BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI

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

VOLUME 18
PAGES 3970 - 4243

PROCEEDINGS: HEARING

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

DATE: Tuesday, October 14, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 6:00 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
221-223	As identified in the CEL		4007
217-220	As identified in the CEL		4036
195-216	As identified in the CEL		4242
262	As identified in the CEL		4242
269-272	As identified in the CEL		4242

P R O C E E D I N G S

(Transcript follows in sequence from Volume 17.)

CHAIRMAN LA ROSA: All right. If you want to go ahead and grab your seats, we will get started here.

We had left off, FEA was calling its witness, we had just finished witness Gorman, if remember correctly, and back in FEA's hands to call your next witness.

CAPTAIN RIVERA: Thank you. FEA would like to call to the stand Mr. Matthew Smith.

CHAIRMAN LA ROSA: Mr. Smith, if you don't mind remaining standing just raise your right hand?

Whereupon,

MATTHEW SMITH

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

THE WITNESS: I do.

CHAIRMAN LA ROSA: Excellent. Great. Thank you.

Feel free to get yourself settled in and get set, and toss it over to you, FEA, once your witness is ready.

EXAMINATION

BY CAPTAIN RIVERA:

Q Can you make sure to put on your mic, sir?

Can you introduce yourself for the record, including your business address?

A Yes, my name is Matthew Smith. I am a consultant with Brubaker & Associates, Inc. Our business is located at 1669 East Swingley Ridge Road, Suite 140, Chesterfield, Missouri, 63017.

Q Thank you.

Did you cause your direct testimony and exhibits to be filed in this case on 9 June, 2025?

A I did.

Q Have you read over that testimony before testifying here today?

A I have.

Q Do you have any corrections to that testimony?

A I do not.

Q If I asked you the same questions in your testimony, would your answers be the same or substantially the same here today?

A They would.

Q Have you prepared a summary of your testimony for The commissioners?

A I have.

Q Can you provide it?

A Yes.

My testimony today will cover cost of service matters and will address the allocation of transmission and production assets. Particularly, I will address the appropriateness of the 12 CP and one -- or sorry, 12 CP 25 percent energy allocator used by the company, and the 12 CP allocator used for transmission. I will suggest a 4 CP allocator in both instances, and I will suggest that the energy allocator remain at 1/13th, as per previous cases. My testimony is based on the appropriateness of these allocators and how FPL incurs costs to their system, as well as the nature of the system, itself.

I will then present my own class cost of service model, which I am suggesting be used to inform the revenue spread in this case.

Q Thank you.

CAPTAIN RIVERA: I would like to submit the testimony of witness Matthew Smith into the record as though it was read.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled direct testimony of Matthew Smith was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony and Exhibits of

Matthew P. Smith

On behalf of

Federal Executive Agencies

June 9, 2025

BRUBAKER & ASSOCIATES, INC.

Project 11813

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

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

STATE OF MISSOURI	)	
	)	**SS**
COUNTY OF ST. LOUIS	)	

Affidavit of Matthew P. Smith

Matthew P. Smith, being first duly sworn, on his oath states:

1. My name is Matthew P. Smith. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony and exhibits which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20250011-EI.

3. I hereby swear and affirm that the testimony and exhibits are true and correct and that it shows the matters and things that it purports to show.

Matthew Smith

Matthew P. Smith

Subscribed and sworn to before me this 9th day of June, 2025.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 18, 2027
Commission # 15024862

Tammy S Klossner

Notary Public

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

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

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Direct Testimony of Matthew P. Smith

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony of Matthew P. Smith

I. INTRODUCTION

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Matthew P. Smith. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing in this proceeding on behalf of the Federal Executive Agencies ("FEA").

Q WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A My testimony will address FPL's proposed Class Cost of Service Study ("CCOSS"). First, I respond to FPL's proposal to increase the energy classification of production capacity cost to 25% from 1/13th. FPL's rationale for this change does not align with how it incurs production demand costs to reliably service

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customers' demands in all hours of the year at the lowest energy cost available. Second, I will also describe my concerns with FPL's proposed demand allocation factors based on a 12-Coincident Peak ("12CP") allocation factor. I explain why a 4-Coincidence Peak ("4CP") demand allocation factor better aligns with FPL's system peak demand periods making it a more accurate demand allocation factor which assigns production demand to rate classes in line with how FPL incurs production and transmission capacity costs needed to reliably service each rate classes' demands in all hours of the year.

Finally, I will also provide my recommended revised CCOSS using my proposed adjustments to the energy demand classification of production capacity costs with my proposed 4CP demand allocation factors for production and transmission capacity costs.

My silence with respect to any position taken by FPL should not be construed as agreement with that position.

II. SUMMARY OF TESTIMONY

Q HOW IS YOUR TESTIMONY ORGANIZED?

A My testimony is organized as follows:

1. I will present an overview of Cost of Service ("COS") principles and concepts.
2. I outline the issues I take with FPL's CCOSS.
   a. I address FPL's use of a 12-Coincidence Peak allocator for production and transmission purposes.
   b. I then oppose FPL's recommendation to adjust the classification of production capacity cost from 1/13 energy to 25% energy. I

recommend the Commission continue to classify FPL's production capacity cost as 1/13th energy and demand.

3. I present the results of my revised CCOSS study and compare its result to those in FPL's CCOSS.
4. My testimony concludes with a discussion of the appropriateness of my revisions to FPL's CCOSS, including the use of 4CP, 1/13th energy, production plant allocator, and a 4CP transmission allocator.

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A My conclusions and recommendations are as follows:

1. Class cost of service is the foundation for allocating revenue to classes within the ratemaking procedure.
2. A 4CP production and transmission demand allocator is a more accurate measure of the capacity cost FPL must incur to provide reliable firm service to its rate classes. I recommend the Commission approve a 4CP demand allocation factor in this case for production and transmission capacity cost classified as demand.
3. I oppose FPL's proposal to increase the energy classification of production capacity cost from 1/13th energy, which has been used in past rate cases, to 25% in this case. FPL's proposal to increase the energy classification weight in allocating production fixed capacity cost is not cost justified and does not align with how FPL incurs production capacity cost to reliably service customer demands at the lowest cost energy available. It should therefore be denied.
4. The results of the CCOSS with a 4CP, 1/13th energy classification, better allocates capacity costs based on cost-causation principles and is fair and reasonable to all rate classes.

5. Following cost-causation principles allows the Utility to send actual and efficient cost-based price signals to all customers to encourage customers to make efficient conservation consumption decisions. Enhancing the efficiency of customers' demands will produce benefits to both customers and the Utility by enhancing the economic utilization of the utility rate base assets.
6. Class revenue should be allocated using the FEA's proposed CCOSS revenue spread, as shown on Exhibit MPS-1. This CCOSS utilizes a 4CP, $1/13^{th}$ energy production plant allocator.

III. COST OF SERVICE PROCESS OVERVIEW

Q WHAT IS THE PURPOSE OF A CCOSS?

A The CCOSS gathers the costs incurred to serve all customers on the system and identifies, or allocates, those costs to the customer classes which caused the costs to be incurred. Likewise, revenues collected are allocated by class so that a rate of return can be calculated for each class. The rate of return for each class can then be compared to the system authorized rate of return.

A customer class with a rate of return equal to the system rate of return is considered to be at "parity," or covering the costs incurred to serve its load. A class with a rate of return which exactly equals the system rate of return would be calculated to have a parity index rating of 1.0. A class with a below parity, or below average, rate of return could be considered to have insufficient revenue to cover all costs to serve that class and would have a parity index rating below 1.0. However, classes above a parity index rating of 1.0 are considered to be covering the cost associated with their own load and the costs incurred by other, below parity classes.

Q WHY IS IT IMPORTANT TO HAVE AN ACCURATE CCOSS?

A It is a widely held principle that costs should be allocated to customer classes based on cost causation. While some costs, such as meters, can readily be assigned directly to individual customer classes, a mechanism is required to properly allocate other costs which cannot be as readily assigned. The CCOSS is that mechanism. The results of the CCOSS will be used to assign costs and produce revenues from each customer class. As such, it is fundamental to the ratemaking process to have an accurate representation of how costs are incurred and from which class they were incurred.

Q DO YOU SUPPORT THAT PREMISE?

A Yes. Rates that are based on consistently applied cost-causation principles are not only fair and reasonable, but further the cause of stability, conservation, and efficiency. When consumers are presented with price signals that convey the consequences of their consumption decisions, i.e., how much energy to consume, at what rate, and when, they tend to take actions which not only minimize their own costs but those of the utility as well.

Although factors such as simplicity, gradualism, economic development, and ease of administration may also be taken into consideration when determining the final spread of the revenue requirement among classes, the fundamental starting point and guideline should be the cost of serving each customer class produced by the CCOSS.

Q WHAT ARE THE MAJOR STEPS IN A CCOSS?

A The first step in a CCOSS is known as functionalization. This simply refers to the process by which the utility's investments and expenses are reviewed and put into different categories of cost. The primary functions utilized are production, transmission, and distribution. Of course, each broad function may have several subcategories to provide for a more refined determination of cost of service.

The second major step is known as classification. In the classification step, the functionalized costs are separated into the categories of demand-related, energy-related, and customer-related costs in order to facilitate the allocation of costs applying the cost-causation principles.

Demand or capacity-related costs are those costs that are incurred by the utility to serve the amount of demand that each customer class places on the system. A traditional example of capacity-related costs is the investment associated with generating stations, transmission lines, and a portion of the distribution system. Once the utility makes an investment in these facilities, the costs continue to be incurred, irrespective of the number of kilowatt-hours generated and sold or the number of customers taking service from the utility.

Energy-related costs are those costs that are incurred by the utility to provide the energy required by its customers. Thus, the fuel expense is almost directly proportional to the amount of kilowatt-hours supplied by the utility system to meet its customers' energy requirements.

Customer-related costs are those costs that are incurred to connect customers to the system and are independent of the customer's demand and energy requirements. Primary examples of customer-related costs are investments in meters, services, and the portion of the distribution system that is necessary to connect customers to the system. In addition, such accounting functions as meter reading, bill preparation, and revenue accounting are considered customer-related costs.

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The final step in the CCOSS is the allocation of each category of the functionalized and classified costs to the various customer classes using the cost-causation principles. Demand-related costs are allocated on the basis that gives recognition to each class's responsibility for the Company's need to build plants to serve demands imposed on the system. Energy-related costs are allocated on the basis of energy use by each customer class. Customer-related costs are allocated based upon the number of customers in each class, weighted to account for the complexity of servicing the needs of the different classes of customers.

IV. FPL'S CLASS COST OF SERVICE

Q PLEASE DESCRIBE THE COMPANY'S CCOSS.

A Ms. DuBose describes the Company's CCOSS in her testimony. She also presents an alternative CCOSS utilizing a 12CP, 1/13th energy allocator for production plant but states this is for informational purposes only and is not the basis of FPL's proposal in this proceeding.[1]

Ms. DuBose states her CCOSS starts by allocating costs between retail and wholesale jurisdictions. Costs are first functionalized, then classified, and finally separated between retail and wholesale jurisdictions. Then, the retail costs are functionalized, classified, and allocated to retail rate classes.[2]

Q DO YOU BELIEVE FPL'S PRODUCTION PLANT AND TRANSMISSION ALLOCATORS FOLLOW COST-CAUSATION PRINCIPLES?

A No. Use of a 12CP allocator does not accurately present the load contribution of the retail classes that drive FPL's need to invest in production and transmission

[1] Direct Testimony of Tara DuBose, pages 24 & 25.
[2] Direct Testimony of Tara DuBose, pages 13 thru 20.

capacity. The class contribution to the peak loads drives FPL's cost of providing firm service, and this capacity cost should be allocated across rate classes in proportion to how this cost is incurred.

Q WHY IS FPL'S PROPOSED USE OF A 12CP ALLOCATOR FOR TRANSMISSION AND PRODUCTION PLANT CAPACITY CLASSIFIED COSTS NOT REFLECTIVE OF FPL's COST CAUSATION?

A FPL must invest in production and transmission capacity that is capable of serving its customers' demands in every hour of the year. The peak hours demands are the primary investment factor that drive FPL's decisions to invest in adequate amounts of production and transmission capacity resources to enable it to meet its customers firm service demands. The demand allocator then must reflect both peak demand of the FPL system and the amount of accredited capacity needed to reliably service the peak demand.

Q HOW DOES FPL'S MONTHLY PEAK DEMAND IMPACT ITS NEED FOR PRODUCTION AND TRANSMISSION CAPACITY RESOURCES?

A FPL must invest in capacity resources that are capable of servicing demand in all hours of the year, including the peak period hours. This requires FPL to make investment decisions that will fully utilize all production and transmission capacity resources during peak periods but will allow it to reduce the capacity utilization output of its production and transmission resources during non-peak periods. That is, the capacity factor of FPL's capacity resources will be lower during off-peak periods but its capacity will be used on all hours. Importantly, the amount of capacity that is needed to provide reliable firm service is based on peak period demands.

An examination of FLP's historic and test year retail monthly peak demands is illustrated in Figure 1 below. As shown in Figure 1, FPL must invest in capacity

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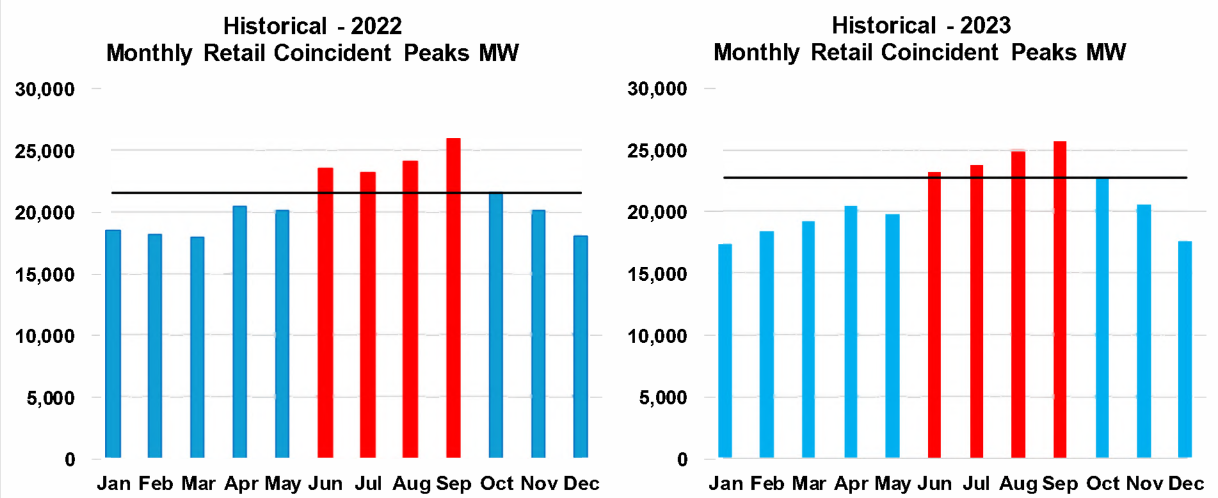
to meet its peak period demands, which occur 4 months of the year. In the other 8 months of the year, FPL demands are well below the 4 monthly peak demand months. Figure 1 illustrates that FPL must invest in capacity resources that are adequate to serve its peak period demands, and those demands are represented by a 4CP demand. During the historic years of 2022 and 2023, the retail load begins to rise in the month of June, remains elevated, and begins to sharply decline in October. FPL's forecast for test years 2026 and 2027 expresses a similar pattern, with the peak in August, before a return to pre-summer month levels in October. FPL must invest in resource capacity amounts that can reliably serve demands in these four months. That capacity will not be operated at high capacity output in the remaining 8 months of the year.

FIGURE 1



Sources: MFR E-11, Attachments 1 & 2.

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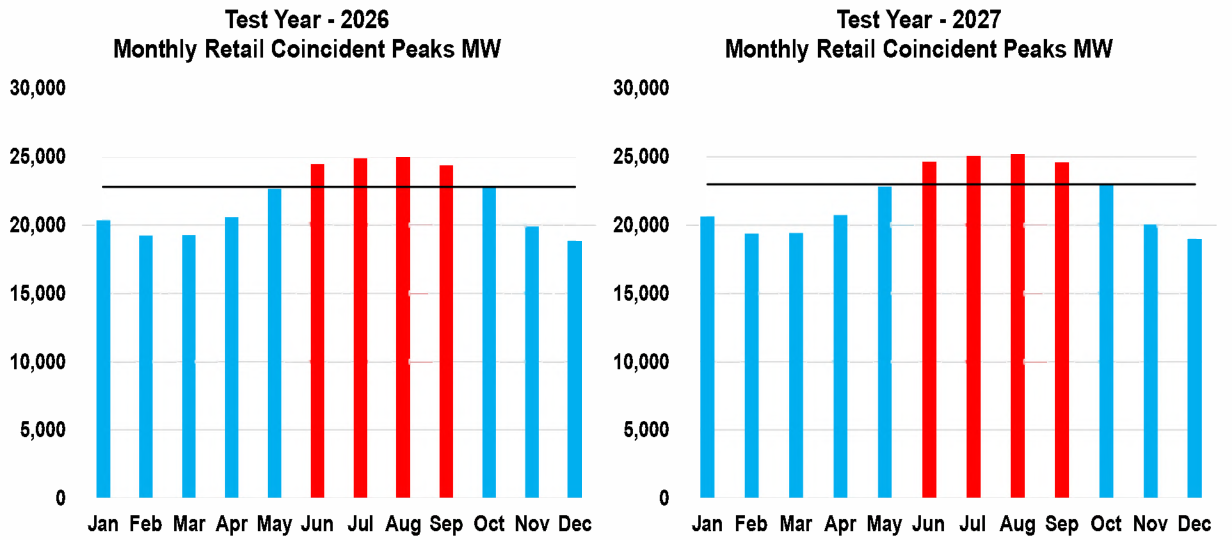
FIGURE 2



Sources: MFR E-11, Attachments 1 & 2.

If FPL made investment decisions based on a 12CP period, then it would not have adequate resource capacity amounts to reliable serve its demands in every hour of the year. For this reason, a 12CP capacity allocation factor does not accurately describe the amount of capacity FPL needs to reliable serve its customer demands in every hour of the year.

Q HOW DOES FPL INVEST IN PRODUCTION RESOURCES TO SERVE ITS PEAK DEMANDS IN EVERY HOUR OF THE YEAR?

A. In his testimony, FPL witness Mr. Whitley describes three reliability criteria which FPL relies upon to design its resource portfolio: 1) Minimum total planning reserve margin ("PRM") of 20% for both summer and winter peak hours. 2) Loss of load probability ("LOLP"). 3) Minimum generation-only reserve margin ("GRM") of 10%.[3] The PRM requirement ensures FPL has a reserve margin, for capacity, available above 20% of the summer, or winter, peak.[4] The LOLP method looks at the peak

[3] Direct Testimony of Andrew Whitley, pages 10 – 11.
[4] *Id.*

hourly demand for each day of the year and assesses the probability of generation shortfalls in the system firm demand. Lastly, the GRM requires available firm capacity be 10 percent greater than the sum of customer seasonal demands.[5]

Each of the above criteria utilized by FPL requires investment in production resources to meet the Utility's firm capacity needs. As a result, to reliability serve customers, FPL acquires generation resources based on each resource type's accredited capacity ratings. The accredited capacity rating for all resources are typically less than the resource nameplate rating. The accredited capacity rating for FPL's proposed solar and battery storage units reflects the expected capacity amount that the resource will be available to deliver to serve FPL's load demands, as seen on Exhibit MPS-3.

Q WHY IS FPL'S PROPOSED CHANGE IN CLASSIFICATION OF PRODUCTION CAPACITY FROM 1/13TH ENERGY TO A 25% ALLOCATION NOT REASONABLE?

A In her testimony, Ms. Dubose asserts the move from a 1/13 energy allocation, which is approximately 8%, to 25%, "offers a more suitable allocation of production plants."[6] Ms. Dubose's reasoning for this claim is the addition of significant solar and battery storage with zero fuel costs, which is a benefit to all customers. However, increasing solar installations on the system have caused the net system peak for generation to shift to later in the evening, when solar will offer a minimal contribution to the system's coincident peak.[7]

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[5] *Id.*
[6] Direct Testimony of Tara Dubose, page 21.
[7] Direct Testimony of Tara Dubose, pages 21 & 22.

While it's correct to say solar panels will not be generating capacity during a peak occurring later in the evening, it is unreasonable to assert the solar panels will not be contributing to the system's coincident peak via the additional battery storage units which Mr. Whitley has asserted will be charged during the day as a direct product of FPL's large amounts of solar on the system.[8] As noted above, production resources, which includes solar and battery storage units, are selected based on firm capacity ratings, not energy, in order to meet the system peak demands. The allocation of those demand costs should align with the incurrence of those costs.

Q IS MS. DUBOSE'S REASONING SOUND?

A. No. While I agree a lower fuel cost is a benefit, modifying the production capacity classification does not reflect how FPL invests in adequate amounts of capacity to provide reliable firm service, nor how it operates its capacity to minimize fuel costs.

Production costs reflect the capital investment required to meet the Company's peak system capacity requirements. Capital investments are a fixed cost based on the required capacity needed to provide firm service. The energy cost is the cost to operate the capacity resources to economically generate energy. Ms. DuBose recognizes this distinction in her direct testimony.[9] Shifting capacity cost recovery to energy cost directly contravenes cost-causation and sends erroneous price signals to customers. While an increase to the energy allocation will collect more revenue from high energy users on the Utility's system, it will shift costs away from customers causing the system peak in the later portion of the day by reducing the cost allocated to incur capacity during the peak period. This is a direct reversal of the purpose of price signals, which the principles of cost-

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[8] Direct Testimony of Andrew Whitley, pages 25 – 26.
[9] Direct Testimony of Tara Dubose, pages 21 & 22.

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causation are meant to enforce, through which customers, large and small, are able to make informed and responsible decisions about their energy use. An informed, responsible customer base provides a direct benefit to the Utility by allowing it to collect revenues in-line with actual cost-causation.

V. REVISED CLASS COST OF SERVICE

Q DID YOU REVISE FPL'S CCOSS TO MORE ACCURATELY ALLOCATE PRODUCTION AND TRANSMISSION DEMAND COSTS?

A Yes. I adjusted FPL's CCOSS with revised production and transmission demand allocators. I recommend transmission allocation move from FPL's 12CP allocator to a 4CP allocator, while production demand is revised from FPL's 12CP, 25% energy allocator to a 4CP, 1/13 energy allocator.

