Base demand charges on a tariff schedule.

14 Q This puts customers on notice about what's
15 going to be in their bill, right?

16 A Yes. It's transparent.

17 Q And it's fair to say that the Commissioners --
18 the Commission reviews these to ensure that the proposed
19 rate schedules in this case are fair, just and
20 reasonable?

21 A Yes. They can look at the ultimate rates that
22 are charged to customers and determine that the rates
23 are fair, just and reasonable.

24 Q Your testimony also describes how FPL proposes
25 to recover revenue requirements from the 2028 and 2029

1 **proposed SoBRAs?**

2 A Yes.

3 **Q SoBRAs will also have an impact on the**
4 **customers' bills, right?**

5 A Yes. That's correct.

6 **Q And this may be -- may have a very obvious**
7 **answer, but SoBRAs are not rate schedules, right?**

8 A SoBRAs are not rate schedules. It's a
9 mechanism approved by the Commission to
10 contemporaneously increase all rates by a commensurate
11 percentage. And SoBRAs generally increase base rates,
12 and have an offsetting fuel decrease.

13 **Q Are you aware of any instances where the**
14 **Commission has approved of SoBRAs outside of a**
15 **settlement?**

16 A I don't know. I don't think so.

17 **Q And what is your -- well, is it your**
18 **understanding, then, that the Commission can approve**
19 **SoBRAs outside of a settlement?**

20 MR. CHRISTOPHER WRIGHT: I am going to object.
21 Calls for a legal conclusion on what the Commission
22 can and cannot approve.

23 CHAIRMAN LA ROSA: OPC, your response to that?

24 MR. PONCE: Well, her testimony is
25 supporting -- requesting your approval in 2028 and

1 2029 SoBRAs, so implicitly, there must be an
2 understanding there.

3 CHAIRMAN LA ROSA: I think there is an
4 understanding. I am going to go to my staff on
5 that.

6 MS. HELTON: I think he can ask her if she
7 knows or has an opinion.

8 MR. PONCE: Fair enough.

9 CHAIRMAN LA ROSA: Proceed.

10 BY MR. PONCE:

11 **Q Do you have an opinion on whether the**
12 **Commission can approve of SoBRAs outside of a**
13 **settlement?**

14 A I would think they have the authority to do
15 so.

16 **Q The TAM is also expected to have an impact on**
17 **customer bills, right?**

18 A I don't speak to TAM in my testimony.

19 **Q Who would be a better witness for that?**

20 A Witness Laney.

21 **Q You have no independent knowledge or ability**
22 **to answer my question?**

23 MR. CHRISTOPHER WRIGHT: Asked and answered.

24 CHAIRMAN LA ROSA: She knows who the witness
25 is, but she's not specified that in her testimony.

1 MR. PONCE: Just -- I mean, it's fair enough
2 to refer to another witness, but that doesn't
3 necessarily mean she has no knowledge whatsoever of
4 the answer.

5 MR. CHRISTOPHER WRIGHT: Chairman, it's
6 outside the scope of her testimony. She just gave
7 that answer. We have witnesses to speak to TAM.
8 In fact, Mr. Bores will be back up here on
9 rebuttal, he also addresses TAM, so I think we have
10 had plenty of opportunity previously and going
11 forward to address TAM through the appropriate
12 witness.

13 MR. PONCE: I will move on. Fair enough.

14 CHAIRMAN LA ROSA: Okay.

15 BY MR. PONCE:

16 **Q Your testimony also supports changes to the**
17 **commercial/industrial demand reduction rider, right?**

18 A It does.

19 **Q Abbreviated, that's the CDR. And also for the**
20 **commercial/industrial load control customers, right?**

21 A Yes. My testimony supports the math for the
22 credits.

23 **Q In your direct testimony, FPL is proposing a**
24 **reduction in these credits, right?**

25 A Yes. That's supported by Witness Whitley.

1 Q Specifically FPL -- well, if we can go, then,
2 to C17-2281?

3 This is Mr. Whitley's testimony saying that it
4 was appropriate to reduce these to 6/22 kilowatt -- per
5 kilowatt hour?