These production and transmission allocators more accurately align with FPL's incurrence of capacity needs and system peak demands.

Q HOW DOES THE FEA'S REVISED CCOSS REVENUE INCREASE COMPARE TO FPL'S CCOSS RESULTS?

A FPL created 2 CCOSS for test years 2026 and 2027. In order to make direct comparisons, I duplicate this process, creating revised CCOSS for 2026 and 2027 using a 4CP, 1/13 energy allocator for production plant and a 4CP allocator for transmission presented in Exhibits MPS-1 and MPS-2, respectively. A comparison of the resulting CCOSS revenue requirements can be seen below in Tables 1 and 2 for years 2026, and 2027, respectively.

TABLE 1
Comparison of Proposed Target Equalized Revenue Requirements
By Rate Class 12CP Production/Transmission Allocator VS 4CP
For Test Year 2026
($M)

	Flordia Power & Light Company CCOSS				FEA Revised CCOSS			
Rate Class (1)	Achieved Revenues (2)	Revenue Deficiency/ (Excess) (3)	Percent Difference (4)	Increase Index (5)	Achieved Revenues (6)	Revenue Deficiency/ (Excess) (7)	Percent Difference (8)	Increase Index (9)
CILC-1D	$110.5	$41.7	37.7%	2.4	$110.5	$28.9	26.2%	1.7
CILC-1G	5.1	1.4	27.3%	1.7	5.1	1.0	19.3%	1.2
CILC-1T	47.6	17.5	36.8%	2.4	47.6	7.6	16.0%	1.0
GS(T)-1	746.4	(0.1)	0.0%	0.0	746.6	29.4	3.9%	0.3
GSCU-1	2.4	(0.1)	-5.2%	-0.3	2.4	(0.4)	-15.4%	-1.0
GSD(T)-1	1,762.1	482.1	27.4%	1.8	1,762.0	455.2	25.8%	1.7
GSLD(T)-1	557.9	198.6	35.6%	2.3	557.8	165.6	29.7%	1.9
GSLD(T)-2	180.6	79.0	43.8%	2.8	180.6	64.3	35.6%	2.3
GSLD(T)-3	33.0	9.7	29.4%	1.9	32.9	6.1	18.5%	1.2
MET	4.4	0.5	11.4%	0.7	4.4	0.2	3.8%	0.2
OS-2	2.1	1.2	54.7%	3.5	2.1	1.1	51.8%	3.3
RS(T)-1	6,229.8	700.1	11.2%	0.7	6,230.0	776.8	12.5%	0.8
SL/OL-1	191.1	16.3	8.5%	0.5	191.1	12.8	6.7%	0.4
SL-1M	1.6	0.2	12.8%	0.8	1.6	(0.0)	-1.0%	-0.1
SL-2	1.9	0.1	7.6%	0.5	1.9	(0.1)	-4.9%	-0.3
SL-2M	0.6	(0.1)	-13.5%	-0.9	0.6	(0.1)	-21.0%	-1.3
SST-DST	0.2	(0.1)	-61.9%	-4.0	0.2	(0.1)	-62.2%	-4.0
SST-TST	$7.3	($3.3)	-44.6%	-2.9	$7.3	($3.3)	-45.2%	-2.9
System Total	$9,884.8	$1,544.8	15.6%	1.0	$9,884.8	$1,544.8	15.6%	1.0

Sources:
(2) & (3) Exhibit TD-3 Target RR at Proposed Rate.
(4) Column (3)/ Column (2).
(5) & (9) Percent Difference, for each class/System Total Increase.
(6) Exhibit MPS-1, tab Revised 2026 COS Present Rates.
(7) Exhibit MPS-1, tab Revised 2026 COS Proposed Rates.
(8) Column (7)/Column (6).

1

TABLE 2
Comparison of Proposed Target Equalized Revenue Requirements
By Rate Class 12CP Production/Transmission Allocator VS 4CP
For Test Year 2027
($M)

	Flordia Power & Light Company CCOSS				FEA Revised CCOSS			
Rate Class (1)	Achieved Revenues (2)	Revenue Deficiency/ (Excess) (3)	Percent Difference (4)	Increase Index (5)	Achieved Revenues (6)	Revenue Deficiency/ (Excess) (7)	Percent Difference (8)	Increase Index (9)
CILC-1D	$110.8	$53.0	47.8%	1.9	$110.8	$39.3	35.5%	1.4
CILC-1G	5.2	1.9	36.8%	1.5	5.2	1.5	28.3%	1.1
CILC-1T	48.0	23.4	48.8%	2.0	48.0	12.8	26.6%	1.1
GS(T)-1	754.1	64.0	8.5%	0.3	754.3	95.7	12.7%	0.5
GSCU-1	2.4	0.1	3.7%	0.1	2.4	(0.2)	-7.2%	-0.3
GSD(T)-1	1,783.2	653.8	36.7%	1.5	1,783.2	625.0	35.1%	1.4
GSLD(T)-1	558.4	253.4	45.4%	1.8	558.3	218.2	39.1%	1.6
GSLD(T)-2	181.7	98.6	54.3%	2.2	181.6	83.0	45.7%	1.8
GSLD(T)-3	33.2	13.6	41.0%	1.7	33.2	9.7	29.3%	1.2
MET	4.5	0.9	20.3%	0.8	4.5	0.5	12.2%	0.5
OS-2	2.1	1.2	57.8%	2.3	2.1	1.2	54.8%	2.2
RS(T)-1	6,302.2	1,272.7	20.2%	0.8	6,302.4	1,353.8	21.5%	0.9
SL/OL-1	195.6	43.3	22.1%	0.9	195.6	40.0	20.4%	0.8
SL-1M	1.7	0.3	18.8%	0.8	1.7	0.1	4.0%	0.2
SL-2	1.9	0.3	18.3%	0.7	1.9	0.1	5.0%	0.2
SL-2M	0.6	(0.0)	-5.8%	-0.2	0.6	(0.1)	-13.9%	-0.6
SST-DST	0.2	(0.1)	-58.4%	-2.4	0.2	(0.1)	-58.8%	-2.4
SST-TST	$7.3	($2.7)	-37.1%	-1.5	$7.3	($2.8)	-37.9%	-1.5
System Total	$9,993.2	$2,477.7	24.8%	1.0	$9,993.2	$2,477.7	24.8%	1.0

Sources:
(2) & (3) Exhibit TD-3 Target RR at Proposed Rate.
(4) Column (3)/ Column (2).
(5) & (9) Percent Difference, for each class/System Total Increase.
(6) Exhibit MPS-2, tab Revised 2027 COS Present Rates.
(7) Exhibit MPS-2, tab Revised 2027 COS Proposed Rates.
(8) Column (7)/Column (6).

Columns 5 and 9 of Tables 1 and 2, respectively, display an Increase Index. This index is calculated by taking the required revenue deficiency/(excess) percent difference, displayed in columns 4 and 8 of each table, divided by the respective system total required revenue deficiency/(excess) percent difference. This creates an index, similar to the parity index, to compare each classes required revenue change to the system average change. A score of 1.0 reflects a class revenue change equal to the system average.

In Table 1, the 2026 CCOSS Comparison, the majority of rate classes for the FEA revised CCOSS have an Increase Index closer to 1.0 when compared to the respective increase from FPL's CCOSS. Under FPL's CCOSS, rate CILC-1D would receive an increase of 37.7%, or an Increase Index of 2.4. The FEA revised CCOSS increase for CILC-1D is a more moderate increase of 26.2%, or an Increase Index of 1.7. GSD(T)-1 is allocated a 27.4% increase, or an Increase Index of 1.8 under FPL's CCOSS, while receiving a 25.8% increase with an Increase Index of 1.7 under the FEA's revised COSS. RS(T)-1, under FPL's CCOSS, receives an 11.2% increase, an Increase Index of 0.7, compared to a 12.5% increase at an Increase Index of 0.8 under the FEA Revised CCOSS.

In table 2, the 2027 CCOSS Comparison, a similar trend to that which is observed in table 1, and outlined above, is present. The Increase Index for rate classes CILC-1D, GSD(T)-1, and RS(t)-1 all move closer to 1.0, as well as the majority of other rate classes.

Q WHY IS HAVING AN INCREASE INDEX CLOSER TO 1.0 A POSITIVE FOR RATE CLASSES?

A An Increase Index of 1.0 can be a positive indicator of a CCOSS model's stability. The system average increase is a benchmark for classes as it represents the Utility's total revenue increase requirement. Each component of the CCOSS should be individually examined, and cost causation should be represented in the CCOSS. However, wider swings in rate class increases/(decreases) to revenue responsibility can be a result of inappropriate changes to cost allocation methods. In this rate case proceeding, FPL has presented a modification to the production plant allocator, increasing the energy allocator proportion from 1/13, or approximately 8%, to 25%. The resulting CCOSS revenue requirements and the further those increases depart from the system Increase Index of 1.0, the more apparent the shift of revenue responsibility for rate classes becomes.

Gradualism, another key consideration in a properly formed CCOSS, is also served when classes' Increase Index is closer to 1.0. As I discussed earlier, the aim of a CCOSS is to form a foundation for rates that are based on consistently applied cost-causation principles which are not only fair and reasonable, but further the cause of stability, conservation, and efficiency. An accurate and fair CCOSS is the goal in the ratemaking process. The FEA's proposed CCOSS, when compared to FPL's, demonstrates a more gradual alignment of revenues for rate classes.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

C32-4116

Appendix A – Qualifications of Matthew P. Smith

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Matthew P. Smith. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A In 2017, I received a Bachelor of Science Degree in Economics from Southern Illinois University.

In May of 2018, I accepted an Analyst position with Brubaker & Associates, Inc. ("BAI"). I was promoted to Senior Analyst in 2021, and in 2023 I was promoted to Consultant. During my employment at BAI I have performed detailed analysis on a variety of subjects within the scope of electric, natural gas, and water regulatory proceedings. This analysis includes but is not limited to the following: Cost of Service Studies ("COSS"), Return on Equity ("ROE"), Rate Design, and Resource Adequacy issues. I have also been engaged in the evaluation of Request for Proposals ("RFP") responses, the creation of regional electric market price forecast models, and load forecast models for industrial energy users in the electric and natural gas fields.

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, state regulatory agencies, and some utilities. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony on cost of service, and other issues, before the California state regulatory commission.

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CAPTAIN RIVERA: And I would like to submit him for cross.

CHAIRMAN LA ROSA: Thank you.

OPC?

MR. WATROUS: Thank you, Mr. Chairman, and the OPC has no questions.

CHAIRMAN LA ROSA: Thank you.

FEL?

MR. MARSHALL: Thank you Mr. Chairman.

EXAMINATION

BY MR. MARSHALL:

Q Good afternoon, Mr. Smith.

Would you agree that class cost of service is the foundation for allocating revenue to classes within the ratemaking procedure?

A Yes.

Q And that following cost causation principles allows the utility to send actual and efficient cost-based price signals to all customers to encourage customers to make efficient conservation consumption decisions?

A Yes, I would.

Q Is it true that if a cost of service study shows a class above a parity index ratio of 1.0, they are considered to be covering the costs associated with

their own load and the costs incurred by other below parity classes?

A Yes, it is.

Q Would you agree that rates that are based on consistently applied cost causation principles are not only fair and reasonable, but further the cause of stability, conservation and efficiency?

A I am sorry, just one on that last question, I think I need to modify that, or adjust it. It can show that. However, the parity is showing in relation to the system average. So that doesn't necessarily follow that a class that is above is necessarily paying the cost of other classes, however, it could be an indicator that is what is happening.

Q And if a class is below that parity index of ratio of 1.0, what would that indicate?

A It could indicate that they are being subsidized.

Q Okay. Regarding the final spread of the revenue requirement among the classes, would you agree that the fundamental starting point and guideline should be the cost of serving each customer class produced by the cost of service study?

A I am sorry, could you repeat that again? I missed the beginning of that question.

Q Regarding the final spread of the revenue requirement among the classes, would you agree that the fundamental starting point and guideline should be cost of serving each customer class produced by the cost of service study?

A Yes.

Q And your testimony supports the use of the 4 CP allocator for production, is that right?

A Correct.

Q And turning to your testimony on page eight, lines eight to 10, you state that the peak hour demands are the primary investment factor that drive FPL's decisions to invest in adequate amounts of production and transmission capacity resources to enable to meet its customers' firm service demands?

A Yes.

Q And you go on to state that the demand allocator then must reflect both peak demand of the FPL system and the amount of accredited capacity needed to reliably service that peak demand?

A Correct.

Q So from your -- is it your testimony, then, that it is the peak demands in June, July, August and September that are driving FPL's additions to production plant?

A Yes.

Q Have you reviewed the FPL stochastic loss of load probability results?

A No, I have not reviewed them in detail.

Q If we could go to master page C17-2312? Have you seen this before?

A I have seen it a few times today.

Q Fair enough.

Do I take it from your answer, then, that you did not consider this in your testimony when recommending the use of the months of June, July, August and September for the 4 CP?

A No, I did not directly consider this.

Q Would you agree that FPL must invest in capacity resources that are capable of servicing demand in all hours of the year?

A Yes.

Q FPL can also have significant winter peaks, is that right?

A I believe it's possible, I mean.

Q Do you know if the Northwest Florida portion territory of FPL had an all-time peak in January of 2025?

A I am not aware if it did. For the purposes of this case, I reviewed the historical loads of 2022 and

2023, as well as the forecasted loads for 2026 and 2027, which I presented in figures 1 and 2. So for the purposes -- in the purposes of this case, those were the loads that were used to invest in the current and planned capital expenditures, so those were what I had reviewed.

Q Do you know if the 522-megawatt Northwest Florida Battery Project is the single largest capacity addition to FPL's system this year?

A I have not made that analysis.

Q Do you know if that battery project is being added to address a winter reliability need?

A I am not aware if it has.

Q It should be obvious, but none of the four months that you recommend for using the 4 CP are winter months, correct?

A I am sorry, the months that I -- those are summer months.

Q You also address the capacity and energy value of solar in your testimony, is that right?

A Yes.

Q If we could go to master page C32-4123?

This is one of the exhibits to your testimony?

A Correct.

Q And this shows the firm capacity value of

solar resources being added onto FPL's system?

A Yes.

Q And does this show that by 2027, for incremental new solar additions, the firm capacity value is five percent of their nameplate capacity?

A From 2027 on, yes.

Q Would you agree that solar additions are a major capital spending driver for FPL production plant?

A I mean, yes, it would appear so.

Q And does this show that there is a cumulative firm capacity of 28 percent by 2029 for FPL's solar resources?

A I am sorry, which line are you referring to? Which --

Q Cumulative solar 2029 firm capacity as in relation to nameplate capacity.

A Right, 28 percent, yeah. It would also be worth noting that at the bottom it states that the assumed firm capacity value for solar in the winter is assumed to be less than two percent.

Q And 2029 would be within the four-year plan as proposed by FPL?

A I believe that's correct.

Q I take it by your prior answer that -- are you aware of whether an even less -- a lower firm capacity

accreditation was given to solar as part of FPL as stochastic loss of load probability analysis?

A That I would not be familiar with.

Q On page 12, line six of your testimony, you testify that FPL is adding production resources, which include solar, based on firm capacity ratings, not energy; is that right?

A Correct.

Q Have you reviewed FPL's testimony regarding why FPL is adding solar to the grid?

A Could you be more specific on which particular part?

Q Sure. Have you seen the analogy from FPL about swapping steel for fuel in terms of solar?

A I don't believe I have.

Q Would you agree that fuel has always been allocated on an energy basis?

A That is the standard, yes.

Q All right. So what is the basis for your belief that FPL is adding the solar to the grid for its firm capacity value and not its energy value?

A While cheaper energy does present a value to all customers, the amount of new generation installed is based upon capacity to meet the system's peak. And particularly, I would go back to the exhibit you had pointed to before, where it says that the firm capacity value of solar in the winter months is assumed to be less than two percent, which I think, again, would point back to the fact that solar is being primarily installed to meet the summer peaks.

Q And you don't have an analysis showing a differing firm capacity value than what was included in your testimony produced by FPL?

A No.

Q If we could go to page 14 of your testimony?

And do you here compare the results of FPL's cost of service study with your revised class cost of service study?

A I do.

Q And do you see the column on the right for both sides that says increase index?

A Yes.

Q Could you explain what that means?

A So the increased index is relative -- it's increase in relative to the system, with one being at the system increase above one being above it and below one below.

Q And so both RS and GS would be below the system increase in your -- in FEA's revised class cost of service study, is that right?

A Correct.

Q If we could turn to the next page of your testimony, page 15?

Would this be the same kind of information except for test year 2027?

A Correct.

Q And this would still show, under FEA's revised class cost of service, RS and GS being below one, is that right?

A I believe that's correct.

Q All right. Thank you, Mr. Smith.

MR. MARSHALL: Thank you, Mr. Chairman, that's all my questions.

CHAIRMAN LA ROSA: Great. Thank you.

FAIR?

MR. SCHEF WRIGHT: No questions. Thank you, Mr. Chairman.

CHAIRMAN LA ROSA: FEIA?

MR. MAY: No questions.

CHAIRMAN LA ROSA: Walmart?

MS. EATON: No questions. Thank you.

CHAIRMAN LA ROSA: FRF?

MR. BREW: No questions.

CHAIRMAN LA ROSA: FIPUG?

MR. MOYLE: No questions.

CHAIRMAN LA ROSA: FPL?

MS. MONCADA: No questions.

CHAIRMAN LA ROSA: Staff?

MR. STILLER: No questions.

CHAIRMAN LA ROSA: Commissioners, do we have questions of the witness?

Seeing none, back to FEA for redirect.

CAPTAIN RIVERA: No redirect.

We would like to tender his exhibits marked in the record in the CEL as 221 through 223 into the record.

CHAIRMAN LA ROSA: Okay, seeing no objections to those, so moved.

(Whereupon, Exhibit Nos. 221-223 were received into evidence.)

CHAIRMAN LA ROSA: Anything else that needs to be moved no the record, FEL?

Okay. Awesome. We can go ahead -- it sounds like I can go ahead and excuse Mr. Smith?

CAPTAIN RIVERA: Yes, sir, I would like to excuse him.

CHAIRMAN LA ROSA: Mr. Smith. Thank you very much for your testimony today. You are excused.

THE WITNESS: Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: FEA, going back to you for, I believe, your final witness for today.

CAPTAIN RIVERA: Yes, sir. I would like to call to the stand Mr. Brian Andrews, sir.

CHAIRMAN LA ROSA: Thank you.

Welcome, Mr. Andrews. Do you mind staying standing and raise your right hand?

Whereupon,

BRIAN ANDREWS

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

THE WITNESS: Yes, I do.

CHAIRMAN LA ROSA: Great. Thank you.

Feel free to get yourself settled in. There is a button there to turn your microphone on when you are ready to talk.

And, FEA, back to you once your witness is ready.

EXAMINATION

BY CAPTAIN RIVERA:

Q Good afternoon. Could you please introduce yourselves to the Commissioners?

A Good afternoon. My name is Brian Andrews, and I am a consultant with the firm of Brubaker &

Associates, otherwise known as BAI. Our business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri, 63017.

Q Mr. Andrews, did you cause to be filed direct testimony and exhibits on 9 June, 2025?

A Yes, I did.

Q Have you read over that testimony before testifying here today?

A Yes, I have.

Q Do you have any corrections to that testimony?

A I do not.

Q If I asked you the same questions in your testimony, would your answers be the same or substantially the same here today?

A Yes, they would.

Q Have you prepared a summary of your testimony for the Commissioners?

A I have.

Q Could you please provide it?

A Yes.

I have proposed a single adjustment to FPL's depreciation study concerning the appropriate retirement date for the Scherer Power Plant. FPL has proposed to change the retirement date from 2047 to 2035, which was based on a Georgia Power integrated resource plan and environmental compliance issues that were current at the time that the depreciation study was being prepared. Since that time, Georgia Power, the primary owner of Scherer Unit 3 now plans to continue to operate this plant for the foreseeable future. I recommend that the retirement date for Scherer 3 to continue to be 2047, which reflects a 60-year lifespan for the plant.

This recommendation to main maintain the 2047 retirement date for the Scherer plant will result in a $14.22 million reduction to FPL's proposed depreciation expense. And I recommend that the Commission approve the steam production depreciation rates that were presented in my Exhibit BCA-1.

Thank you.

CAPTAIN RIVERA: I would like to submit the testimony of witness Brian Andrews into the record as though it was read.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled direct testimony of Brian Andrews was inserted.)

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony and Exhibits of

Brian C. Andrews

On behalf of

Federal Executive Agencies

June 9, 2025

BRUBAKER & ASSOCIATES, INC.

Project 11813

C30-4046

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

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

STATE OF MISSOURI	)	
	)	**SS**
COUNTY OF ST. LOUIS	)	

<u>Affidavit of Brian C. Andrews</u>

Brian C. Andrews, being first duly sworn, on his oath states:

1. My name is Brian C. Andrews. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes are my direct testimony and exhibits which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20250011-EI.

3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.

Brian C. Andrews

Subscribed and sworn to before me this 9th day of June, 2025.

ADRIENNE J. FOLLETT
Notary Public - Notary Seal
STATE OF MISSOURI
Jefferson County
My Commission Expires: Mar. 22, 2029
Commission # 21989987

Adrienne J. Follett
Notary Public

C30-4047

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

<u>Direct Testimony of Brian C. Andrews</u>

I. INTRODUCTION

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Andrews. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing in this proceeding on behalf of the Federal Executive Agencies ("FEA").

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony addresses Florida Power & Light Company's ("FPL" or "Company") proposed depreciation rates.

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To the extent my testimony does not address any particular issue does not indicate tacit agreement with the Company's or another party's position on that issue.

Q HAVE YOU FILED TESTIMONY BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION") REGARDING DEPRECIATION ISSUES?

A Yes. I filed testimony in the Tampa Electric Company's 2024 rate case (Docket No. 20230139-EI), FPL's 2016 rate case (Docket No. 160021-EI) and the Gulf Power Company's 2017 rate case (Docket No. 160170-EI) on depreciation issues. In addition, I have filed depreciation-related testimony in Arizona, Arkansas, California, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, Montana, New Mexico, Oklahoma, South Carolina, Texas, and Washington DC.

II. SUMMARY

Q PLEASE PROVIDE A SUMMARY BRIEF OF YOUR CONCLUSIONS AND RECOMMENDATIONS IN THIS PROCEEDING.

A My conclusions and recommendations are summarized as follows:

1. FPL has proposed a new set of depreciation rates which would result in a \$170.64 million increase to its depreciation expense based on plant balances as of December 31, 2025.[1] This increase is based on overstated depreciation rates. These rates produce an excessive amount of depreciation expense, thus, overstating the test year revenue requirement.
2. FPL's proposal to assume a 2035 retirement date for the Scherer Plant is unsupported. Given the uncertainty of environmental regulations that would

[1] Exhibit NWA-1, Table 2.

have caused Scherer to retire early, the fact the Georgia Power will continue to operate the plant for the foreseeable future, the fact that a 60-year lifespan for this plant is consistent with most coal plants and was the assumed life for the plant in FPL's last depreciation study, I recommend that no change to the 2047 retirement date be made at this time.

3. I present FEA's recommended Steam Plant depreciation rates in Exhibit BCA-1. These depreciation rates were calculated assuming a 2047 retirement date for the Scherer Plant. These depreciation rates should be approved by the Florida Public Service Commission ("Commission").

4. My recommended adjustments to FPL's depreciation rates reduces FPL's 2025 depreciation expense by $14.22 million. I provide a comparison of my proposed test year depreciation expense with FPL's in Exhibit BCA-2.

III. BOOK DEPRECIATION CONCEPTS

Q PLEASE EXPLAIN THE PURPOSE OF BOOK DEPRECIATION ACCOUNTING.

A Book depreciation is the recognition in a utility's income statement of the consumption or use of assets to provide utility service. Book depreciation is recorded as an expense and is included in the ratemaking formula to calculate the utility's overall revenue requirement.

The basic underlying principle of utility depreciation accounting is intergenerational equity, where the customers/ratepayers who benefit from the generated service of assets pay all the costs for those assets during the benefit period, which is over the life of those assets.[2] This concept of intergenerational

[2] Edison Electric Institute, Introduction to Depreciation for Public Utilities and Other Industries, April 2013, page viii.

equity can be achieved through depreciation by allocating costs to customers in a systematic and rational manner that is consistent with the period of time in which customers receive the service value.[3]

Book depreciation provides for the recovery of the original cost of the utility's assets that are currently providing service. Book depreciation expense is not intended to provide for replacement of the current assets, but provides for capital recovery or return of current investment. Generally, this capital recovery occurs over the Average Service Life ("ASL") of the investment or assets. As a result, it is critical that appropriate ASLs be used to develop the depreciation rates so no generation of ratepayers is disadvantaged.

In addition to capital recovery, depreciation rates also contain a provision for net salvage. Net salvage is simply the scrap or reuse value less the removal cost of the asset being depreciated. Accordingly, a utility will also recover the net salvage costs over the useful life of the asset.

Q ARE THERE ANY DEFINITIONS OF DEPRECIATION ACCOUNTING THAT ARE UTILIZED FOR RATEMAKING PURPOSES?

A Yes. One of the most quoted definitions of depreciation accounting is the one contained in the Code of Federal Regulations:

> "Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption of prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given

[3] *Id.* at 22.

> consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities."[4]

Effectively, depreciation accounting provides for the recovery of the original cost of an asset, adjusted for net salvage, over its useful life.

Q HOW ARE DEPRECIATION RATES DETERMINED?

A Depreciation rates are determined using a depreciation system. There are three components, each with a number of variations, used to determine a depreciation system, which is then used to estimate depreciation rates. The three basic components are methods, procedures, and techniques. The choice of a depreciation system can significantly affect the resulting depreciation rates.

Q PLEASE FURTHER DESCRIBE THE METHODS THAT ARE USED WITHIN A DEPRECIATION SYSTEM.

A There generally are three types of methods of spreading the depreciation expense over the life of property. These are the Straight Line Method, Accelerated Methods, and Deferred Methods. The Straight Line Method is the method most widely used by utility companies for accounting and ratemaking purposes as it is easy to apply and does not create intergenerational inequities because it spreads an equal portion of the plant cost across each accounting period. Accelerated Methods result in higher depreciation rates earlier in an asset's life, and lower depreciation rates later. Deferred Methods have increasing rates over an asset's life.

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[4] Electronic Code of Federal Regulations, Title 18, Chapter 1, Subchapter C, Part 101, para. 12.

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Q PLEASE FURTHER DESCRIBE THE GROUPING PROCEDURES THAT ARE USED WITHIN A DEPRECIATION SYSTEM.

A There are three main grouping procedures used within a depreciation system. These four procedures are the Broad Group (more commonly known as the Average Life Group ("ALG")), the Vintage Group, and the Equal Life Group ("ELG").

In the ALG Procedure, all units within a particular account or category are assumed to be part of a single group that exhibits the same life and retirement characteristics. This is the most common utilized procedure.

The Vintage Group and the ELG Procedures assume that sub-groups within a particular account or category may exhibit unique life characteristics. As an example of the Vintage Group Procedure, it may assume that all poles installed in 1985 have a 50-year life, while all poles installed in year 1995 have a 45-year life. With the ELG Procedure, it may assume that all poles that are expected to have a life of 50 years should have one depreciation rate, while poles that are expected to only attain life spans of 45 years would have a different depreciation rate. The overall group depreciation rate would be a composite of the ELG depreciation rates.

Q PLEASE FURTHER DESCRIBE THE TECHNIQUES THAT ARE USED WITHIN A DEPRECIATION SYSTEM.

A There are two techniques used to calculate depreciation rates: Whole Life and Remaining Life. The Whole Life Technique spreads the original cost less net salvage of the account over the average life of the account. This technique requires that separate amortizations be made to correct for over- and under-accumulations due to changes in an account's ASL.

The Remaining Life Technique spreads the unrecovered cost less net salvage over the remaining life of the account. The Remaining Life Technique is the most common technique used and it has a self-correcting nature that spreads any over- or under-accumulations over the remaining life.

Q IN YOUR EXPERIENCE, WHAT DEPRECIATION SYSTEM IS MOST COMMONLY UTILIZED TO DETERMINE UTILITY DEPRECIATION RATES FOR RATEMAKING PURPOSES?

A The most common depreciation system is one that consists of the Straight Line Method, the ALG Procedure, and the Remaining Life Technique.

Q PLEASE DESCRIBE THE ACTUARIAL LIFE ANALYSIS THAT IS PERFORMED TO EVALUATE HISTORICAL ASSET RETIREMENT DATA.

A I will first provide the description of actuarial life analysis (retirement rate method) that is contained in the National Association of Regulatory Utility Commissioners' ("NARUC") Public Utility Depreciation Practices Manual ("NARUC Manual"):

> "Actuarial analysis is the process of using statistics and probability to describe the retirement history of property. The process may be used as a basis for estimating the probable future life characteristics of a group of property.
>
> Actuarial analysis requires information in greater detail than do other life analysis models (e.g., turnover, simulation) and, as a result, may be impractical to implement for certain accounts (see Chapter VII). However, for accounts for which application of actuarial analysis is practical; **it is a powerful analytical tool and, therefore, is generally considered the preferred approach**.

Actuarial analysis objectively measures how the company has retired its investment. The analyst must then judge whether this historical view depicts the future life of the property in service. The analyst takes into consideration various factors, such as changes in technology, services provided, or, capital budgets."

(NARUC Manual, 1996, Page 111, Emphasis Added).

As explained by the NARUC Manual, when the required data exists, a database that contains the year of installation and the year of retirements for each vintage of property, actuarial life analysis is the preferred method of determining the life, and thus, retirement characteristics of a group of property. In this type of analysis, there are three major steps. The first step is to gather and use available aged data from the Company's continuing plant records to create an observed life table. The observed life table provides the percent surviving for each age interval of property.

The second step is to conduct a fitting analysis to match the actual survivor data from the observed life table to a standard set of mortality or survivor curves. Typically, the observed life table data is matched to Iowa Curves. The fitting process is a mathematical fitting process, which minimizes the Sum of Squared Differences ("SSD") between the actual data and the Iowa Curves.

The third step is to select the best fitting curve while using informed judgment to determine the curve that best represents the property being studied. This includes the use of a visual matching process. Although the mathematical fitting process provides a curve that is theoretically possible, the visual matching

C30-4056

process will allow the trained depreciation professional to use informed judgment in the determination of the best fitting survivor curve.

Q PLEASE PROVIDE FURTHER EXPLANATION OF THE SSD STATISTICAL MEASUREMENT.

A In the Actuarial Life Analysis section of the NARUC Manual, it describes SSD as follows:

> "Generally, the goodness of fit criterion is the least sum of squared deviations. The difference between the observed and projected data is calculated for each data point in the observed data. This difference is squared, and the resulting amounts are summed to provide a single statistic that represents the quality of the fit between the observed and projected curves.
>
> The difference between the observed and projected data points is squared for two reasons: (1) the importance of large differences is increased, and (2) the result is a positive number, hence the squared differences can be summed to generate a measure of the total absolute difference between the two curves. The curves with the least sum of squared deviations are considered the best fits."
>
> (NARUC Manual, 1996, Pages 124-125).

Q PLEASE EXPLAIN SURVIVOR CURVES AND THE NOTATION USED TO REFERENCE THEM.

A The selection of the survivor curve is one of the most important aspects in conducting a depreciation study. A survivor curve is a visual representation of the amount of property existing at each age interval throughout the life of a group of

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property. From the survivor curve, parameters required to calculate depreciation rates can be determined, such as the ASL of the group of property and the composite remaining life. For assets with an assumed lifespan or retirement date, the survivor curve is used to estimate the interim retirements that will occur between the study date and the estimated year of final retirement. These parameters directly affect the depreciation rate calculations; therefore, informed judgment should be used in their selection.

In this proceeding, as well as the majority of utility regulatory rate case proceedings throughout the U.S. and Canada, the Iowa Curves are the general survivor curves utilized to describe the mortality characteristics of a group of property. There are four types of Iowa Curves: right-moded, left-moded, symmetrical-moded, and origin-moded. Each type describes where the greatest frequency of retirements occur relative to the ASL. A survivor curve consists of an ASL and Iowa Curve type combination. For example, when describing property with a 50-year ASL that has mortality characteristics of the R2 Iowa Curve, the survivor curve would simply be notated as "50-R2." I present the 50-R2 survivor curve in Figure 1.

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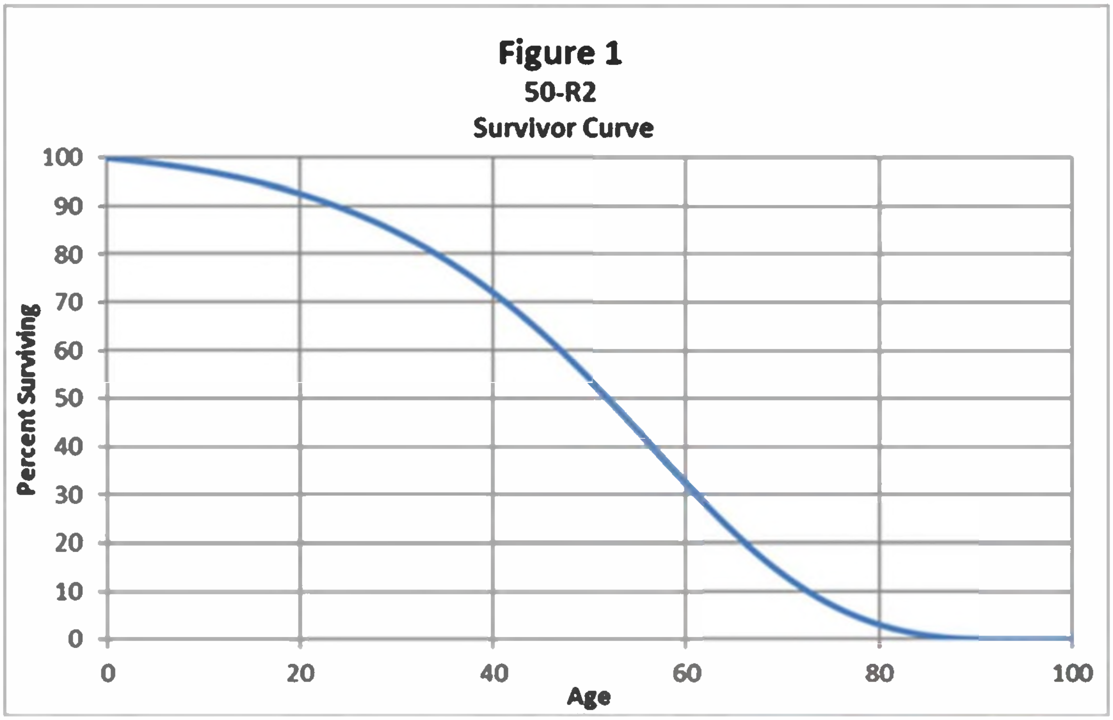

Figure 1
50-R2
Survivor Curve

IV. FPL DEPRECIATION STUDY RESULTS

Q HAS FPL FILED A NEW DEPRECIATION STUDY IN THIS CASE?

A Yes. FPL filed a depreciation study as Exhibit No. NWA-1. FPL's witness, Mr. Allis of Gannett Fleming, supports this study which was conducted on projected plant balances as of December 31, 2025. The resulting depreciation rates presented in Exhibit No. NWA-1 provide the basis for FPL's depreciation expense component of its revenue requirement.

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Q WHAT DEPRECIATION SYSTEM DID FPL UTILIZE IN THE CALCULATION OF DEPRECIATION RATES PRESENTED IN EXHIBIT NO. NWA-1, DOCUMENT NO. 2?

A FPL used a depreciation system consisting of the Straight Line Method, the ALG Procedure, and the Remaining Life Technique[5] to calculate its proposed depreciation rates.

Q HOW DO FPL'S PROPOSED DEPRECIATION RATES IMPACT THE 2025 DEPRECIATION EXPENSE?

A FPL's proposed depreciation rates significantly increase its depreciation expense over that calculated using the currently approved depreciation rates. In Table 1 below, I provide the increase by group. This increase totals $170.64 million, a significant component of FPL's proposed revenue requirement increase.

TABLE 1

Impact of FPL's Proposed Depreciation Rates and Expense
for Electric Plant as of December 31, 2025

	Depreciation Expense ($ Millions)				Depreciation Rates		
			Difference				
Depreciable Group	**Present**	**Proposed**	**Amount**	**Percent**	**Present**	**Proposed**	**Difference**
Steam	$ 58.32	$ 83.43	$ 25.12	43.07%	2.68%	3.83%	1.15%
Nuclear	$ 220.32	$ 235.87	$ 15.54	7.05%	2.43%	2.60%	0.17%
Combined Cycle	$ 556.63	$ 569.94	$ 13.30	2.39%	3.67%	3.76%	0.09%
Peaker Plants	$ 41.28	$ 37.28	$ (4.00)	-9.70%	3.09%	2.79%	-0.30%
Solar	$ 299.16	$ 300.51	$ 1.35	0.45%	3.00%	3.01%	0.01%
Energy Storage	$ 48.89	$ 49.27	$ 0.38	0.78%	5.00%	5.04%	0.04%
Transmission	$ 308.73	$ 311.54	$ 2.81	0.91%	2.16%	2.18%	0.02%
Distribution	$ 880.14	$ 999.76	$ 119.61	13.59%	2.62%	2.97%	0.35%
General	$ 57.05	$ 53.58	$ (3.48)	-6.09%	3.20%	3.00%	-0.20%
Total	**$ 2,470.55**	**$ 2,641.18**	**$ 170.64**	**6.91%**	**2.79%**	**2.99%**	**0.20%**

Sources: Exhibit NWA-1, Table 2

FPL's proposed $170.64 million increase is a 6.91% increase over depreciation expense based on the currently approved depreciation rates.[6]

[5] Exhibit NWA-1 at page 6.
[6] *See* Table 1 above.

Q HOW DOES FPL EXPLAIN THE NEED FOR SUCH AN INCREASE?

A Mr. Allis provides a figure on page 42 of his Direct Testimony that details the drivers of the $170.64 million increase.[7] The largest driver is the increased cost of removal expense for transmission, distribution and general plant investment which accounts for $91 million of the increase.[8] The second largest driver is due to increased production plant balances with more investment needed to be recovered over the remaining lives of the assets, accounting for $64 million.[9] For example, FPL has shortened the retirement of its Scherer Coal plant from 2047 to 2035,[10] this results in an increase of $14 million.

Q PLEASE SUMMARIZE THE PROPOSED CHANGES THAT YOU ARE RECOMMENDING TO FPL'S DEPRECIATION RATES.

A I propose a single adjustment to FPL's proposed depreciation rates. This adjustment will be to the lifespan of the Scherer Coal plant, to maintain the 2047 retirement date. FPL has prematurely shortened the life of this plant, due to Georgia Power's now changed plan to retire the plant in 2035. FPL has stated that Georgia Power now plans to operate the Scherer Coal plant for the foreseeable future. Given this, and recent executive orders, I propose to maintain the current life of the Scherer coal plant. The depreciation rates proposed by FPL would depreciate the Scherer Plant too quickly, which is a burden on FPL's customers.

[7] *Id.*
[8] *Id.*
[9] *Id.*
[10] Exhibit NWA-1, page 685.

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V. SCHERER LIFE SPAN

Q WHAT LIFE SPAN FOR SCHERER DOES FPL ASSUME IN ITS DEPRECIATION STUDY?

A For depreciation purposes, FPL is proposing to have the Scherer Coal plant retire in 2035, which is only a 48-year life span. This is a 12-year reduction relative to the currently assumed 2047 retirement date for the plant. Mr. Allis states the 2035 retirement date is consistent with the life span currently used by the plant's co-owner and operator, Georgia Power.[11]

Q WHAT IS FPL'S BASIS FOR ITS 2035 RETIREMENT DATE?

A Mr. Allis states the 2035 retirement date is consistent with the life span currently used by the plant's co-owner and operator, Georgia Power.[12] This 2035 retirement date was based on Georgia Power's Integrated Resource Plan which supports either a 2035 or 2038 retirement date. In preparation for the depreciation study, Georgia Power sent FPL an email stating that Scherer Unit 3 would retire on 12/31/2035.[13] This retirement date was largely due to environmental compliance issues from EPA regulations that are now in serious jeopardy given the current Federal Administration.

Q DOES FPL OR GEORGIA POWER NOW EXPECT SCHERER UNIT 3 TO RETIRE IN 2035?

A It seems very unlikely. In Response to FEA's 3rd Set of Interrogatories, No. 7, FPL states, "Georgia Power, the primary owner of Scherer Unit 3, now plans to continue to operate this plant for the **foreseeable future**. As a result, FPL must follow suit

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[11] Direct Testimony of Ned W. Allis at page 26.
[12] *Id.*
[13] *See*, Exhibit BCA-3 for FPL's Response to the Office of Public Counsel's 9th Set of Interrogatories, No. 264.

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and push out its retirement date for the unit at a **minimum** to beyond 2034." *See*, Exhibit BCA-4 for the response.

Q PLEASE DISCUSS THE CHANGES TO THE EPA REGULATIONS?

A The Trump administration, under EPA Administrator Lee Zeldin, has initiated significant rollbacks of environmental regulations impacting coal-fired power plants, targeting both Effluent Limitation Guidelines ("ELG")[14] and Greenhouse Gas ("GHG")[15] rules. In March 2025, the EPA announced the reconsideration of the Steam Electric ELG, which regulates wastewater discharges from coal plants, aiming to reduce compliance costs while maintaining water quality protections, though specific changes remain under review. Concurrently, the administration has moved to eliminate GHG emission limits for coal and gas-fired power plants. This includes a draft plan sent to the White House in May 2025 to erase federal GHG caps, building on a 2022 Supreme Court ruling limiting EPA authority to force utilities to shift away from coal. Additionally, a two-year exemption from Mercury and Air Toxics Standards ("MATS") was granted in April 2025 to prevent premature coal plant closures, citing energy reliability concerns. These actions reflect a broader deregulatory agenda to bolster the coal industry and unleash American energy.[16]

[14] https://www.epa.gov/newsreleases/epa-announces-it-will-reconsider-2024-water-pollution-limits-coal-power-plants-help.

[15] https://www.epa.gov/newsreleases/trump-epa-announces-reconsideration-biden-harris-rule-clean-power-plan-20-prioritized.

[16] https://www.epa.gov/newsreleases/epa-launches-biggest-deregulatory-action-us-history.

Q ARE THERE OTHER EXECUTIVE ACTIONS THAT POTENTIALLY COULD PREVENT THE EARLY RETIREMENT OF SCHERER UNIT 3?

A Yes. On April 8, 2025, President Trump signed the Executive Order ("EO"), "Strengthening The Reliability And Security Of The United States Electric Grid."[17] In this EO, it directs the Secretary of Energy to, among other things, "prevent, as the Secretary of Energy deems appropriate and consistent with applicable law, including Section 202 of the Federal Power Act, an identified generation resource in excess of 50 megawatts of nameplate capacity from leaving the bulk-power system or converting the source of fuel of such generation resource if such conversion would result in a net reduction in accredited generating capacity." It also states, "our electric grid must utilize all available power generation resources, particularly those secure, redundant fuel supplies that are capable of extended operations."

Q IS A 48-YEAR LIFE SPAN FOR A COAL PLANT UNREASONABLY SHORT?

A Yes. In my experience, typical lives for coal plants are 60-65 years, unless shortened due to environmental compliance issues.

Q WHAT IS YOUR RECOMMENDATION FOR THE RETIREMENT DATE FOR SCHERER?

A Given the uncertainty of environmental regulations that would have caused Scherer to retire early, the fact the Georgia Power will continue to operate the plant for the foreseeable future, and the fact that a 60-year lifespan for this plant is consistent with most coal plants and was the assumed life for the plant in FPL's

[17] https://www.whitehouse.gov/presidential-actions/2025/04/strengthening-the-reliability-and-security-of-the-united-states-electric-grid/.

last depreciation study, I recommend that no change to the 2047 retirement date be made at this time.

Q HAVE YOU RECALCULATED FPL'S STEAM DEPRECIATION RATE TO ASSUME A 2047 RETIREMENT DATE FOR SCHERER?

A Yes. In Exhibit BCA-1, I provide FEA's proposed Steam Plant depreciation rates that were calculated with a 2047 retirement date for Scherer. I recommend the Commission approve these Steam Plant depreciation rates.

Q WHAT IS THE IMPACT ON THE DEPRECIATION RATES AND EXPENSE FOR A 2047 RETIREMENT DATE FOR SCHERER?