6 A Yes, that's Witness Whitley's testimony.

7 Q All right. If we go to your testimony at
8 C5-144, you note that when it comes to the CILC, that
9 because this credit is built into the rate schedule as a
10 percentage reduction, FPL is going to reduce the
11 incentive level commensurate with the -- commensurate
12 with the proposed incentive level for CDR?

13 A Can you point me to the page in my testimony,
14 please?

15 Q Sure.

16 MR. SCHULTZ: I didn't catch the master page.
17 I got C5, and I thought you said 144, and that
18 didn't go anywhere.

19 MR. PONCE: I am sorry that should be C5-1444.

20 MR. SCHULTZ: What was that?

21 MR. PONCE: 1444. 1444.

22 MR. SCHULTZ: Okay.

23 BY MR. PONCE:

24 Q I think that may be a later reference. Give
25 me one moment. I believe it's at line 22 -- excuse me,

1 **it starts at line 21.**

2 A I see it.

3 Q **So basically, in short, for both CDR and CILC**
4 **in your direct, you are supporting reductions to both of**
5 **these?**

6 A Yes.

7 Q **And these reductions were both appropriate and**
8 **cost-effective, right?**

9 A The reduction was cost-effective, is that your
10 question?

11 Q **Yes.**

12 A I believe 6.22 is cost-effective, but that
13 would be Witness Whitley.

14 Q **But all customers are ultimately responsible**
15 **for these costs, right?**

16 A All customers benefit from the program, and
17 all customers pay the load control credits.

18 Q **I am sorry, was that a yes?**

19 A Repeat your question, please.

20 Q **All customers are ultimately responsible for**
21 **the cost of these programs?**

22 A Yes. All customers are responsible because
23 all customers benefit.

24 Q **Regardless at these reductions -- with these**
25 **reductions, CDR was still going to be beneficial to its**

1 participants while saving customers money?

2 A Yes.

3 Q In fact, according to your testimony, that was
4 going to be 22 -- savings of approximately 22 million in
5 2026 and 2027?

6 A Yes.

7 Q In that case, we can move on.

8 I don't know if you were present or heard, but
9 I asked Mr. Jarro about the CIAC tariff. Your testimony
10 also supports that, right?

11 A It does.

12 Q Since I went through most of this with Mr.
13 Jarro, I will try to keep this brief and at a high
14 level.

15 So your testimony supports the creation of a
16 new CIAC tariff aimed at customers with projected load
17 of 15 megawatts, right?

18 A It's not a new tariff. We are proposing a
19 change in the tariff that's commensurate with a size
20 requirement dollar threshold for -- at which a customer
21 would be charged CIAC, and we are proposing a change
22 into how that's recovered.

23 Q So these -- this would apply to customers with
24 projected load of 15 megawatts, right?

25 A How much?

1 Q 15 megawatts or higher?

2 A I believe it was 25 megawatts or 15 million.

3 Q Give me one moment. I am sorry, could you
4 repeat your answer?

5 A It was \$15 million or 25 megawatts.

6 Q If we can go to your testimony, page 31? This
7 is C5-1447, page 31, line 12.

8 A I am sorry, you are right, Mr. Ponce. I had
9 it wrong in my notes.

10 Q That's okay. If you haven't noticed, I get
11 things wrong sometimes too.

12 So again, so that's 15 megawatts or higher
13 and -- or 25 million in cost or more at the point of
14 delivery?

15 A Yes.

16 Q The purpose of these CIAC changes is to
17 protect the general body of customers from the risks
18 associated with the large costs to install these
19 facilities?

20 A Yes. That's my testimony.

21 Q And these are -- these are upfront costs,
22 right, that FPL would have to bear?

23 A They are upfront costs that FPL would bear,
24 yes.

25 Q Isn't it fair to say that any decrease to

1 **these thresholds would increase the level of risk borne**
2 **by FPL's general body of customers?**

3 A No, I disagree with that. Any change to the
4 threshold is also covered by an existing tariff we have
5 today. It's called the Performance Guarantee Agreement.
6 That essentially says we collect a surety bond or some
7 other type of financial instrument from a customer, and
8 if their load does not materialize in the load that we
9 calculated the CIAC on, would can he draw upon that
10 instrument four years after their in-service date.