A In Exhibit BCA-2, I provide comparison FEA's proposed Steam Plant depreciation rates and expense compared to FPL's for all the Steam Production Accounts. In Table 2, I show the comparison for just the Scherer Plant. I note that the change to the retirement date for Scherer does affect the average net salvage rate used for the Gulf Coast Clean Energy Center, causing a very slight increase to the depreciation rates for that plant. In total, this adjustment reduces the Steam Production depreciation expense by $14.22 million.

TABLE 2

Impact of FEA's Proposed Depreciation Rates and Expense for Steam Production Plant as of December 31, 2025

	Depreciation Expense ($ Millions)				Depreciation Rates		
			Difference				
Plant	**FPL**	**FEA**	**Amount**	**Percent**	**FPL**	**FEA**	**Difference**
Gulf Clean Energy Center	$ 54.69	$ 55.24	$ 0.55	1.01%	5.16%	5.21%	0.05%
Scherer Steam Plant	$ 28.74	$ 13.97	$ (14.77)	-51.40%	7.09%	3.44%	-3.64%
Total Steam	**$ 83.43**	**$ 69.21**	**$ (14.22)**	**-17.05%**	**3.83%**	**3.18%**	**-0.65%**

Sources: Exhibit BCA-2

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

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APPENDIX A – Qualifications of Brian C. Andrews

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Andrews. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Principal with the firm of BAI, energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I received a Bachelor of Science Degree in Electrical Engineering from the Washington University in St. Louis/University of Missouri - St. Louis Joint Engineering Program. I have also received a Master of Science Degree in Applied Economics from Georgia Southern University.

I have attended training seminars on multiple topics including class cost of service, depreciation, power risk analysis, production cost modeling, cost-estimation for transmission projects, transmission line routing, MISO load serving entity fundamentals and more.

I am a member and a former President of the Society of Depreciation Professionals. I have been awarded the designation of Certified Depreciation Professional ("CDP") by the Society of Depreciation Professionals. I am also a certified Engineer Intern in the State of Missouri.

As a Principal at BAI, and as an Associate, Senior Consultant, Consultant, Associate Consultant and Assistant Engineer before that, I have been involved with several regulated and competitive electric service issues. These have included book depreciation, fuel and purchased power cost, transmission planning,

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transmission line routing, resource planning including renewable portfolio standards compliance, electric price forecasting, class cost of service, power procurement, and rate design. This has involved use of power flow, production cost, cost of service, and various other analyses and models to address these issues, utilizing, but not limited to, various programs such as Strategist, RealTime, PSS/E, MatLab, R Studio, ArcGIS, Excel, and the United States Department of Energy/Bonneville Power Administration's Corona and Field Effects ("CAFÉ") Program. In addition, I have received extensive training on the PLEXOS Integrated Energy Model and the EnCompass Power Planning Software. I have provided testimony on many of these issues before the Public Service Commissions in Arizona, Arkansas, California, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, Montana, New Mexico, Oklahoma, South Carolina, Texas, Virginia, and Washington DC.

BAI was formed in April 1995. BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

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CAPTAIN RIVERA: I would like to tender him for cross.

CHAIRMAN LA ROSA: Great.

OPC, you are recognized for questioning.

MR. WATROUS: Thank you, Mr. Chairman, OPC has no questions.

CHAIRMAN LA ROSA: Great.

FEL?

MR. MARSHALL: Thank you, Mr. Chairman, just a few questions.

CHAIRMAN LA ROSA: Sure.

EXAMINATION

BY MR. MARSHALL:

Q Good afternoon, Mr. Andrews.

A Good afternoon.

Q I think you said it in your summary, but you propose a single adjustment to FPL's proposed depreciation rates, and that's to move Scherer 3 from FPL's assumed 2035 date to 2047?

A Yes. That's correct.

Q And Scherer 3 is operated by Georgia Power?

A Yes. That's correct.

Q And is it your understanding that FPL shortened the life to 2035 because Georgia Power set up plans to retire the plant in 2035?

A I believe it was on a -- based on a ten-year plan that is no longer being filed that would have Scherer 3 retire in either 2035 or 2038. Since that time, they have filed a new IRP, which I believe just recently was approved in a settlement agreement, which would continue to operate the plant past that time. And furthermore, I believe that they are now going to be investigating converting the plant to continue operations on natural gas.

Q And in the new plan, did they -- they did not indicate that it would retire in 2047, correct?

A 2047 is the -- corresponds to a 60-year lifespan for the plant. It was the retirement date that had previously been assumed. Given the information available to us now, it is not in the best interest of FPL's customers to reduce the lifespan of the plant to be in 2035.

Q Going back to my question, though, the new plan that Georgia Power has released does no indicate a 2047 retirement date for Scherer 3, correct?

A I am not aware of any explicit retirement date stated for the Scherer 3 Power Plant, which is why I proposed to maintain the existing 2047 retirement date.

Q And if FPL uses your recommended depreciation rates and Scherer 3 does retire earlier than 2047, what

would be the result of that?

A If they treated that as an ordinary retirement, there would be accounting entries that would take the plant in-service out of plant in-service, there would be similar accounting in the accumulated depreciation accounts, and the unrecovered investment of the plant would be spread amongst the rest of FPL's depreciable rate base.

Q Thank you. That's all my questions.

MR. MARSHALL: Thank you, Mr. Chairman.

THE WITNESS: Thank you.

CHAIRMAN LA ROSA: Thank you.

FAIR?

MR. SCHEF WRIGHT: No questions. Thank you, Mr. Chairman.

CHAIRMAN LA ROSA: FEIA?

MR. MAY: No questions.

CHAIRMAN LA ROSA: Walmart?

MS. EATON: No questions.

CHAIRMAN LA ROSA: FRF?

MR. BREW: No questions.

CHAIRMAN LA ROSA: FIPUG?

MR. MOYLE: No questions.

CHAIRMAN LA ROSA: FPL?

MS. MONCADA: No questions from FPL.

CHAIRMAN LA ROSA: Staff?

MR. STILLER: No questions from staff.

CHAIRMAN LA ROSA: All right. Commissioners, questions -- questions of the witness?

Seeing none, back to FEA for redirect.

CAPTAIN RIVERA: No redirect. However, I would like to tender his exhibits identified on the CEL as 217 through 220 into the record.

CHAIRMAN LA ROSA: Okay. Seeing no objections to those, so moved.

(Whereupon, Exhibit Nos. 217-220 were received into evidence.)

CHAIRMAN LA ROSA: Anything else that needs to be moved into the record?

CAPTAIN RIVERA: I would like for this witness to be excused.

CHAIRMAN LA ROSA: Excellent. Can do.

Mr. Andrews, thank you very much for your testimony today.

THE WITNESS: Thank you, Chairman. Thank you, Commissioners.

CHAIRMAN LA ROSA: Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: All right. So I am going to go to staff. Staff witnesses?

MR. STILLER: Before that, while we are in the intervenors' case, Mr. Chair, there were -- there are a number of stipulated witnesses that I read off in preliminary matters.

CHAIRMAN LA ROSA: Okay.

MR. STILLER: And this would be an appropriate time, staff believes, to have their testimony inserted into the record. So if I could read off the names of those witnesses, and exhibits associated, and get those in the record?

CHAIRMAN LA ROSA: Sure.

MR. STILLER: Okay. The following witnesses, staff would request on the stipulation of the parties, that their testimony be entered into the record as though read: Electrify America Witness Shah, EVgo Witness Beach, EVgo Witness Beaton, FEA Witness Walters, Fuel Retailers Witness Failkov, FEL Witness Watkins, FEL Witness Ayech, FEL Witness Corugedo and AWI Witness Simmons.

Staff would further request that the following exhibits associated with these witnesses' testimony be entered into the record:

Exhibits 195 through 216, and those are the exhibits associated with Electrify America and EVgo's witnesses. Exhibits 202 to 216, those are associated with FEA Witnesses Walters. CEL Exhibit 262, associated with FEL Witness Ayech. And finally CEL Exhibits 269 through 272, associated with the testimony of FEL Witness Watkins.

CHAIRMAN LA ROSA: Are there any objections to those? FAIR?

MR. SCHEF WRIGHT: Mr. Chairman, no objection, may I ask Mr. Stiller, was he going to get to Mr. Bryant and Ms. Watkins next, FAIR's witnesses?

MR. STILLER: I mistakenly identified, Ms. Watkins' testimony is in by stipulation. Mr. Bryant's testimony was entered into the record yesterday morning by order of the Chair, along with his exhibits, which are CEL 263 to 268.

MR. SCHEF WRIGHT: Thank you. I apologize for the interruption. I appreciate it.

CHAIRMAN LA ROSA: All good. Seeing no objections to those by any of the parties, so moved.

(Whereupon, prefiled direct testimony of Jigar J. Shah was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's Petition for a Base Rate Increase	)))	Docket No. 20250011-EI Filed: April 1, 2025

DIRECT TESTIMONY AND EXHIBITS OF

JIGAR J. SHAH

ON BEHALF OF

ELECTRIFY AMERICA, LLC

Filed: June 9, 2025

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DIRECT TESTIMONY
OF
JIGAR J. SHAH

I. INTRODUCTION AND QUALIFICATIONS OF JIGAR J. SHAH

Q. Please state your name, business address, and by whom you are employed.

A. My name is Jigar J. Shah. My business address is 1950 Opportunity Way, Suite 1500, Reston, Virginia 20190. I am employed by Electrify America, LLC ("Electrify America") as the Director of Energy Services.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Electrify America. To date, Electrify America has built a coast-to-coast network of Direct Current ("DC") Fast Charging ("DCFC") stations across over 1000 locations and with over 4,700 individual DC fast chargers in total, including 53 locations with 260 individual DC fast chargers in Florida. Within Florida Power & Light Company's ("FPL" or "Company") service territory, Electrify America currently operates 35 stations with 164 individual DC fast chargers. The chargers range from 150 kilowatts ("kW") to 360 kW of power based on anticipated needs and use cases, as well as available real estate and power. The hyper-fast 360 kW chargers are among the most powerful public chargers on the market today, capable of recharging speeds close to gasoline fueling.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. No, I have not.

Q. Please state your educational background and professional experience.

A. As the Director of Energy Services, I am responsible for optimizing Electrify America's energy portfolio. I have a Bachelor of Science degree in Electrical and Computer Engineering, with a minor in Business, from Cornell University, and a Master of Engineering degree in Electrical Engineering from Princeton University. Prior to my role at Electrify America, I was a Principal Consultant at West Monroe Partners, advising utility clients on smart grid modernization topics, rate structures, and energy storage. Previously, I was a Senior Researcher at Envision Energy focused on wind farm (plant level) controls and analytics, and an Edison Engineer at General Electric Global Research focused on wind turbine control systems and distributed energy resource controls, including for electric vehicle fleet charging to minimize demand charge costs. I have journal publications and issued patents in the fields of electric vehicle charging, vehicle-grid integration, and renewable energy.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide Electrify America's recommendations regarding the Company's proposed modifications to the ("GSD-lEV") and General Service Large Demand ("GSLD-lEV") tariffs, as well as the Company's proposed pricing in the Company's Utility-Owned Public Charging tariff ("UEV Tariff").

Q. Are you sponsoring any exhibits with your testimony?

A. Yes, attached are the following exhibits:

- Exhibit JJS-1, which includes the combined discovery responses relied upon in this testimony;
- Exhibit JJS-2, a document demonstrating Electrify America's calculations supporting its recommendations in this proceeding, and
- Exhibit JJS-3, Florida Power & Light Company's 2024 Public Electric Vehicle (EV) Optional Pilot Tariffs Report and EVolution Pilot Program Summary ("2024 Report").[1]

III. SUMMARY OF THE COMPANY'S PROPOSED MODIFICATIONS TO THE GSD-1EV AND GSLD-1EV TARIFFS AND ELECTRIFY AMERICA'S RECOMMENDATIONS

Q. What does the Company propose regarding the GSD-1EV and GSLD-1EV tariffs?

A. As stated by Company Witness Oliver, the GSD-1EV and GSLD-1EV tariffs are demand limiter voluntary tariffs designed to support existing and new EV charging stations.[2] These rates are designed to provide a lower initial electric rate to customers during the critical early stages of operations.[3] The Company characterizes the GSD-1EV and GSLD-1EV tariffs as a success, stating that as of December 31, 2024, only 42 customers were enrolled in the GSD-1EV and GSLD-1EV tariffs, with 34 out of the 76 total customers that took service under the tariffs since their introduction in 2021 transitioned

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[1] Docket No. 20200170; *Petition for approval of optional electric vehicle public charging pilot tariffs, by Florida Power & Light Company*, Florida Power & Light Company's 2024 Public Electric Vehicle (EV) Optional Pilot Tariffs Report and EVolution Pilot Program Summary at 7, FN 6 (filed January 30, 2025) ("2024 Report").
[2] Direct Testimony of FPL Witness Tim Oliver at 35, lines 9-12.
[3] *Id.* at lines 12-15.

to regular rates.[4] Given the stated success of the GSD-1EV and GSLD-1EV tariffs, the Company proposes to make them permanent.[5]

Q. Does the Company explain what it means by the "success" of the GSD-1EV and GSLD-1EV tariffs?

A. Yes. The Company states that success for the GSD-1EV and GSLD-1EV tariffs is indicated by the following factors: "[t]he transition of customers from pilot rates to standard rates upon achieving higher load factors and consistent utilization," "[t]he financial sustainability of charging stations receiving the demand limiter benefits," and "[t]he overall growth in EV charging infrastructure and usage within FPL's service area, indicated by the increase in the number of fast charging stations and the total energy dispensed through these stations."[6] With respect to customers transitioning to standard rates, the Company explains that in its annual review of the demand limiter tariffs, including the GSD-1EV and GSLD-1EV tariffs, it transitions customers with load factors greater than ten percent to regular rates.[7] The Company notes that it did not seek input from third-party DCFC providers in establishing this ten percent threshold as being the appropriate load factor limit at which it would transition customers to standard rates.[8] Based on the above factors, the Company proposes to make the existing GSD-1EV and GSLD-1EV tariffs permanent without modification, as it views doing so as "the best approach to continue supporting the growth of EV infrastructure and adoption."[9]

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[4] *Id.* at lines 14-18.
[5] *Id.* at 37, lines 1-5.
[6] Exhibit JJS-1 at 5; Company response to EVgo 1-1(a).
[7] Exhibit JJS-1 at 2; Company response to SACE 1-1(a).
[8] Exhibit JJS-1 at 1; Company response to SACE 1-3(c).
[9] Exhibit JJS-1 at 3; Company response to EVgo 1-6(a) (Corrected).

Q. What is Electrify America's position on the proposal to make the GSD-1EV and GSLD-1EV tariffs permanent?

A. Exhibit JJS-2 shows a monthly utility bill calculation for two scenarios based on the Company's 2024 Public Electric Vehicle (EV) Optional Pilot Tariffs Report and EVolution Pilot Program Summary.[10] Utilizing the 2024 energy dispensed per site from the Company's owned-and-operated fast charging stations[11] and assuming an average of four DCFC ports per site with an average demand of 100 kW/port for GSD-1EV and an average of 150 kW/port for GSLD-1EV, Electrify America estimates a representative monthly utility bill increase of seventeen to nineteen percent. This assumes that all energy delivered and billed in these scenarios, which does not account for operational needs and losses for DCFC sites. Such an increase in utility costs is substantial, and equates to an increase of roughly $0.04 to $0.06 per kilowatt hour ("kWh") for the two scenarios demonstrated. While Electrify America supports the GSD-1EV and GSLD-1EV tariffs supporting lower load factor stations, Electrify America encourages the Commission to reduce the proposed rate increases to the extent possible given the operating cost burden imposed by the proposed increases demonstrated by Electrify America's analysis. Electrify America recommends that the Demand sections in both the GSD-1EV and GSLD-1EV tariffs be modified such that the hours per month used to calculate the billed demand be increased from 75 hours per month to 150 hours per month, as follows:

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[10] Exhibit JJS-2; *See also* 2024 Report at Attachment 1.
[11] 2024 Report at Attachment 1.

"The Demand is the kW to the nearest whole kW, as determined from the Company's metering equipment and systems, for the 30-minute period of Customer's greatest use during the month as adjusted for power factor. In no month shall the billed demand be greater than the value in kW determined by dividing the kWh sales for the billing month by ~~75~~ 150 hours per month."[12]

Such a modification would help offset the proposed increases while continuing to provide support to new stations in the Company's service area that may often begin service with low load factors.

IV. SUMMARY OF THE COMPANY'S PROPOSED MODIFICATIONS TO THE UEV TARIFF AND ELECTRIFY AMERICA'S RECOMMENDATIONS

Q. What does the Company propose regarding the UEV tariff?

A. The Company's UEV Tariff allows FPL to collect fees from drivers charging at its company-owned public fast charging stations.[13] Under the current version of the UEV Tariff, customers currently pay $0.30 per kWh, plus applicable taxes and fees, for electric vehicle ("EV") charging at company-owned stations.[14] As stated by Company Witness Oliver, the variation in local utility taxes and fees results in an effective 2024 after-tax rate of $0.33 per kWh to $0.39 kWh, with the average cost being $0.37 per kWh.[15] Witness Oliver outlines FPL's proposal to make the UEV Tariff permanent, and to

[12] *See* Florida Power & Light Company Electric Tariff, First Revised Sheet 8.106; First Revised Sheet 8.311.
[13] Direct Testimony of FPL Witness Tim Oliver at 34, lines 17-18.
[14] *Id*. at 34, lines 21-22.
[15] *Id*. at 35, lines 1-2.

increase the market-based charging fee from $0.30 per kilowatt hour ("kWh") to $0.35 per kWh.[16]

Q. Why does the Company propose to increase the charging fee at its company-owned charging stations?

A. Witness Oliver states that its proposed $0.35 per kWh, or "~$0.43 per kWh effective rate" is "market-based and comparable to the EV pricing options offered by non-utility providers."[17] According to Witness Oliver, this pricing aims to balance affordability for consumers with ensuring the financial viability of charging infrastructure investments, noting that the "market-based pricing" will allow for the recoverability of all costs and expenses over the life of the assets.[18]

Q. How many Company-owned charging stations does the Company currently operate?

A. FPL has installed 321 public fast charging ports as of December 31, 2024.[19] The Company indicates that by the end of 2025 it expects to have a total of 585 public fast charging ports installed.[20]

Q. How does the Company define the term "market-based rate?"

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[16] *Id.* at 36, lines 15-16.
[17] *Id.* at 36, lines 16-18.
[18] *Id.* at 34, 18-21.
[19] Exhibit JJS-1 at 6; Company response to EVgo 1-11.
[20] Exhibit JJS-1 at 7; Company response to EVgo 1-12.

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A. As stated by the Company in response to discovery, it uses the term "market-based" to refer to pricing "set by referencing comparable rates in the marketplace rather than being solely determined by regulatory or internal factors."[21] The Company states that it considered a range of pricing options offered by non-utility providers within Florida to ensure its pricing remains competitive, benchmarking its pricing against current market standards.[22] The Company states that the rates it charges at company-owned stations do not undercut others in the EV charging landscape, specifically referencing Tesla, Electrify America, and EVgo as its "competitors" in the public DCFC market.[23] Additionally, the Company notes that "third-party charging companies are not required to remit taxes that FPL must collect, so there is an effective \$0.04-\$0.07/kWh that must be added to FPL's EV charging fees."[24]

Q. Does the Company elaborate on taxes that it claims it is required to collect, but other third-party charging providers are not?

A. In the Company's 2024 Public Electric Vehicle Optional Pilot Tariffs Report and EVolution Program Summary ("2024 Report"), the Company states that non-utility EV charging providers are not required to remit taxes that FPL must collect clarifying that it is referring to "gross receipts tax, sales tax, local option tax, municipal utility tax and franchise fees were (sic) applicable."[25]

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[21] Exhibit JJS-1 at 8; Company response to EVgo 1-2(a).
[22] Exhibit JJS-1 at 8; Company response to EVgo 1-2(b).
[23] Exhibit JJS-1 at 10; Company response to SACE 1-5(c).
[24] Exhibit JJS-1 at 8-9; Company response to EVgo 1-2(c).
[25] Exhibit JJS-3; 2024 Report at 8, FN 6.

Q. Is the claim that Electrify America is not required to apply taxes to station end-users for charging services accurate?

A. No, it is not. Currently, Electrify America collects sales tax from end customers. Electrify America then pays those taxes to the appropriate collector of such taxes. Per modifications recently made to Rule 5J-28.007, Florida Administrative Code, the Florida Department of Agriculture and Consumer Services recently made clear that "[a]ll costs to the consumer, including taxes, must be included in the cost per unit of energy or total cost of the subscription-based service."[26] This law applies to all charging providers, including FPL, Electrify America, and any other company providing such services.

Q. What is Electrify America's position with respect to the Company's proposal to make the UEV tariff permanent at what it characterizes as "market-based" pricing?

A. Electrify America is strongly opposed to the Company's proposal, as the Company's argument that its proposed pricing of $0.35 per kWh is "market-based" is flawed and misleading. As the Company points out, Electrify America advertises guest and pass member pricing of $0.48 per kWh.[27] Electrify America likewise offers Pass+ Member pricing at $0.36 per kWh, however, such pricing requires a user to pay a $7 monthly fee.[28] The Company has otherwise stated in this proceeding that pricing its charging at the proposed rate of $0.35 per kWh does not undercut Electrify America's pricing.[29] By its own admission, this is inaccurate. FPL is proposing to offer pricing that is unequivocally lower than Electrify America's, and, given the Company's intended

[26] F.A.C. 5J-28.007.
[27] Exhibit JJS-3; 2024 Report at 8.
[28] *Id.*
[29] Exhibit JJS-1 at 10; *See* Company response to SACE 1-5(c).

deployment of 585 DCFC ports by the end of 2025, the Commission's approval of such pricing would give FPL a significant competitive advantage within FPL's service territory.

Q. Can you expand on the competitive advantage that the Company's DCFC stations have over third-party DCFC charging providers such as Electrify America?

A. Yes. As stated by the Company, it "does not take service under any tariff for its public fast charging stations," and therefore does not have to remit to a utility the costs of the energy that its stations use in the same manner that a third party DCFC provider does.[30] Furthermore, not every kWh billed to third parties such as Electrify America by the Company will result in a kWh sold to DCFC customers given the operational energy needs of DCFC stations, including lighting and AC to DC conversion losses. The Company need not pay for such losses in the same manner that a third party DCFC provider has to, as its company-owned stations do not take service under an FPL tariff. Even before considering its supposed "market-based" pricing, which undercuts the third-party charging providers in the state, FPL is at a distinct advantage as compared to third party charging providers in its service territory.

Q. Why is the Company's proposed UEV tariff pricing a concern for ratepayers?

A. The Company's 2024 Report identifies the 2024 revenue requirements for the UEV tariff.[31] The Company indicates that its revenue requirement for the UEV tariff is

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[30] Exhibit JJS-1 at 4; Company response to EVgo 1-4.
[31] Exhibit JJS-3 at 14; 2024 Report at Attachment 1.

$5,741,000, and that it collected $3,354,000 in revenues for those charging at company-owned stations in 2024.[32] The Company's report demonstrates that it operated its company-owned stations installed through December 2024 at a loss of $2,387,000. This is concerning for two reasons: the first is that, as explained above, the Company is seeking to give itself a distinct competitive advantage as compared to third-party charging providers within its service territory. The Company is seeking to provide such energy at a lower rate than that of companies such as Electrify America. The second concern is that this structure will eventually set up FPL as the main provider of DCFC services within its service territory to the detriment of its ratepayers. The Company is operating its company-owned stations at a significant loss currently, and it is seeking to expand its DCFC deployments. Using the 2024 Report as a reference for the Company's future deployments, doing so will require additional, significant ratepayer funding to both construct and operate future company-owned charging. The Commission should not approve the Company's proposal to make the UEV tariff permanent as currently proposed given the significant costs borne by its ratepayers.

Q. How do the Company's proposed rate increases in the GSD-1EV and GSLD-1EV tariffs and the Company's proposed UEV Tariff pricing impact future non-utility DCFC investment in the Company's service territory?

A. Electrify America owns and operates stations that directly compete with the Company's for EV fast charging customers. If the Commission approves the Company's proposed rate increases in this proceeding, prices for end customers at the Company's public

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[32] *Id.*

charging stations are likely to be lower than those at Electrify America's and as a result utilization at Electrify America's DCFC stations is likely to decrease. In this scenario, lower utilization could erode or entirely eliminate profit margins for third-party charging providers within FPL's service territory. Reduced profit margins frequently have an impact on investment decisions, which given the circumstances described above, will likely result in a reduction in further investment by third party public charging providers in FPL's service territory in equipment upgrades, new DCFC sites, and the installation of technology innovations. In addition, as part of its current business model Electrify America offers to install and maintain fast charging infrastructure on behalf of commercial partners, and has faced resistance when exploring potential commercial partnership opportunities in the Company's service territory because of the competitive pricing concerns posed by the UEV Tariff. In sum, the Commission's decisions in this proceeding will have a significant impact on the quality and availability of public charging services for EV drivers in the Company's service territory.

Q. What is Electrify America's ultimate recommendation in this proceeding regarding the UEV tariff?

A. Electrify America recommends that the Commission thoroughly review the 2024 Report and specifically the revenue requirement needed to support a permanent UEV Tariff. Given the Company's advantage within its service territory, the Commission should not approve any pricing at FPL's company-owned stations lower than a value that recovers all its operating costs, a reasonable portion of its capital costs, and the total utility costs it would have incurred if subject to the commercial tariffs it imposes on competitors, as applicable. Based on Exhibit JJS-2, which uses reported operating costs and energy dispensed by FPL's company-owned fast charging stations in 2024[33], and assuming a scenario where all capital costs are excluded, the lowest UEV Tariff pricing the Commission should approve should be no lower than $0.50/kWh, depending on the final rate increases adopted by the Commission. Doing so will ensure that the Company's stations compete on a level playing field with third-party charging providers, collect the revenues necessary to avoid a significant burden being placed on ratepayers for UEV-Tariff-related revenue requirement shortfalls, and will help support the legislature's goal of expanding access to public fast charging infrastructure.[34]

Q. Does this conclude your testimony?

A. Yes, it does.

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[33] *See* Exhibit JJS-3 at 14; 2024 Report at Attachment 1.
[34] *See* Section 339.287, Florida Statutes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's Petition for a Base Rate Increase	)))	Docket No. 20250011-EI Filed: April 1, 2025

VERIFICATION

I, Jigar J. Shah, hereby state I am the Director of Energy Services for Electrify America, LLC, that I am authorized to and do make this verification; and that the facts set forth in my testimony and exhibits are true and correct to the best of my knowledge, information, and belief and that I expect to be able to prove the same at a hearing held in this matter.

Signature:

Jigar J. Shah

Address: 1950 Opportunity Way
Suite 1500
Reston, VA 20190

Dated: June 9, 2025

(Whereupon, prefiled direct testimony of R. Thomas Beach was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	)))	Docket No. 20250011-EI Submitted for filing: July 3, 2025

UPDATED DIRECT TESTIMONY OF

R. THOMAS BEACH

ON BEHALF OF EVGO SERVICES, LLC

JULY 3, 2025

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please state your name, title and business address.

A. My name is R. Thomas Beach. I am principal consultant of the consulting firm Crossborder Energy. My business address is 2560 Ninth Street, Suite 213A, Berkeley, California 94710.

Q. Have you prepared a statement of your experience and qualifications?

A. Yes. My qualifications are described in the attached *curriculum vitae* (CV), which is included as Exhibit RTB-1 to this testimony. As documented in my CV, I have more than 40 years of experience on rate design and ratemaking issues for natural gas and electric utilities. I began my career in 1981 on the staff at the California Public Utility Commission (CPUC), working on the implementation of the Public Utilities Regulatory Policies Act of 1978 (PURPA). Since leaving the CPUC in 1989, I have had a private consulting practice on energy issues and have appeared, testified, or submitted testimony, studies, or reports on numerous occasions before state regulatory commissions in many states. My CV includes a list of the formal testimony that I have sponsored in state regulatory proceedings concerning electric and gas utilities. With respect to issues concerning commercial electric vehicle (EV) charging, I have testified on the design of commercial EV rates in Arizona, California, Massachusetts, New Jersey, and Texas.

Q. Have you previously testified before this Commission?

A. No, I have not.

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

A. I am appearing on behalf of EVgo Services, LLC (EVgo). EVgo is one of the nation's leading public fast charging providers. With more than 1,100 fast charging stations across more than 40 states, EVgo strategically deploys localized and accessible charging infrastructure by partnering with leading businesses across the U.S., including retailers, grocery stores, restaurants, shopping centers, gas stations, rideshare operators, and autonomous vehicle companies. At its dedicated Innovation Lab, EVgo performs extensive interoperability testing and has ongoing technical collaborations with leading automakers and industry partners to advance the EV charging industry and deliver a seamless charging experience.

Under its owner-operator business model, EVgo develops, finances, owns, and operates its fast-charging network. EVgo works with site host partners across the country to deploy EV charging solutions at retail locations that are already part of customers' daily routines. EVgo installs the public direct current fast chargers (DCFC) at no cost to the site host partner. EVgo also maintains the customer relationship with the EV driver, providing a call center that is available to customers 24/7, and is responsible for operations and maintenance of its EV charging network.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission, the utility, and stakeholders with the unique perspective of an established owner-operator of EV charging infrastructure, with experience in more than 40 states including Florida, to ensure the Florida Power and Light's (FPL or "the Company")'s EV charging rates will achieve their desired policy objectives. My testimony addresses the following issues:

- FPL's rate riders for DCFC customers—the Electric Vehicle Charging Infrastructure Riders (GSD-1EV and GSLD-1EV).

- The price that FPL charges EV drivers at its utility-owned public fast-charging stations— the Utility-Owned Public Charging for Electric Vehicles Pilot (UEV).

Q. Please summarize your recommendations to the Commission in this proceeding.

A. On behalf of EVgo, my testimony recommends that the Commission:

- Direct FPL to modify the GSD-1EV and GSLD-1EV riders as detailed herein, to provide for a more graduated phase-in of demand charges for DCFC stations with load factors below 15%, using a rate design now employed by other utilities such as National Grid.
- Direct FPL to set pricing at its utility-owned chargers that is aligned with both (1) FPL's costs for these chargers, in order to fully recover FPL's costs and avoid subsidization by other ratepayers; and (2) current market pricing for fast-chargers in FPL's service territory.
  - Specifically, EVgo recommends that the UEV tariff price be set at $0.50 per kWh, not including applicable taxes and fees, which is aligned with the current market for EV fast-charging service in Florida and with the utility's stated costs to provide service at company-owned fast-charging stations.

Q. Do you sponsor any exhibits to your testimony?

A. Yes. I sponsor the following exhibits to my testimony:

- Exhibit RTB-1 – CV of R. Thomas Beach
- Exhibit RTB-2 – Selected Discovery Responses from FPL

II. BACKGROUND

Q. How can the electric rate design applicable to commercial EV charging station customers affect the deployment of such stations?

A. Electricity makes up a substantial portion of ongoing costs for EV charging stations, so the way electric rates are designed impacts the economic case for installing new infrastructure. Public DCFC infrastructure has a unique load profile that makes it distinct from other commercial customers. The demand charge component of traditional commercial rates can lead to disproportionately high effective dollar per kilowatt-hour (kWh) costs to operate DCFC, which creates a significant barrier to third-party investment in charging infrastructure.[1] Well-designed commercial EV rates that account for the unique loads of fast charging stations at this early stage of EV adoption is essential to achieve transportation electrification at scale.

Q. Please explain further the demand charge barrier.

A. Most electric utilities in the U.S. design their standard commercial electric rates with monthly demand charges that cover all or most of a utility's distribution costs. These demand charges are assessed based on the customer's maximum demand in any 15-, 30-, or 60-minute period each month. While a DCFC station may draw power at, or close to, its nameplate demand capacity at some point during each month, this level of power will not be sustained throughout the month. Further, the total monthly energy use at certain DCFC stations may be low during the early months of operation. This means EV fast-

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[1] *See* EVgo, "The Costs of EV Fast Charging Infrastructure and Economic Benefits to Rapid Scale Up," Jonathan Levy, et al., (May 18, 2020), https://site-assets.evgo.com/f/78437/x/f28386ed92/2020-05-18_evgowhitepaper_dcfc-cost-and-policy.pdf at 11.

charging stations are likely to have lower load factors than typical commercial customers.[2]

Because station operators may be unable to spread the significant demand charges in standard commercial rates over large volumes of usage, demand charges result in high effective dollar per kWh costs for these customers. Even as load factors grow over time, the load factors of DCFC stations will continue to be lower than typical commercial customers—in part because operators will seek to avoid queuing at their stations which can degrade an EV driver's charging experience. In short, commercial rates with high monthly demand charges impact the economics of deploying and operating fast-charging infrastructure and present a barrier to development.

FPL clearly recognized this issue in its 2020 petition seeking approval of its Schedules GSD-1EV and GSLD-1EV pilot tariffs:

> FPL states that the current rate design poses a challenge to the economics of the public fast charging stations that experience a high demand and low levels of kWh energy sales, or utilization. At low levels of utilization, the electric bills incurred by the charging stations result in demand charges being spread over a relatively low volume of energy sales. This is referred to as a low load factor customer. Charging stations with higher kWh sales, i.e., high load factor customers are able to spread the billed demand cost over more energy sales and are, therefore, more likely to recover their costs.
>
> FPL asserts that the demand charge included in standard demand rate schedules creates a barrier to entry during the early years of the EV market.[3]

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2 The load factor is the ratio of the customer's average hourly usage over the billing period to its peak hourly usage based on the interval in which the customer's billed demand for the month is determined.

3 *See* Docket No. 20200170-EI, Order No. PSC-2020-0512-TRF-EI (the 2020 CEV Order) at 6-7.

III. ELECTRIC VEHICLE CHARGING INFRASTRUCTURE RIDERS

Q. Please describe the Company's Electric Vehicle Charging Infrastructure Riders.

A. FPL's EV Charging Infrastructure riders (GSD-1EV and GSLD-1EV) were designed as an initial step to address the demand charge barrier, by setting an upper limit on a DCFC customer's maximum monthly demand that is used to determine the customer's monthly demand charge. This upper limit on the billed demand is calculated by dividing a customer's monthly energy usage by 75 hours. If the customer's actual maximum demand is higher than this upper limit, the upper limit is used for billing purposes. It is my understanding that the 75 hours were selected in order to prevent the customer's billed demand from going above the demand that is equivalent to about a 10% load factor in any month.[4] In other words, a DCFC customer with a load factor below 10% is billed a lower demand charge, calculated as though the station's load factor was exactly 10%. This places a floor on the DCFC customer's exposure to very high average costs for electricity at its low-load factor stations.

Q. What does the Company propose with regard to the pilot riders in this proceeding?

A. FPL proposes to make the current Schedule GSD-1EV and GSDLP-1EV riders permanent.

Q. What is your position on this proposal?

A. I believe that the rider has been helpful as a simple first step to reduce the demand charge barrier, and I appreciate FPL's initiative in proposing the pilot rider. However, as explained below, FPL should follow best practices from other utilities across the country that have successfully employed alternative rate structures for DCFC customers that have

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[4] The math is (75 hours per month) x (12 months per year) / (8,760 hours per year) = 10.3%.

been effective in promoting EV adoption, supporting infrastructure investment, and realizing ratepayer benefits. Since 2020, only 76 locations have enrolled in FPL's riders despite the utility's large service territory which includes 231 fast-charging locations (excluding the FPL-owned charging stations).[5] As of March 2025, the riders currently benefited 40 locations,[6] or 17% of the non-FPL fast-charging locations in FPL's service territory. An improved permanent DCFC rate design would incentivize greater participation in areas with promising but unestablished demand, and thus promote the further build-out of the state's DCFC infrastructure.

Q. Please discuss your recommendation for a permanent DCFC rate design.

A. I commend FPL for their early leadership in establishing the pilot riders; however, since the Company proposed the riders, other utilities have demonstrated different rate structures that have been effective in recognizing the unique load of DCFCs and supporting further deployment. Thus, I recommend that the Schedule GSD-1EV and GSDLP-1EV riders be modified to use a rate structure similar to one implemented in the U.S. Northeast by the utility National Grid. National Grid has a DCFC rate structure with a series of discounts on the demand charge that are directly linked to the DCFC customer's load factor (see Table 1 below).[7] Below a 5% load factor, the rate is all-volumetric. For load factors between 5% and 10%, the demand charge is discounted by 75%. At load factors from 10% to 15%, the demand charge discount is 50%. The demand charge discounts are offset by correspondingly higher volumetric rates for distribution

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[5] EVgo generated this by filtering the AFDC list of unrestricted DC fast chargers (accessed on June 4, 2025 at https://afdc.energy.gov/stations#/analyze?country=US&region=US-FL&fuel=ELEC&ev_levels=dc_fast&tab=location) to exclude FPL-owned sites and used a GIS software to retain only those located within FPL's service territory.

[6] Response to EVgo's First Set of Interrogatories, Interrogatory No. 6, included in Exhibit RTB-2.

[7] *See* https://www.nationalgridus.com/MA-Business/Rates/Service-Rates.

service. There is no reduction in the demand charge above a 15% load factor.[8] This structure provides stability in the average rate paid by the DCFC customer as its loads and load factors improve over time. The all-volumetric rate for stations with load factors below 5% is more supportive for new stations during their initial period of low usage, compared to the 10% demand limiter structure in FPL's pilot riders.

Table 1

Tier	Load Factor	Demand Charge Discount*	Estimated GSD-1 Energy Charge Adjustment ($/kWh)
1	0 - 5%	100%	$0.03786
2	5 - 10%	75%	$0.02839
3	10 - 15%	50%	$0.01893
4	> 15%	0%	$0

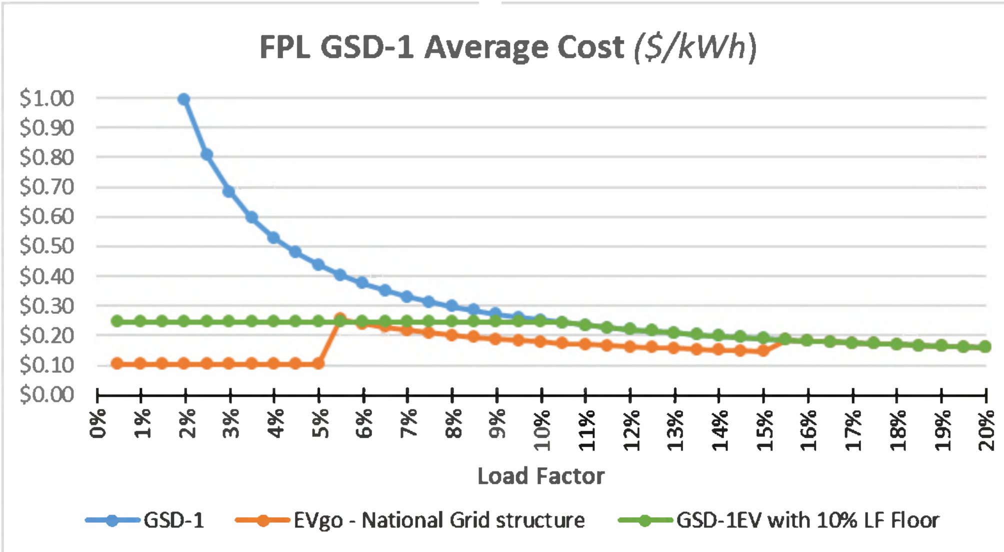
* The demand charge discount at each tier will be offset by the appropriate energy charge adjustment shown in the final column.

Q. Please compare your proposed DCFC rate structure to FPL's current pilot riders.

A. Figure 1 shows the average cost as a function of a station's load factor, for (1) the standard GSD-1 rate (blue line), (2) the current pilot GSD-1EV rider (green line), and (3) EVgo's proposed rate using the National Grid rate structure (orange line).

[8] For a full description of the National Grid rate, see Massachusetts Department of Public Utilities, Docket D.P.U. 21-91, National Grid, *Direct Testimony of Demand Charge Alternative Panel*, Exhibit NG-DCA-1 at https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/13758109.

Figure 1



Q. Why is this modification in the public interest?

A. As illustrated in Figure 1, EVgo's recommended structure provides more support for stations with the lowest load factors, below 5%. It also provides modestly more support for stations with load factors in the 5% to 15% range, compared to the existing pilot rider structure. DCFC customers would pay the standard GSD-1 rate for load factors above 15%. This enhancement in the support for low-load-factor stations is in the public interest due to the continuing need to expand EV infrastructure in Florida to support the strong growth of the EV market in the state. All low-load-factor stations will benefit from this change, not just EVgo's. This proposal follows the practices of other utilities – National Grid, Arizona Public Service,[9] Madison Gas & Electric,[10] Dominion Energy in

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[9] *See* Rate Rider DCFC, https://www.aps.com/-/media/APS/APSCOM-PDFs/Utility/Regulatory-and-Legal/Regulatory-Plan-Details-Tariffs/Business/Rate-Riders/dcfc_DirectCurrentFastCharging.pdf.

[10] *See* Sheet E-9.1 of https://www.mge.com/MGE/media/MGE-Library/documents/rates-electric/electric-rates-20241227.pdf.

Virginia,[11] and Public Service of Colorado[12] – that also offer commercial rates with reduced demand charges to commercial EV customers with low load factors, typically below 15%.

Q. Will providing this rate structure benefit FPL ratepayers?

A. Yes. Any revenues lost due to the reduction in the average rate paid by low-load-factor stations will be offset by load growth, and load growth will drive down rates for all ratepayers over time. As discussed by EVgo witness Beaton, a 2024 study by Synapse Energy Economics found that EVs contribute significantly more in utility revenues than costs, leading to downward pressure on rates across the country.[13] In Florida in particular, Synapse found that the revenues from EV adoption exceeded costs by $55.6 million between 2011 and 2021.[14] FPL found this to be the case with its existing EV riders as well, stating "[w]hile FPL shows demand-related revenue loss [of $204,000] in these early years, there is also $2.3 million in revenues collected from customers through these tariffs that may not have otherwise materialized."[15] I calculate that modifying the EV riders as EVgo recommends would have resulted in an increase of $49,000 in 2024 in the demand-related revenue loss, from $204,000 to $253,000. However, based on FPL's experience to date, the incremental revenues will continue to far exceed the reduced

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11 *See* the GS-2 rate, with a waiver of demand charges for customers with monthly loads of less than 200 kWh per kW, https://cdn-dominionenergy-prd-001.azureedge.net/-/media/pdfs/virginia/business-rates/schedule-gs2.pdf.

12 *See* the Public Service of Colorado low load-factor rate, at Sheet 44 of its electric rate book, https://xcelnew.my.salesforce.com/sfc/p/1U0000011ttV/a/8b000002Y8xL/kYe61yf.9xyigvh2701Az49XLgU2izDS8ShGaCXiwsQ.

13 Synapse Energy Economics, *Electric Vehicles Are Driving Rates Down for All Customers* (January 2024), https://www.synapse-energy.com/sites/default/files/Electric%20Vehicles%20Are%20Driving%20Rates%20Down%20for%20All%20Customer%20Update%20Jan%202024%2021-032.pdf at 3.

14 Synapse Energy Economics, *EVs Are Driving Rates Down for All Customers: State-by-State Cumulative EV Net Rate Impact Summary* (June 2024), https://www.synapse-energy.com/sites/default/files/EV%20All%20State%20List%20PDF_0.pdf.

15 2024 CEV Report at 12 (Table 6).

demand charges.[16] This will support greater DCFC deployment which will lead to more incremental loads, and new revenues, for FPL, as well as downward pressure on rates for FPL's ratepayers. Furthermore, a robust public charging network is essential to support the even larger incremental revenues that FPL will receive from home and workplace charging of EVs.

IV. UTILITY-OWNED PUBLIC FAST-CHARGING PRICING

Q. Please describe the Company's UEV tariff.

A. Under this tariff, FPL has installed over 321 utility-owned fast charging ports in workplaces, tourist destinations, and other public spaces throughout its service territory. The utility now charges EV drivers $0.30 per kWh to charge at these facilities. This rate was set in 2020, in the 2020 CEV Order. The decision found that this rate was "market-based" at that time, and was reasonable in the absence of cost data for this new utility program:

> FPL asserts that one of the goals of its petition is to learn more about EV driver needs and gather more specific usage and cost data to allow FPL to develop cost-based rates for EV charging services. The proposed UEV tariff is not cost-based, but based on a "market-rate." Fast charging rates vary by provider, by location, and the level of charging offered. We find FPL's calculation of the proposed UEV rate to be appropriate for the limited purpose of this pilot and that traditional cost-of-service based rates cannot be accurately calculated at this early stage of utility-involvement in the EV market. We find that FPL's proposed market-based rate is reasonable in the limited context of approving pilot tariffs with the specific goal to collect cost and usage data for utility-owned fast charging stations.[17]

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[16] This calculation is based on FPL's reported $204,000 revenue loss under the existing rider, scaled up by the additional discount from EVgo's proposed CEV rate structure, as shown in Figure 1 by the difference between the gray and orange lines at load factors below 15%.