11 All we are proposing to do here is to say,
12 instead of us drawing on that after the in-service date,
13 let the customer up front the money to FPL, and as their
14 load materializes on their system, we will return the
15 money to them -- we will return the deposit,
16 essentially, to them through bill credits. And it puts
17 the onus on the customer to ensure that their load
18 materialized on the system.

19 But whether the threshold is zero or 100, our
20 general body is still protected by the Performance
21 Guarantee Agreement. So the threshold could be a number
22 of different rational and reasonable thresholds.

23 **Q You mentioned the Performance Guarantee**
24 **Agreement, or PG -- that's the PGA, right?**

25 A Yes, that's -- we call it the PGA.

1 **Q You mentioned those costs are collected four**
2 **years afterwards?**

3 A They -- the financial instrument can be drawn
4 upon four years after a customer's in-service date.

5 **Q So isn't the difference between the CIAC and**
6 **the PGA, that the CIAC is up front, while the PGA is on**
7 **the back end?**

8 A Correct. It's timing, but at the end of the
9 day, the customers paid the same amount of money.

10 **Q Isn't it true when it comes to servicing**
11 **customers that meet these thresholds, costs borne by FPL**
12 **up front are significant, right?**

13 A It could be significant, and that's why we
14 proposed the change to the tariff.

15 **Q With that being said, if we could go to**
16 **D6-366.**

17 MR. SCHULTZ: What was the first -- the
18 letter?

19 MR. PONCE: D as in dog.

20 MR. SCHULTZ: Okay.

21 BY MR. PONCE:

22 **Q Give me a moment, I will give you a line**
23 **number for you to look at.**

24 MR. CHRISTOPHER WRIGHT: I'm sorry, Mr. Ponce.
25 Can you explain what we are looking at here?

1 MR. PONCE: So we are looking at Mr. De
2 Varona/Jarro's direct -- excuse me, rebuttal
3 testimony.

4 BY MR. PONCE:

5 **Q If you could look at line eight. Do you**
6 **disagree what Mr. De Varona/Jarro states here, it is**
7 **important to recognize that any increases to FPL's**
8 **proposed thresholds increased a level risk borne by**
9 **FPL's general body of customers?**

10 A I see that. I also -- as I noted before, we
11 have the PGA mechanism as well in place, so there is a
12 balance there.

13 **Q I am sorry, but my question was if you agree**
14 **or disagree?**

15 A I agree.

16 **Q Fair enough. Moving on.**

17 **CHAIRMAN LA ROSA: Mr. Ponce, I want to take a**
18 **break. I don't want to interrupt you if you**
19 **have --**

20 MR. PONCE: I think I have got maybe two or
21 three more questions. We are almost done with this
22 one.

23 CHAIRMAN LA ROSA: Yeah. No worries.

24 BY MR. PONCE:

25 **Q In your rebuttal testimony, you supported**

1 **keeping the CIAC tariff without any modifications,**
2 **right?**

3 A Yes.

4 MR. PONCE: Actually, that was my last
5 question. So if you want to go on break, I think
6 it's a great time.

7 CHAIRMAN LA ROSA: Yeah, it sounds like that
8 is perfect timing.

9 Let's go ahead and take a 10-minute break, and
10 let's reconvene here at 10:52 to be precise.

11 (Brief recess.)

12 (Transcript continues in sequence in Volume
13 13.)

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1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
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45 I, DEBRA KRICK, Court Reporter, do hereby
6 certify that the foregoing proceeding was heard at the
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
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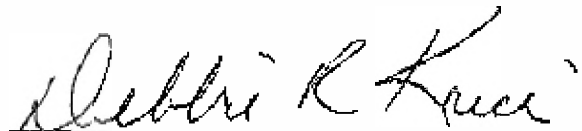
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