[17] *See* 2020 CEV Order at 5.

Q. What has the Company proposed with regard to the UEV tariff?

A. The Company proposes to raise its pricing from $0.30 per kWh to $0.35 per kWh, asserting that such a rate "is market-based and comparable to the EV pricing options offered by non-utility providers."[18]

Q. How does FPL's proposed pricing compare to the pricing of other DCFC operators?

A. While I appreciate the Company's initiative in proposing to increase its pricing, FPL's proposed price is still well below the current market rate for EV fast charging in Florida. Based on data from a third-party survey of fast-charging prices in the state, the average current price is $0.48 per kWh, as of February 7, 2025.[19] This price is conservative (i.e. low) as a measure of the competitive market price, given that it appears to include FPL's utility-owned stations that offer the current below-market price of $0.30 per kWh. FPL owns about 20% of the fast-charging locations in its service territory.[20] In other words, a survey of market prices that excludes FPL's utility-owned stations would likely result in an even higher price.

Q. Is cost data now available on FPL's utility-owned fast-charging stations?

A. Yes. The 2024 EV Report shows that the 2024 costs for FPL's public fast-charging program were $0.51 per kWh.[21] Notably, FPL's revenues from fast charging were $0.30 per kWh, so other ratepayers subsidized FPL's fast-charging stations in 2024 by $0.21 per kWh, or $2.387 million.[22] This subsidy is more than ten times the reduced demand

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[18] *See* Docket 20240025-EI, *Direct Testimony of Tim Oliver* at 36.

[19] *See* Stable Auto's survey of Level 3 fast-charging prices in Florida, https://stable.auto/insights/electric-vehicle-charger-price-by-state (last updated Feb. 7, 2025).

[20] Based on the AFDC data discussed in Footnote 5, above.

[21] *See* 2024 CEV Report, at Attachment 1, page 1. This attachment shows a 2024 revenue requirement of $5.741 million to supply 11.162 million kWh at the Company-owned fast-charging stations.

[22] *Id.* FPL's fast-charging revenues in 2024 were $3.354 million. The 2024 revenue requirement of $5.741 million less revenues of $3.354 million yields a subsidy of $2.387 million in 2024.

charge revenues in 2024 due to the demand limiter in the GSD-1EV and GSDLP-1EV riders.[23]

Q. Why is it important for the Commission to consider the utility's cost in setting the rate for the UEV tariff?

A. There are several reasons the Commission should consider the utility's cost in determining the UEV tariff.

First, as I explained previously, the Commission stated "[w]e find FPL's calculation of the proposed UEV rate to be appropriate for the **limited purpose of this pilot** and that traditional cost-of-service based rates cannot be accurately calculated at this early stage of utility-involvement in the EV market."[24] The Commission clearly intended that market-based pricing be allowed for the pilot only, and implied that once cost data is available, it should be used to determine pricing moving forward.

Second, as I explained previously, the general body of ratepayers are currently subsidizing a portion of the costs of utility-owned charging stations. In 2024, this amounted to $2.387 million. Setting the UEV tariff in a way that ensures that it will recover the utility's costs will relieve this burden on ratepayers.

Finally, considering the utility's costs in determining the UEV tariff will create a more even playing field, thus driving private investment in EV charging in the Company's territory. Private sector DCFC providers must charge prices that reflect the full cost stack of DCFC which includes not only electricity, but also maintenance, a customer call center, and other development and operations costs. If utilities are able to charge a lower price because they can recover a portion of their EV-related costs, such as

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23 *Id.* at Table 6, showing the "demand limiter offset" of $204,390 in 2024.
24 *See* 2020 CEV Order at 5.

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development, financing, and operations costs, from non-EV customers, the Commission risks creating an uneven playing field that may discourage future private investment in EV infrastructure. Further, it may undermine existing private investments, as EV drivers may be more likely to charge at utility stations with below-market prices that are subsidized by ratepayers.

Q. What do you recommend with regard to the UEV tariff?

A. I recommend that the Commission direct FPL to set pricing at its utility-owned chargers that is aligned with both (1) FPL's costs for these chargers, in order to fully recover FPL's costs and avoid subsidization by other ratepayers; and (2) current market pricing for fast-chargers in FPL's service territory, in order to avoid distorting the EV charging market.

Specifically, I recommend the UEV tariff be set at $0.50 per kWh, not including applicable taxes and fees. This pricing balances the conservative market survey price of $0.48 per kWh and FPL's 2024 fast-charging costs of $0.51 per kWh. If FPL disagrees with this price, we suggest they do their own survey of market prices, subject to stakeholder input, in line with best practice.

Q. Have other Commissions sought to ensure that the pricing of utility-owned fast-charging was in line with market pricing?

A. Yes, Xcel Energy in Colorado provides one example. The issue of pricing for utility-owned DCFC stations went through a fully litigated process before the Colorado Public Service Commission in 2021 and 2022 in Proceeding No. 21AL-0494E. Similar to FPL, the utility proposed to charge EV drivers below market pricing at its utility-owned DCFC stations.[25] In the end, the Colorado Commission considered two distinct proposals from parties for pricing at Xcel's utility-owned DCFC stations. The first was presented in a settlement between Xcel Energy and PUC Staff ("Settlement Agreement").[26] The second was presented by parties as a Stipulation ("First Stipulation") and consisted of higher pricing to align with the average DCFC pricing in the competitive market in order to avoid discouraging private investment in the state.[27] The Colorado Commission ultimately adopted the pricing from the First Stipulation, concluding that the alternative "rates in the Settlement Agreement risk undercutting competition and causing a decline, or at least limiting the growth, in the deployment of DCFC stations by commercial EV charging companies."[28] The Colorado Commission also provided general direction regarding pricing at utility owned stations and supported pricing that is in line with the private market, stating, "[i]n adopting rates at this stage, we remain mindful that the risk of utility-owned stations charging below-market rates could hamper the further development of private charging stations in these areas that are critical to enhance consumer confidence that EV charging is readily available."[29]

V. SUMMARY OF RECOMMENDATIONS

Q. Please summarize your recommendations to the Commission.

A. I recommend that the Commission:

[25] Colorado Public Utilities Commission, Proceeding No. 21AL-0494E. Xcel Energy's original proposal would have put the blended rates at $0.17 per kWh and $0.34 per kWh depending on whether the station was rural or urban.

[26] Proceeding No. 21AL-0494E, Decision No. R22-0378 at ¶ 95.

[27] *Id.* at ¶ 96.

[28] Proceeding No. 21AL-0494E, Decision No. C22-0485 at ¶ 26.

[29] *Id.*

- Direct FPL to modify the GSD-1EV and GSLD-1EV riders as detailed herein, to provide for a more graduated phase-in of demand charges for DCFC stations with load factors below 15%, using a rate design now employed by other utilities such as National Grid.
- Direct FPL to set pricing at its utility-owned chargers that is aligned with both (1) FPL's costs for these chargers, in order to fully recover FPL's costs and avoid subsidization by other ratepayers; and (2) current market pricing for fast-chargers in FPL's service territory, in order to avoid distorting the EV charging market.
  - Specifically, EVgo recommends that the UEV tariff price be set at $0.50 per kWh, not including applicable taxes and fees, which is aligned with the current market for EV fast-charging service in Florida and with the utility's stated costs to provide service at company-owned fast-charging stations.

Q. Does this conclude your direct testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Alex Beaton was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	)	Docket No. 20250011-EI
	)	
	)	Submitted for filing: July 3, 2025

DIRECT TESTIMONY OF

ALEX BEATON

ON BEHALF OF EVGO SERVICES, LLC*

JULY 3, 2025

*Substituting and adopting the testimony of Noah Garcia, originally filed on June 9, 2025.

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please state your name, title and business address.

A. My name is Alex Beaton. I am Director of Market Development and Public Policy at EVgo Services, LLC (EVgo). My business address is 1661 East Franklin Ave, El Segundo, CA 90245.

Q. Have you prepared a statement of your experience and qualifications?

A. Yes. My experience and qualifications are described in the attached *curriculum vitae* (CV), which is included as Exhibit AB-1 to this testimony. As demonstrated in my CV, I have over a decade of experience in transportation electrification (TE) and related regulation. I began my career in 2013 at the Office of United States Senator Bernard Sanders where I advised Senator Sanders on policy matters including those related to energy and transportation. In 2017, I joined the Senate Budget Committee staff, serving as a policy advisor to the Committee on issues including energy and transportation. Since leaving the United States Senate, I have been employed at EVgo and am currently Director on the Market Development and Public Policy team. In this role I oversee EVgo's government and regulatory affairs portfolio at the federal, state and local level, including utility regulatory affairs.

Q. Have you previously testified before this Commission?

A. No, I have not. However, I have supervised and overseen the preparation of testimony submitted before commissions in California, Illinois, Michigan, and Pennsylvania.

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

A. I am appearing on behalf of EVgo. EVgo is one of the nation's leading public fast charging providers. With more than 1,100 fast charging stations across over 40 states,

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EVgo strategically deploys localized and accessible charging infrastructure by partnering with leading businesses across the U.S., including retailers, grocery stores, restaurants, shopping centers, gas stations, rideshare operators, and autonomous vehicle companies. At its dedicated Innovation Lab, EVgo performs extensive interoperability testing and has ongoing technical collaborations with leading automakers and industry partners to advance the EV charging industry and deliver a seamless charging experience.

Under its owner-operator business model, EVgo develops, finances, owns, and operates its fast-charging network. EVgo works with site host partners across the country to deploy EV charging solutions at retail locations that are already part of customers' daily routines. EVgo installs the public direct current fast chargers (DCFC) at no cost to the site host partner. EVgo also maintains the customer relationship with the EV driver, providing a call center that is available to customers 24/7, and is responsible for operations and maintenance of its EV charging network.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission, the utility, and stakeholders with the unique perspective of an established owner-operator of EV charging infrastructure with experience in more than 40 states, including Florida, to ensure the Company's EV charging programs will achieve their desired policy objectives and benefit the Company's ratepayers. The Company's portfolio of EV charging programs should represent a prudent investment of ratepayer money and should complement and encourage, rather than hinder, strategically deployed private investment in EV charging infrastructure in the Company's service territory. Specifically, my testimony demonstrates the need for the Company to implement a make-ready program to maximize benefits for its ratepayers and achieve the Commission's policy objectives for all Floridians. My testimony also recommends the make-ready program be implemented in lieu of the Company's proposed expansion of the Commercial EV Charging Services (CEVCS) pilot.

Q. Are other EVgo witnesses providing testimony in this proceeding?

A. Yes. R. Thomas Beach, principal consultant of the consulting firm Crossborder Energy, will present EVgo's recommendations related to Florida Power and Light's (FPL or "the Company") EV public charging pilot tariffs, including the General Service Demand (GSD-1EV) and General Service Large Demand (GSLD-1EV) tariffs, and the Utility-Owned Public Charging (UEV Tariff) tariff.

Q. What is EVgo's interest in this proceeding?

A. The outcome of this proceeding will directly affect EVgo. EVgo is an active participant in the competitive market for DCFC in Florida, currently owning and operating more than 100 fast-charging stalls with plans for expansion. EVgo is also an electric commercial retail customer of FPL, taking service under the Company's General Service Demand rates. EVgo also participates in FPL's existing Electric Vehicle Charging Infrastructure Rider pilot, and may continue to participate or seek to participate in that program (to the extent it remains available) and other FPL electric vehicle charging-related rates and programs (collectively, "EV charging programs").

In this proceeding, the Company proposes to make several of its EV charging programs permanent. The success of the Company's EV charging proposals will impact the rates and overall bills paid by the Company's ratepayers (which include EVgo) in the future. In general, increased electrification leads to higher electricity consumption, which distributes system costs across a larger energy use base, thereby exerting downward pressure on rates for all customers.

Q. Please summarize your recommendations to the Commission in this proceeding.

A. EVgo recommends the Commission:

- Direct the Company to implement a make-ready program with an annual budget of at least $5 million, that provides incentives of at least $50,000 per stall for DCFC at publicly-accessible locations. In doing so, the Commission would continue the strong trend towards make-ready programs which have been adopted by utilities in 20 other states, including Duke Energy in Florida. These programs effectively drive deployment of EV charging infrastructure in FPL's service area for the benefit of all of the utility's customers regardless of whether they drive or ride EVs.
- Not adopt the Company's proposal to expand the scope of the CEVCS pilot to all commercial customers, which is not sufficiently justified. Implementing a make-ready program as suggested above would more effectively encourage private sector investment in EV charging.
- Not adopt the Company's proposal to make the CEVCS tariff permanent, given FPL's limited success and experience with the pilot tariff, plus the lack of a detailed justification in the record of this case for the authorizations that it requests.

Q. Do you sponsor any exhibits to your testimony?

A. Yes. I sponsor the following exhibit to my testimony:

- Exhibit AB-1 – CV of Alex Beaton

II. BACKGROUND

Q. What are the public interest benefits of increased TE?

A. TE can generate benefits for multiple stakeholders:

1. EV drivers can benefit from reduced vehicle operating costs for EVs as compared to traditional vehicles.[1]
2. Electric utilities can benefit from increased load due to EV charging, increased grid reliability, and improved electrical system efficiency, as EV drivers tend to charge during off-peak hours.[2]
3. All electric utility ratepayers can realize benefits of transportation electrification: by charging during periods when the electric grid is underutilized, EVs and associated infrastructure can place downward pressure on utilities' electricity rates by spreading fixed system costs over a greater number of kilowatt-hours sold.[3] [4]

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[1] *Electric Vehicle Cost-Benefit Analysis - Plug-in Electric Vehicle Cost-Benefit Analysis: Florida* (January 2019), M.J. Bradley & Associates, https://www.erm.com/globalassets/documents/mjba-archive/reports/2019/flpevcbanalysis07jan19.pdf at 10-11.

[2] Synapse Energy Economics, *Electric Vehicles Are Driving Rates Down for All Customers* (January 2024), https://www.synapse-energy.com/sites/default/files/Electric%20Vehicles%20Are%20Driving%20Rates%20Down%20for%20All%20Customer%20Update%20Jan%202024%2021-032.pdf at 5.

[3] Eric Cutter, et al. *Distribution Grid Cost Impacts Driven by Transportation Electrification*. Energy+Environmental Economics (June 2021), https://www.ethree.com/wp-content/uploads/2021/06/GridLab_2035-Transportation-Dist-Cost.pdf.

[4] *Electric Vehicle Cost-Benefit Analysis - Plug-in Electric Vehicle Cost-Benefit Analysis: Florida* (January 2019), M.J. Bradley & Associates, https://www.erm.com/globalassets/documents/mjba-archive/reports/2019/flpevcbanalysis07jan19.pdf at 7-10.

Finally, the state as a whole can benefit from economic development, job creation, improved air quality and associated health benefits.[5] These benefits are widely recognized by utility commissions and utilities across the country.[6]

Q. Have the benefits of TE been quantified for the state of Florida?

A. Yes. In 2019, Duke Energy worked with M.J. Bradley & Associates (MJB&A) to conduct six state-level analyses "intended to provide input to state policy discussions about actions required to promote further adoption of electric vehicles, as well as to inform internal Duke planning efforts."[7] The study found that, if Florida personal EV[8] adoption follows the moderate trajectory then assumed by the Energy Information Administration, the net present value of cumulative net benefits from greater EV use in the state will exceed $11.7 billion state-wide by 2050.[9] If EV sales in Florida are high enough to get the state onto a more aggressive trajectory (for example through supportive policies and programs), the net present value of cumulative net benefits from greater EV use in Florida could exceed $106.2 billion statewide by 2050.[10] This Florida study estimated the costs and benefits of increased adoption of EVs in the state, including:

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5 *Id* at 10-15.

6 *See, e.g.*, Georgia Public Service Commission Docket No. 42516, *Order Adopting Settlement Agreement*, https://services.psc.ga.gov/api/v1/External/Public/Get/Document/DownloadFile/179856/62307 at 18; and Charles Harper, Gregory McAndrews, and Danielle Saas Byrnett, *Electric Vehicles: Key Trends, Issues, and Considerations for State Regulators* (October 2019), NARUC, https://pubs.naruc.org/pub/32857459-0005-B8C5-95C6-1920829CABFE; and
Delaney Dixon et al., *Mini Guide on Transportation Electrification: State-Level Roles and Collaboration among Public Utility Commissions, State Energy Offices, and Departments of Transportation* (Summer 2022), National Council on Electricity Policy, https://pubs.naruc.org/pub/131FFF33-1866-DAAC-99FB-D86EE13B1709.

7 *Electric Vehicle Cost-Benefit Analysis - Plug-in Electric Vehicle Cost-Benefit Analysis: Florida* (January 2019), M.J. Bradley & Associates, https://www.erm.com/globalassets/documents/mjba-archive/reports/2019/flpevcbanalysis07jan19.pdf at 19.

8 Referred to in the M.J. Bradley report as "plug-in electric vehicles" or PEVs.

9 *Id.* at ii.

10 *Id.* at iii.

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- the financial benefits that would accrue to all electric utility customers in Florida due to greater utilization of the electric grid during low load hours, and resulting increased utility revenues from EV charging;
- the annual financial benefits to Florida drivers from owning EVs—from fuel and maintenance cost savings compared to owning gasoline vehicles; and
- reductions in gasoline consumption, and associated greenhouse gas (GHG) and nitrogen oxide (NOx) emission from greater use of EVs instead of gasoline vehicles.

Q. Are you aware of any study that specifically quantifies the impact of EV adoption on utility customers?

A. Yes. A 2024 study by Synapse Energy Economics found that, since 2011, EVs have contributed significantly more in utility revenues than costs. Because of this, EVs have helped apply downward pressure on rates across the country.[11] In Florida, in particular, Synapse found that the utility revenues from EV adoption exceeded costs by $55.6 million between 2011 and 2021,[12] demonstrating that TE provides net benefits to utility ratepayers.

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[11] Synapse Energy Economics, *Electric Vehicles Are Driving Rates Down for All Customers* (January 2024), https://www.synapse-energy.com/sites/default/files/Electric%20Vehicles%20Are%20Driving%20Rates%20Down%20for%20All%20Customer%20Update%20Jan%202024%2021-032.pdf at 3.

[12] Synapse Energy Economics, *EVs Are Driving Rates Down for All Customers: State-by-State Cumulative EV Net Rate Impact Summary* (June 2024), https://www.synapse-energy.com/sites/default/files/EV%20All%20State%20List%20PDF_0.pdf.

Q. How does increased TE provide economic benefits to the state and local jurisdictions?

A. Policies and programs that support TE will also drive private investment to the state and thereby lead to economic development and job creation. As of June 2024, over $78 billion has been invested in TE manufacturing with over 73,900 anticipated TE manufacturing jobs in the Southeast.[13] While Florida currently lacks a major passenger vehicle production facility, increased TE will bring Florida economic benefits from jobs in the development, construction, and maintenance of TE facilities and assets. Additionally, policies to increase TE can attract manufacturing plants and other jobs to the state as it has for other states in the region.[14] Finally, increased TE drives economic growth for local businesses, as public EV charging stations tend to attract higher-income, exploratory visitors, and local residents. One study found that a single EV charging station increased spending by 3.2% for businesses within 100 meters between January 2021 and June 2023.[15] These findings underscore the value of expanding TE as a tool for local economic development.

Q. What public interest benefits of TE have been recognized by the state of Florida?

A. In 2021, Florida Department of Transportation (FDOT) released its Electric Vehicle Infrastructure Master Plan (EVMP). This plan explains that TE provides opportunities to transform mobility by providing cost-effective travel options while promoting energy

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[13] Matthew Vining and Moe Khatib, *Transportation Electrification in the Southeast* (Atlas Public Policy, October 2024), https://www.cleanenergy.org/wp-content/uploads/Transportation-Electrification-in-the-Southeast-2024.pdf

[14] Conner Smith and Kim Latham, *Transportation Electrification in Florida: A Deep Dive Into Travel Patterns & Statistics Across the EV Sector* (Atlas Public Policy, October 2020), https://cleanenergy.org/wp-content/uploads/Transportation-Electrification-in-Florida.pdf at 9-10.

[15] Zheng, Y., Keith, D.R., Wang, S. *et al.* Effects of electric vehicle charging stations on the economic vitality of local businesses. *Nat Commun* 15, 7437 (2024), https://doi.org/10.1038/s41467-024-51554-9, https://www.nature.com/articles/s41467-024-51554-9.

independence.[16] It notes that electric mobility provides several benefits to both transportation and energy sectors including, but not limited to, lower cost of vehicle ownership for households due to lower fuel and maintenance costs; increased energy diversity and independence; zero tailpipe emissions leading to improved air quality, reduction in noise pollution, and improved vehicle efficiency.[17]

Q. What is DCFC infrastructure?

A. DCFC charges a vehicle's battery using direct current at high power, which allows for fast charging in minutes instead of hours. DCFC is well-suited for quick charge needs in and around cities, towns, and suburbs and along high-traffic travel corridors. DCFC stations are generally located at or near places where drivers live, drive, and shop, including retail locations, restaurants, grocery stores, and other locations where an EV driver will be for 15-45 minutes. By contrast, Level 2 charging typically provides a full charge in 4 to 8 hours and is often sought in longer duration, long dwell-time locations such as at workplaces, homes, amusement parks, or other destinations where drivers may spend several hours.

Q. How does public DCFC drive greater TE?

A. EVgo has found that public DCFC helps drive EV adoption—and therefore increases charging and electric load—by serving a variety of drivers' needs. DCFC builds the range confidence of EV drivers, especially on trips between cities or across the country. As the FDOT notes in its EVMP released in 2021, range anxiety during longer trips is still a

[16] https://fdotwww.blob.core.windows.net/sitefinity/docs/default-source/emergingtechnologies/evprogram/fdotevmp.pdf?sfvrsn=b5888a_2 at 4.
[17] *Id.* at 5.

perceived barrier to EV adoption.[18] Public DCFC plays an equally important role in dense, urban, and suburban areas where not every home has a driveway, attached garage, or—in many cases—any dedicated parking. According to the International Council on Clean Transportation, apartment-dwelling EV drivers living in multifamily housing rely on public charging for 50-80% of their charging,[19] as they typically do not have access to dedicated parking or home charging. Similarly, research from UCLA's Luskin Center shows that 43% of multifamily housing residents rely on DCFC stations for their primary means of charging.[20] Thus, siting DCFC in community locations near multifamily housing and existing amenities drives EV adoption by providing charging options to drivers that do not own a single-family home.

Q. Please provide background on the role of utilities in supporting TE.

A. Utilities can play a significant role in advancing TE in addition to their traditional role of ensuring there is sufficient capacity on the grid. However, it is crucial to ensure that utility programs are complementary to private market activities in order to enable a robust competitive market for EV charging that will attract private capital investment, lead to increased EV adoption, and put a downward pressure on utility customer rates over the long term. Aiming to achieve this balance, utilities and Commissions nationwide are moving toward a framework wherein utilities support the competitive market through make-ready infrastructure investments and/or rebate programs.

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[18] *See* https://fdotwww.blob.core.windows.net/sitefinity/docs/default-source/emergingtechnologies/evprogram/fdotevmp.pdf?sfvrsn=b5888a_2 at 7.

[19] International Council on Clean Transportation, *Quantifying the Electric Vehicle Charging Infrastructure Gap Across U.S. Markets* (January 2019), https://theicct.org/sites/default/files/publications/US_charging_Gap_20190124.pdf at 9.

[20] DeShazo and Di Filippo, "Evaluating Multi-Unit Resident Charging Behavior at Direct Current Fast Chargers. UCLA Luskin Center for Innovation," (February 2021), https://innovation.luskin.ucla.edu/wp-content/uploads/2021/03/Evaluating-Multi-Unit-Resident-Charging-Behavior-at-Direct-Charging-Behavior-at-Direct-Current-Fast-ChargersCurrent-Fast-Chargers.pdf at 3, 13.

Another way utilities support TE is through rate design. As is discussed by EVgo witness R. Thomas Beach, public DCFC infrastructure has a unique load profile that makes it distinct from other commercial customers. The availability of commercial EV rates that account for the unique loads of fast charging stations incentivizes private investment within the state and thus is also essential to achieve TE at scale.

III. MAKE-READY INFRASTRUCTURE PROGRAM

Q. What is the purpose of this section of your testimony?

A. In this section of my testimony, I recommend the Commission direct the Company to implement a new type of program—a make-ready program—in order to most efficiently use the Company's resources to advance TE while maximizing benefits for the Company's ratepayers.

Q. What is a make-ready program?

A. "Make-ready" infrastructure refers to the electrical equipment necessary to operate a charging station. This can include sub-panels, main-panels, conductors, wiring, transformers, and other equipment on both the customer- and utility-side of the meter. Utility make-ready programs support the development of EV charging stations by reducing the upfront cost of the utility-related construction required to install EV charging infrastructure, which EV charging providers must cover. Through make-ready programs, utilities might, for instance, invest in rate-based distribution upgrades and branch line extensions, while leaving investments in chargers, charger ownership, operation and maintenance, marketing, customer service, and network operation to private sector providers. Make-ready programs have been implemented across the nation in over 20 states and, when well-designed and funded at levels that align with the installed costs of DCFC, have efficiently spurred private investment in chargers and driving ratepayer benefits.

Q. Can you provide examples of other utilities that have implemented make-ready programs?

A. Yes. As I noted above, state public utilities commissions in over 20 states have approved make-ready programs and in recent years, $1.78 billion have been authorized for make-ready programs, as opposed to $129.3 million for utility-owned programs. In fact, in April 2024, Duke Energy[21] put forward a make-ready program in Florida, which was subsequently approved by the Commission in November 2024. Duke's make-ready program includes a forecasted budget of $3.28 million for public DCFCs over 50 kW.

Additionally, Georgia Power's Make-Ready Infrastructure Program[22] provides up to $300,000 per project for public-facing sites and has a budget of approximately $53 million between 2023 and 2025. In their filing, Georgia Power cited "increasing customer interest and market demand," as well as "[the Company's] efforts to invest in the infrastructure and technology needed to support the growth of electric transportation in Georgia.[23] On May 19, 2025, Georgia Power and the Public Interest Advocacy Staff filed a petition to extend the current Alternative Rate Plan, which would extend the program and provide another $53 million between 2026 and 2028.[24]

Two other examples of make-ready programs include Tucson Electric Power and Xcel Energy in Colorado:

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21 https://www.duke-energy.com/business/products/ev-complete/charger-prep-credit.

22 https://www.georgiapower.com/business/products-programs/business-solutions/electric-transportation-business-programs/make-ready.html.

23 Georgia Public Service Commission, Docket No. 44280, *Direct Testimony of Christopher C. Womack, On Behalf of Georgia Power Company* at 10.

24 Georgia Public Service Commission, Docket No. 44280, *Joint Petition of Georgia Power Company and the Public Interest Advocacy Staff for Approval of the Stipulation to Extend the Alternate Rate Plan.*

- Tucson Electric Power's make-ready program offers utility investment of up to $40,000 per DCFC connector, covering up to 75% of project costs.[25] The utility has allocated $16.4 million for commercial rebates.
- Xcel Energy in Colorado's EV Supply Infrastructure Program[26] provided make-ready infrastructure for 186 privately developed public DCFC with a total budget of $9.63 million between 2021 and 2023. Xcel Energy's most recent programs, which will be available from 2024 through 2026 have a budget of $120 million and will offer a $45,000-$90,000 make-ready rebate per DCFC connector. The current program also offers a charger rebate of up to $40,000 per connector (depending on power level) for certain DCFC locations.

Other utilities that provide make-ready programs include Alabama Power,[27] Commonwealth Edison in Illinois,[28] and National Grid and Eversource in Massachusetts.[29]

Q. Please describe Duke Energy's Make-Ready Program.

A. As I noted above, utilities in Florida are already opting to move toward the make-ready model, i.e., Duke Energy. In Docket No. 20240025-EI, the Commission approved Duke

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[25] https://www.tep.com/smart-ev-charging-program/.

[26] https://co.my.xcelenergy.com/s/business/ev.

[27] https://www.alabamapower.com/business/business-customers-and-services/electric-transportation-business-programs/make-ready-program.html; The program provides DCFC rebates up to $20,000 per port for make-ready infrastructure.

[28] https://www.comed.com/about-us/clean-energy/make-ready-rebate-program; The program provides make-ready rebates with limits of $667-$1,000 per kW for DCFCs between 2023 and 2025 with a total budget of $30 million. And for 2026 to 2028, it will provide make-ready rebates with limits of $450-$675 per kW, with a total budget of $47 million.

[29] *See, e.g.*, https://www.nationalgridus.com/media/pdfs/bus-ways-to-save/ev/cm8214b-ev-public_workplace_incentive_charts.pdf; National Grid and Eversource Massachusetts's Public and Workplace Charging Program provides a customer-side make-ready incentive between $30,000 and $60,000 per port based on power level and a utility-side make-ready incentive for DCFCs. The programs also offer a charger rebate for DCFCs up to $40,000 and $80,000 per port based on power level and location. Between 2023 and 2026, National Grid's program has a public and workplace DCFC budget of approximately $94.7 million, and Eversource's program has a public and workplace DCFC budget of $109.1 million.

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Energy's Make-Ready Credit Program (MRC Program), which will be available from 2025 through 2027. Duke Energy proposed the program "[to support] the adoption of EVs"[30] and "[simplify] EV adoption"[31] by providing an incentive, in the form of a credit on a customer's bill or a payment to a contractor, to defray a portion of the EV "make ready" expenses related to the installation of the infrastructure needed to bring safe electrical service to EV charging hardware. This program is available to nonresidential Duke Energy customers that install at their premises the wiring and circuitry required for a Level 2 or higher-powered EV supply equipment. For DCFC, the incentive levels per charger range between $8,831 and $230,184 based on the type of chargers, nameplate power output, and projected usage based on site characteristics. In its application, Duke described the program's benefit of creating a downward pressure on rates for the benefit of all customers,[32] as well as supporting safety, grid management,[33] and the competitive EV charging market.[34]

Q. What did the Commission state with regard to Duke Energy's MRC Program?

A. The Commission's Order approving Duke Energy's MRC Program stated, "[t]he record demonstrates that [the residential EV Off-Peak Charging Load Management Program and the MRC program] offer benefits to the system as a whole, and are expected to result in lower rates overall, delay potential future investments in infrastructure, and offer immediate benefits to participants. Participation in these programs is voluntary, and any

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30 Docket 20240025-EI, *Direct Testimony of Marcia Olivier* at 19.
31 Docket 20240025-EI, *Direct Testimony of Tim Duff* at 17.
32 *Id* at 20-21.
33 *Id* at 21.
34 *Id* at 22.

costs on the system resulting from the program are expected to be exceeded by additional revenues from EV charging."[35]

Q. Are you aware that the Company's rates include EV Charging Infrastructure Riders?

A. Yes.

Q. And are you aware that those riders provide a benefit to DCFC customers?

A. Yes, I am aware those riders are intended to help alleviate the "demand charge barrier" that charging customers can face at low load factors. I commend FPL for their early leadership in establishing those riders in an attempt to support further deployment by recognizing the unique load of DCFCs.

Q. Why is a make-ready credit necessary in addition to the benefit available to DCFC customers through the EV charging infrastructure riders?

A. Make-ready programs are complementary to demand charge alternative rates. Demand charge alternative rates address the unique load profile of public DCFC infrastructure, which creates a disproportionately high effective dollar per kilowatt-hour cost (due to demand charges) and makes up the largest portion of an EV charging site's ongoing *operating* costs. On the other hand, make-ready programs defray a portion of the high *initial* capital costs for deploying chargers—the costs to install the infrastructure needed to bring safe electrical service to EV charging hardware. While both make-ready programs and effective commercial rate design are critical to enabling transportation electrification, they address different barriers and, in tandem, can build on FPL's efforts

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[35] Docket No. 20240025-EI, *Final Order Approving 2024 Settlement Agreement*, Order No. PSC-2024-0472-AS-EI (November 12, 2024), https://www.floridapsc.com/pscfiles/library/filings/2024/09858-2024/09858-2024.pdf at 19.

to encourage TE to date and make the Company's service territory attractive for the increased private investment that drives the benefits of broader TE adoption.

Q. Do make-ready programs create a risk of stranded assets?

A. While make-ready programs defray a portion of the high initial costs to deploy chargers, third-party EV charging providers are still making a significant financial investment. As a result, EV charging providers remain incentivized to actively ensure successful installation and operation of the chargers. For example, EVgo intends to operate its hardware for 7-10 years, with the potential for customer-side upgrades or equipment replacement following that time frame. Thus, there is limited risk in this scenario that the make-ready infrastructure would become a stranded asset.

Q. What does EVgo recommend with regard to a make-ready program?

A. EVgo recommends the Commission direct the Company to implement a make-ready program, similar to Duke Energy's program, with an annual budget of at least $5 million, that provides incentives of at least $50,000 per stall for DCFC at publicly-accessible locations.

Q. Why does EVgo propose these incentive levels?

A. This level of investment reflects a consideration of the costs of public DCFC and what will meaningfully drive program participation, improving the program's efficiency and maximizing the benefits to ratepayers.

EVgo has a long history of competing in the open market in Florida, and looks forward to continuing to compete in the open market against other public EV charging providers (all of whom will have the ability to pursue the same opportunities that the proposed make-ready program makes available). But all of these companies in the

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business of deploying public DCFC in FPL's service territory will face the same general categories and magnitudes of expected costs. In a 2023 study, the National Renewable Energy Laboratory assessed the costs of charging infrastructure to estimate the cumulative capital investment required to deploy a charging network that would accommodate the EVs on the road in 2030. For DCFC, the study estimated the hardware cost for a 150 kW charger ranged from $66,400 to $102,200 per port,[36] while the hardware cost for a 350+ kW charger ranged from $116,400 to $167,400 per port.[37] Additionally, the study estimated the installation costs for a 150 kW charger ranged from $45,800 to $94,000 per port, while the installation costs for a 350+ kW charger ranged from $63,700 to $117,900 per port.[38] Consequently, the cost to procure and deploy each charging port could cost between $112,200 and $285,300.

Table 1.

	150 kW charger	**350+ kW charger**
Hardware Cost	Between $66,400 and $102,200 per port	Between $116,400 and $167,400 per port
Installation Costs	Between $45,800 and $94,000 per port	Between $63,700 and $117,900 per port
Total Costs	Between $112,200 and $196,200 per port	Between $180,100 and $285,300 per port

As noted above, over $1.78 billion in funding for utility make-ready programs have been approved across the country, including by Duke Energy in Florida. The $50,000 per stall cap incentive that I recommend be offered by the make-ready program

[36] In this case "port" refers to a unit that provides power to charge only one vehicle at a time and therefore is equivalent to my defined term "stall."

[37] Eric Wood et al., rep., *The 2030 National Charging Network: Estimating U.S. Light-Duty Demand for Electric Vehicle Charging Infrastructure* (National Renewable Energy Laboratory, June 2023), https://www.nrel.gov/docs/fy23osti/85654.pdf at 33.

[38] *Id.*

is in line with the incentive levels offered by Duke Energy Florida's MRC Program, which can range from approximately $39,000-$67,000 per stall for high-powered public DCFCs, as determined by a complex custom calculation.[39] In this case, I recommend a fixed incentive per stall—a common approach which will simplify the program for participants and streamline implementation for the utility.

Q. Why is it important for the Company to offer a make-ready program similar to Duke Energy's program?

A. The Commission should seek to enable ratepayers across utility territories to access similar benefits wherever possible. As the Commission stated, the Duke MRC program is expected to result in lower rates overall for Duke ratepayers.[40] FPL ratepayers should also be afforded these benefits. Further, the availability of programs that support charger deployment across the state are critical to serve drivers' needs. The Company serves over 12 million customers, or over half of the state's population.[41]

Q. Why should the Company initiate a make-ready program instead of relying on deployment of utility-owned chargers?

A. We commend FPL for their early leadership in transportation electrification. Since FPL's initiation of the Evolution program 6 years ago, utilities across over 20 states have primarily moved to the make-ready model to accelerate deployment of charging in their service territories, including Duke Energy with the Commission's recent approval of the

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39 *See* https://www.duke-energy.com/business/products/ev-complete/charger-prep-credit for public DC fast charger, 341-380 nameplate kW, low to medium volume site or high volume site. The calculation shows credit per charger, which we assume provides two stalls each.

40 Docket No. 20240025-EI, *Final Order Approving 2024 Settlement Agreement*, Order No. PSC-2024-0472-AS-EI (November 12, 2024), https://www.floridapsc.com/pscfiles/library/filings/2024/09858-2024/09858-2024.pdf at 19.

41 Docket No. 20250011-EI, *Test Year Notification Pursuant to Rule 25-6.140, Florida Administrative Code*, Document No. 00012-2025 (January 2, 2025), https://www.floridapsc.com/pscfiles/library/filings/2025/00012-2025/00012-2025.pdf at 1.

MRC Program. Through make-ready programs, utilities are fully leveraging private market investment and expertise to deploy a robust charging network that serves drivers' needs. By incentivizing more third-party investments in charging infrastructure, make-ready programs increase electrification to generate benefits, such as a downward pressure on rates for all of the utility's customers regardless of whether they drive or ride EVs.

Q. Why does EVgo propose a $5 million budget?

A. While Duke Energy's MRC program estimated a total budget of approximately $3.28M between 2025 and 2027,[42] "the estimated costs, revenues, and forecasted participation for each of the seven customer segments do not constitute firm caps or limits for the proposed program."[43] As a result, the program may ultimately see a higher total budget. Moreover, compared to Duke Energy's 2 million customers,[44] the Company serves over 12 million customers[45] and could reasonably expect a significantly larger level of participation in its program.

Thus, EVgo recommends that this level of funding be initially allocated on a pilot basis with the option to make adjustments as necessary in the future.

Q. How does EVgo recommend this program be funded?

A. One way to fund the make-ready program could be by diverting funding from the Company's other proposals. Specifically, EVgo recommends diverting any costs related to the CEVCS pilot, as the needs the Company seeks to address with this program can be more efficiently addressed by the private market (which I will address next). The

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[42] Docket 20240025-EI, Exhibit TJD-1, "Electric Vehicle Make Ready Credit Program."

[43] Docket 20240025-EI, *Rebuttal Testimony of Timothy J. Duff* at 4.

[44] https://investors.duke-energy.com/news/news-details/2025/New-Duke-Energy-programs-offer-Florida-customers-more-choices-related-to-electric-vehicles/default.aspx.

[45] Docket No. 20250011-EI, *Test Year Notification Pursuant to Rule 25-6.140, Florida Administrative Code*, Document No. 00012-2025 (January 2, 2025), https://www.floridapsc.com/pscfiles/library/filings/2025/00012-2025/00012-2025.pdf at 1.

Commission could also consider whether to divert funds from FPL's EV Technology and Software categories, which FPL plans to use for "exploring emerging technologies and software upgrades to the FPL EVolution app to ensure system integrity and enhance the customer experience."[46] This funding may be better utilized to promote more charging infrastructure by the private market to support EV drivers' experience. Furthermore, while the Company may initially allocate costs for this proposal, EVgo expects the Commission's reasoning when approving Duke's make-ready proposal to apply here as well.[47] Much of those costs will be offset in additional revenue generated, as exemplified in the 2024 Synapse Energy Economics analysis referenced earlier in this testimony.

IV. COMMERCIAL EV CHARGING SERVICES PILOT

Q. What is the purpose of this section of your testimony?

A. In this section of my testimony, I recommend the Commission not approve the Company's proposals regarding the CEVCS pilot.

Q. Please describe the Company's CEVCS pilot.

A. As described by FPL witness Mr. Oliver, the CEVCS pilot allows the utility to install, own, operate, and maintain EV charging equipment on customer premises. The tariff structure (Schedule CEVCS-1) for this service requires the customer to pay a fixed monthly charge that recovers FPL's costs and expenses over the asset's lifespan. As a result, FPL asserts that this tariff has no cost impact on FPL's general body of ratepayers.

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46 Response to Southern Alliance for Clean Energy's First Set of Interrogatories, Interrogatory No. 8, included in Exhibit RTB-2.

47 Docket No. 20240025-EI, *Final Order Approving 2024 Settlement Agreement*, Order No. PSC-2024-0472-AS-EI (November 12, 2024), https://www.floridapsc.com/pscfiles/library/filings/2024/09858-2024/09858-2024.pdf at 19.

Q. What is the utility's proposal for the CEVCS pilot?

A. The Company now seeks approval to make this utility-owned EV charging infrastructure offering permanent, and plans to expand the tariff offering beyond charging services for fleet vehicles, to include charging services for all other commercial customers,[48] such as charging stations for multi-unit dwellings, and at destinations such as hospitals, universities, airports, parks, and retail establishments.[49] The Company forecasts that 180 incremental ports will be enrolled in 2026, 180 incremental ports enrolled in 2027, 200 incremental ports enrolled in 2028, and 265 incremental ports enrolled in 2029.[50]

Q. Has the CEVCS pilot been successful?

A. I don't believe so. While FPL defines success by interest and enrollment of commercial customers,[51] FPL has acquired only one customer under this pilot.[52]The Company appears to have 11 other fleet charging customers at 19 sites that have not sought service under this tariff for utility-owned and operated equipment.[53]

Q. What is your position on FPL's proposal to expand the CEVCS pilot?

A. I do not support the proposal to expand this pilot to all commercial customers. The Company has a long track record of interest in TE and, in addition to the CEVCS pilot, has already been approved to own and operate 585 public fast charging ports through its EVolution program by the end of 2025.[54] However, since this approval, utilities across

48 *See* Docket 20240025-EI, *Direct Testimony of Tim Oliver* at 40.
49 Response to EVgo's First Set of Interrogatories, Interrogatory No. 8, included in Exhibit RTB-2.
50 Response to Staff's Fifth Set of Interrogatories, Interrogatory No. 100, included in Exhibit RTB-2.
51 Response to EVgo's First Set of Interrogatories, Interrogatory No. 1, included in Exhibit RTB-2.
52 *See* 2024 CEV Report at 10.
53 *Id.* and Table 4, showing 190 fast-charging ports for fleets installed or in progress at an average of 10 ports per site, i.e. at 19 sites.
54 Response to EVgo's First Set of Interrogatories, Interrogatory No. 12, included in Exhibit RTB-2.

over 20 states have primarily moved to the make-ready model including Duke Energy Florida. Given the existing scope and expected continued buildout of FPL's utility-owned network, as well as limited uptake in the existing CEVCS program, a make-ready program is a more appropriate tool to meet TE goals in FPL territory. Thus, the Company should implement the best practice of a make-ready program to support third-party EV charging providers rather than expand its utility-owned network outside of the EVolution program through the CEVCS pilot.

Further, FPL seeks to expand utility-ownership of public fast-charging without demonstrating a clear need for these services that cannot be met by the private sector. The utility states "FPL's Commercial Electric Vehicle Charging Services (CEVCS) program offers a solution and another option for customers, similar to other third-party EV charging solutions. Like those programs, our CEVCS program provides a turnkey approach for commercial customers looking to provide electric vehicle charging services."[55] In fact, many EV charging providers, including EVgo, offer a turnkey solution to commercial customers at no cost to the customer, while the utility seeks to charge the customer for the same services. The utility has also not proposed any specific guardrails on this program to limit its use to situations in which the private market cannot provide these services. Given that this duplicates a service existing in the market, a make-ready program, as I have proposed above, may be a more appropriate alternative solution to provide commercial customers with more access to charging services.

[55] Response to EVgo's First Set of Interrogatories, Interrogatory No. 8g, included in Exhibit RTB-2.

Q. What is your position on FPL's proposal to make permanent the CEVCS Pilot?

A. I do not support FPL's proposal. With only one customer enrolled, the pilot has not demonstrated that there is substantial demand to warrant making the pilot permanent.

Q. What does EVgo recommend with regard to FPL's proposed changes to the CEVCS pilot?

A. I recommend the Commission:

- Not adopt the Company's proposal to expand the scope of the CEVCS pilot to all commercial customers, which could have a significant negative impact on the private market for EV charging and is not clearly justified.
- Not adopt the Company's proposal make this tariff permanent, given FPL's limited success and experience with the pilot tariff (i.e. just one customer through the end of 2024) and the lack of a detailed justification in the record of this case for the authorizations that it requests.

V. SUMMARY OF RECOMMENDATIONS

Q. Please summarize your recommendations to the Commission.

A. EVgo recommends the Commission:

- Direct the Company to implement a make-ready program with an annual budget of at least $5 million, that provides incentives of at least $50,000 per stall for DCFC at publicly-accessible locations. In doing so, the Commission would move the state primarily towards a make-ready model as utilities across 20 other states have done to effectively drive deployment of EV charging infrastructure in FPL's service area for the benefit of all of the utility's customers regardless of whether they drive or ride EVs.

- Not adopt the Company's proposal to expand the scope of the CEVCS pilot to all commercial customers, which could discourage private sector investment in EV charging and is not sufficiently justified. Implementing a make-ready program as suggested above would more effectively encourage private sector investment in EV charging.
- Not adopt the Company's proposal to make the CEVCS tariff permanent, given FPL's limited success and experience with the pilot tariff, plus the lack of a detailed justification in the record of this case for the authorizations that it requests.

Q: Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Christopher C. Walters was inserted.)

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony and Exhibits of

Christopher C. Walters

On behalf of

Federal Executive Agencies

June 9, 2025

BRUBAKER & ASSOCIATES, INC.

Project 11813

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

STATE OF MISSOURI	)	
	)	SS
COUNTY OF ST. LOUIS	)	

Affidavit of Christopher C. Walters

Christopher C. Walters, being first duly sworn, on his oath states:

1. My name is Christopher C. Walters. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes are my direct testimony and exhibits which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20250011-EI.

3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.

C. Walters

Christopher C. Walters

Subscribed and sworn to before me this 9th day of June, 2025.

ADRIENNE J. FOLLETT
Notary Public - Notary Seal
STATE OF MISSOURI
Jefferson County
My Commission Expires: Mar. 22, 2029
Commission # 21989987

Adrienne J Follett

Notary Public

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

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Direct Testimony of Christopher C. Walters

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony of Christopher C. Walters

I. INTRODUCTION

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing in this proceeding on behalf of the Federal Executive Agencies ("FEA").

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony addresses Florida Power & Light Company's ("FPL" or "Company") current market cost of equity and capital structure.

To the extent my testimony does not address any particular issue does not indicate tacit agreement with the Company's or another party's position on that issue.

II. SUMMARY

Q PLEASE SUMMARIZE THE REST OF YOUR TESTIMONY.

A In Section III of my testimony, I review and analyze the regulated utility industry's access to capital, credit rating trends, and outlooks, as well as the overall trend in the authorized return on equity ("ROE") for utilities throughout the country. I conclude that the trend in authorized ROEs for utilities has declined over the last several years and has remained below 10.0% in more recent history. I also review the impact that the Federal Reserve's ("the Fed") monetary policy actions have had on the cost of capital.

In Section IV of my testimony, I address the Company's proposed capital structure, cost of debt, outline how a fair ROE should be established, provide an overview of the market's perception of the Company's investment risk, and present the analyses I relied on to estimate an appropriate ROE for FPL. Based on the results of several cost of equity estimation methods performed on publicly traded utility companies, I estimate the current fair market ROE to fall within the range of 9.00% to 10.00%. Based on my assessment of the Company's overall risk profile and the results of the analytical methods, I recommend FPL be awarded an ROE of 9.50%, which is the mid-point of my overall estimated range. In acknowledgment of the Company's significantly higher equity ratio, a more reasonable range applicable to the Company would be the lower-half of my overall recommended range (i.e., 9.00% to 9.50%).

In Section V of my testimony, I respond to the Company's witness Mr. Coyne's estimate of the current market cost of equity for FPL. Mr. Coyne recommends the Company be authorized an ROE of 11.90%, which is the average of his analytical results adjusted for flotation costs. I demonstrate that his ROE recommendation is excessive and should be rejected.

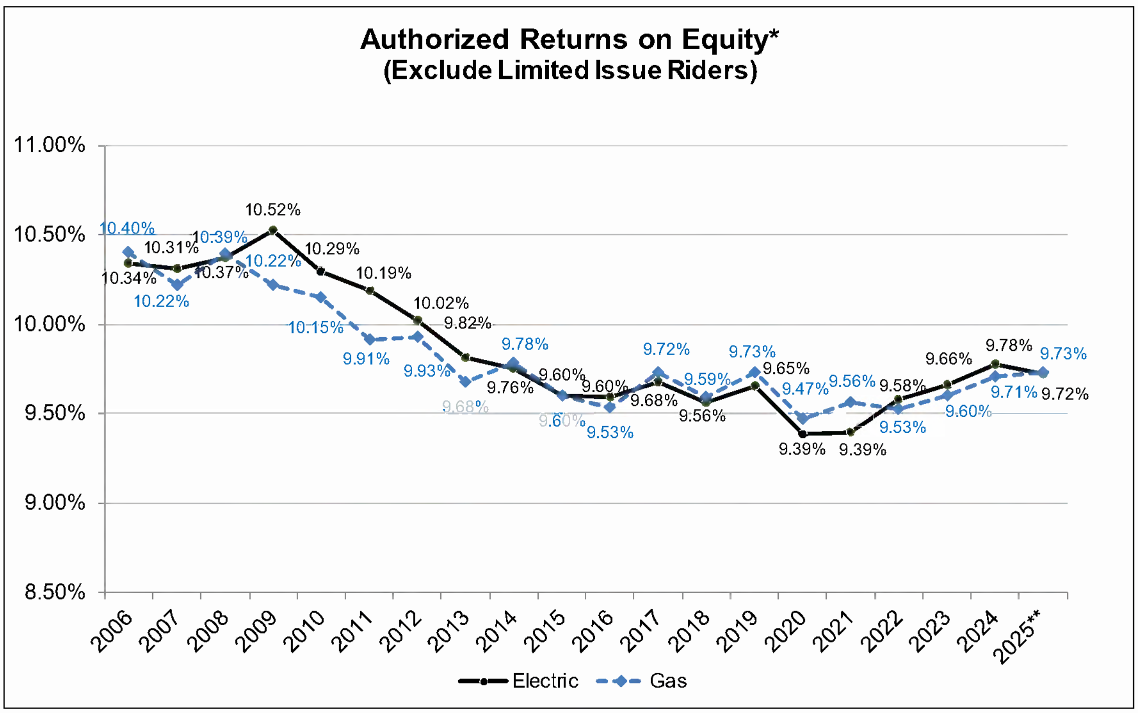
III. INDUSTRY TRENDS AND ECONOMIC ENVIRONMENT

A. Regulated Utility Industry Authorized ROEs Access to Capital, and Credit Strength

Q PLEASE DESCRIBE THE OBSERVABLE EVIDENCE ON TRENDS IN AUTHORIZED ROES FOR ELECTRIC AND GAS UTILITIES.

A Authorized ROEs for both electric and gas utilities have declined over the last 10 years, as illustrated in Figure CCW-1 below, and have been below 10.0% for about the last nine years.

FIGURE CCW-1



Source and Notes:
* Electric Returns exclude Limited Issue Riders.
** *S&P Global Market Intelligence*, RRA Regulatory Focus, Major Rate Case Decisions -- January - March 2025, April 25, 2025 at page 3.

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Q PLEASE DESCRIBE THE DISTRIBUTION OF AUTHORIZED ROES FOR ELECTRIC UTILITIES FOR THE LAST FEW YEARS.

A The distribution of authorized returns, annually, since 2016 is summarized in Table CCW-1 below.

TABLE CCW-1

Distribution of Authorized ROEs
(All Electric Utilities)*

Year (1)	Average (2)	Median (3)	Share of Decisions ≤ 9.5% (4)	Share of Decisions ≤ 9.7% (5)	Share of Decisions ≤ 10.0% (6)
2016	9.60%	9.60%	41%	53%	94%
2017[1]	9.68%	9.60%	40%	67%	81%
2018[2]	9.56%	9.58%	45%	61%	100%
2019	9.65%	9.65%	36%	58%	88%
2020[3]	9.39%	9.48%	64%	79%	98%
2021	9.39%	9.50%	57%	80%	97%
2022	9.58%	9.53%	50%	59%	79%
2023	9.66%	9.60%	38%	65%	90%
2024	9.78%	9.78%	24%	37%	85%
2025	9.70%	9.75%	33%	40%	93%
Average	9.60%	9.61%	43%	60%	91%
Median	9.62%	9.60%	41%	60%	91%

Source and Notes:
S&P Global Market Intelligence, data through May 16, 2025.
[1]Includes authorized base ROE of 9.4% for Nevada Power Company, which excludes incentives associated with the Lenzie facility.
[2]Includes authorized base ROE of 9.6% for Interstate Power & Light Co., which excludes allowed ROE for generating facilities subject to special ratemaking principles.
[3]Includes authorized base ROE of 9.8% for Interstate Power & Light Co., which excludes allowed ROE for generating facilities subject to special ratemaking principles.
*Excludes Limited Issue Rider Cases.

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The distribution shows that the majority of authorized ROEs since 2016 have been below 9.7%, with many being below 9.5%.

Q HOW HAS THE AUTHORIZED COMMON EQUITY RATIO FLUCTUATED OVER THE SAME TIME PERIOD FOR UTILITIES?

A In general, the utility industry's common equity ratio has not deviated much from the range of 50.0% to 52.0%. As shown in Table CCW-2, I have provided the authorized common equity ratios for utilities around the country, excluding the reported common equity ratios for Arkansas, Florida, Indiana, and Michigan. For my overall market analysis, I have excluded the reported authorized common equity ratios for these states because these jurisdictions include sources of capital outside of investor-supplied capital such as accumulated deferred income taxes. As such, the reported common equity ratios in these states would result in a downward bias in the reported permanent common equity ratios authorized for ratemaking purposes within my trend analysis.

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TABLE CCW-2

Trend in Authorized Equity Ratios

	Electric[1]	
Year (1)	Average (2)	Median (3)
2016	49.70%	49.99%
2017	50.02%	49.85%
2018	50.60%	50.23%
2019	51.55%	51.37%
2020	50.93%	51.17%
2021	51.01%	52.00%
2022	51.57%	51.92%
2023	51.59%	52.27%
2024	51.07%	52.10%
2025	50.30%	51.56%
Average	50.83%	51.25%
Median	50.97%	51.46%

Source and Notes:
[1] S&P Global Market Intelligence, data through May 16, 2025.
- Excludes Arkansas, Florida, Indiana and Michigan because they include non-investor capital.

Q HAVE REGULATED UTILITY COMPANIES BEEN ABLE TO MAINTAIN RELATIVELY STRONG CREDIT RATINGS DURING PERIODS OF DECLINING AUTHORIZED ROES?

A Yes. As shown below in Table CCW-3, the credit ratings of the industry have improved since 2009. In 2009, approximately 53% of the industry was rated BBB+ or higher. Currently, 83% of the industry has a rating of BBB+ or higher.

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TABLE CCW-3

S&P Ratings by Category
Electric Utility Subsidiaries

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
A or higher	12%	12%	12%	11%	13%	13%	13%	10%	10%	8%	14%	14%	10%	10%	12%	9%	7%
A-	18%	20%	19%	22%	26%	26%	34%	43%	52%	54%	54%	53%	37%	37%	37%	33%	35%
BBB+	23%	24%	28%	28%	25%	28%	24%	32%	21%	22%	18%	19%	35%	36%	36%	45%	41%
BBB	36%	26%	24%	22%	26%	23%	18%	4%	7%	13%	12%	3%	16%	16%	15%	12%	13%
BBB-	9%	16%	15%	17%	11%	11%	11%	11%	11%	2%	1%	1%	0%	0%	0%	0%	1%
Below BBB-	2%	2%	2%	0%	0%	0%	0%	0%	0%	0%	0%	10%	1%	1%	1%	2%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: S&P CAPITAL IQ and Market Intelligence, downloaded 5/19/2025.
Note: Subsidiary ratings used.

Q HAVE UTILITIES BEEN ABLE TO ACCESS EXTERNAL CAPITAL TO SUPPORT CAPITAL EXPENDITURE PROGRAMS?

A Yes. Regulatory Research Associates' ("RRA") October 22, 2024 Utility Capital Expenditures report, *RRA Financial Focus*, a division of *S&P Global Market Intelligence*, made several relevant comments about utility investments generally:[1]

- Energy utility capex estimates for 2025, 2026 and 2027 indicate successively higher spending levels, reaching $192 billion, $196.5 billion and $197 billion, respectively. Spending in these years is likely to increase further, as the companies' plans for future projects continue to solidify around federal and state legislation supporting infrastructure investment.
- Multiple drivers are expected to elevate utility capital expenditures over the next several years. Pent-up demand to replace aging equipment is already pushing utilities to make considerable

[1] *S&P Global Market Intelligence, RRA Financial Focus*: "Utility capital expenditures update," October 22, 2024.

investments in infrastructure. Meanwhile, the renewable energy portfolio standards for multiple states continue to ramp up, with the plans specifying large expansions of low-carbon energy generation capacity. Amplifying these factors are federal infrastructure investment plans, including the Inflation Reduction Act of 2022, which aim to convert the US power generation network to a majority of zero-carbon sources by 2035.

- Forecast aggregate utility investments in 2025, 2026 and 2027 are expected to reach new records of $192 billion, $196.5 billion and $197 billion, respectively. The increases are being driven in large part by federal legislation enacted in 2021 and 2022, supporting infrastructure investment and state-level energy transition plans and incentives, as well as robust growth in demand from datacenters, as the explosion in implementation of AI and cloud computing continues.
- Utilities have multiple opportunities to finance and support energy investments through mechanisms available within the Inflation Reduction Act and the Infrastructure Investment and Jobs Act of 2021. These pieces of legislation provide billions of dollars for power infrastructure investments, financial incentives for nuclear power plants and funding for battery storage technology, among other provisions.

As shown in Figure CCW-2, capital expenditures for the regulated electric and natural gas delivery utilities have increased considerably over the period 2023

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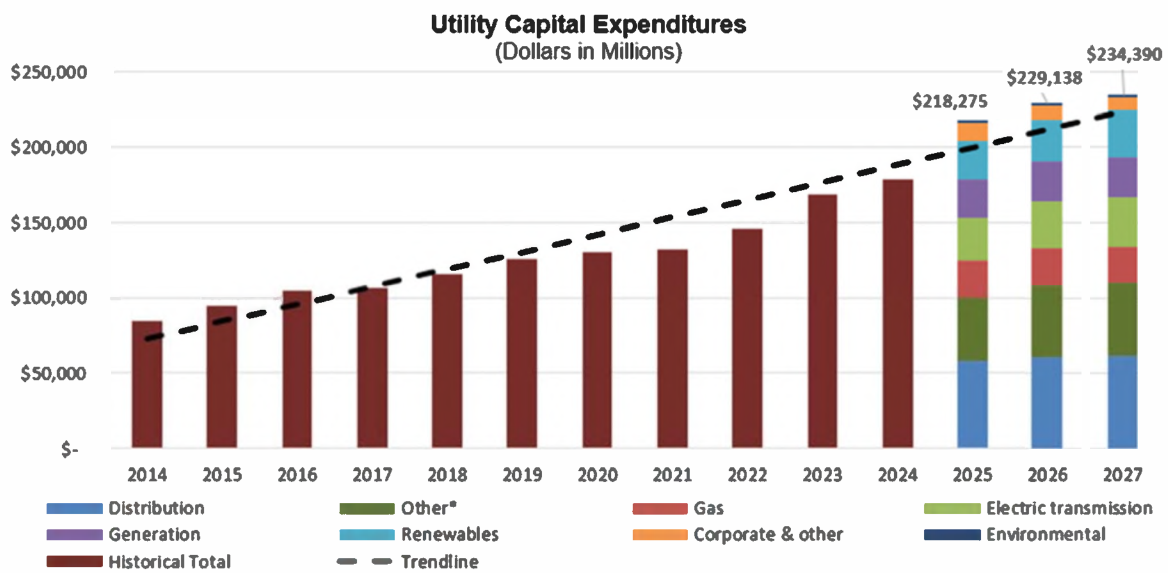
into 2024, and the forecasted capital expenditures remain elevated through the end of 2026.

FIGURE CCW-2



*Other category consists of utilities that do not report capital expenditures by category: Avista, Dominion Energy, MDU, NorthWestern, and PG&E.
Source: *S&P Global Market Intelligence*, *RRA Financial Focus*, Utility Capital Expenditures Update, March 24, 2025, Tables 1 and 3.

As demonstrated in Figure CCW-2, and in the comments made by *RRA S&P Global Market Intelligence*, capital investments for the utility industry continue to stay at elevated levels, and these capital expenditures are expected to fuel utilities' profit growth into the foreseeable future. This is clear evidence that these capital investments are enhancing shareholder value and are attracting both equity and debt capital to the utility industry in a manner that allows for funding these elevated capital investments. While capital markets embrace these profit-driven capital investments, regulatory commissions also must be careful to maintain reasonable prices and tariff terms and conditions to protect customers' needs for reliable utility service at reasonable rates. If this is not done, utility rates will expand beyond the ability of customers to pay, resulting in revenue constraints for utilities, which will impact their financial integrity.

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Q IS THERE EVIDENCE OF ROBUST VALUATIONS OF REGULATED UTILITY EQUITY SECURITIES?

A Yes. Strong valuations demonstrate that utilities can issue securities at favorable prices and price multiples, signaling their ability to access equity capital on reasonable terms and at a relatively low cost. As shown on Exhibit CCW-1, the historical valuation of utilities followed by *The Value Line Investment Survey* ("*Value Line*"), based on a Price-to-Earnings ("P/E") ratio, Price-to-Cash Flow ratio, and Market Price-to-Book value ratio, indicates utility security valuations today are very strong and robust relative to the last several years. These strong valuations of utility stocks indicate that utilities have access to equity capital under reasonable terms and at lower costs.

Q WHAT CONCLUSION DO YOU DRAW FROM THIS OBSERVABLE MARKET DATA IN FORMING YOUR RECOMMENDED ROE AND OVERALL RATE OF RETURN ("ROR")?

A Generally, authorized ROEs, credit standing, and access to capital have been quite robust for utilities over the last several years, even throughout the duration of the global pandemic. It is critical that the Florida Public Service Commission ("Commission") ensure that utility rates are increased no more than necessary to provide fair compensation and maintain financial integrity.

B. Impact of Monetary Policy

Q ARE THE FEDERAL OPEN MARKET COMMITTEE'S ("FOMC") ACTIONS KNOWN TO THE MARKET PARTICIPANTS, AND IS IT REASONABLE TO BELIEVE THEY ARE REFLECTED IN THE MARKET'S VALUATION OF BOTH DEBT AND EQUITY SECURITIES?

A Yes, to both questions. The Fed has been transparent about its efforts to support the economy to achieve maximum employment, and to manage long-term inflation to

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around a 2% level. The Fed has implemented procedures to support the economy's efforts to achieve these policy objectives. Specifically, the Fed had previously lowered the Federal Overnight Rate for securities and had engaged in a Quantitative Easing program where the Fed was buying, monthly, Treasury and mortgage-backed securities in order to moderate the demand in the marketplaces and support the economy. Currently, the Fed is reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. Such monetary policy actions include raising the target federal funds rate and allowing maturing bonds to roll off its balance sheet.

A visualization of the market's reaction to the Fed's actions on the federal funds rate is shown in Figure CCW-3.

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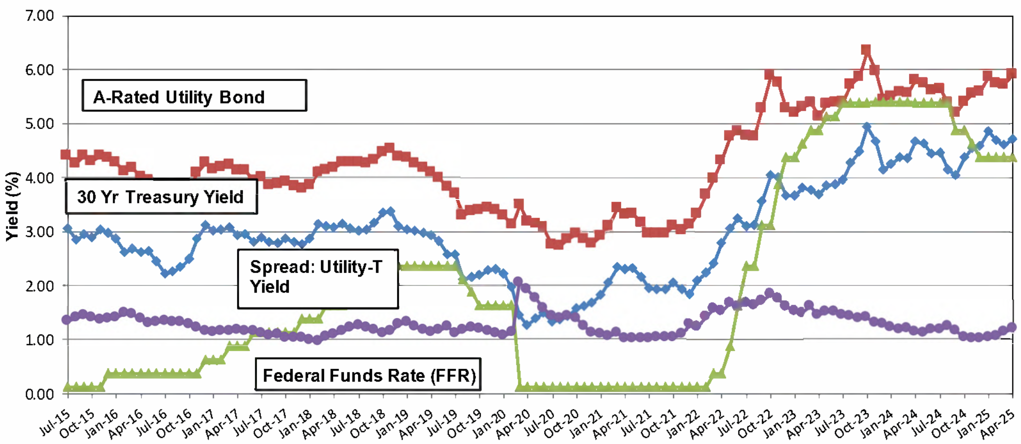
FIGURE CCW-3

Timeline of Federal Funds Rate Changes Since 2015



Fed FFR Actions:

1	December 2015	0.25	→	0.50		15	March 2022	0.25	→	0.50
2	December 2016	0.50	→	0.75		16	May 2022	0.75	→	1.00
3	March 2017	0.75	→	1.00		17	June 2022	1.50	→	1.75
4	June 2017	1.00	→	1.25		18	July 2022	2.25	→	2.50
5	December 2017	1.25	→	1.50		19	September 2022	3.00	→	3.25
6	March 2018	1.50	→	1.75		20	November 2022	3.75	→	4.00
7	June 2018	1.75	→	2.00		21	December 2022	4.25	→	4.50
8	September 2018	2.00	→	2.25		22	February 2023	4.50	→	4.75
9	December 2018	2.25	→	2.50		23	March 2023	4.75	→	5.00
10	August 2019	2.00	→	2.25		24	May 2023	5.00	→	5.25
11	September 2019	1.75	→	2.00		25	July 2023	5.25	→	5.50
12	October 2019	1.50	→	1.75		26	September 2024	4.75	→	5.00
13	March 2020	1.00	→	1.25		27	November 2024	4.50	→	4.75
14	March 2020	0.00	→	0.25		28	December 2024	4.25	→	4.50

Sources:
Federal Reserve Bank of New York, https://apps.newyorkfed.org/markets/autorates/fed-funds-search-page
Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/datadownload/
Mergent Bond Record.

As shown in Figure CCW-3 above, the rise in the federal funds rate has far outpaced the rise in Utility and Treasury yields while the spread of Utility bonds over Treasury bond yields have declined, and are now below their long-term average. When the yield spread of Utility bonds over Treasury bonds is declining and below average, it generally indicates that the market currently perceives lower relative risk in utilities. Narrower spreads mean investors are demanding less additional yield to hold Utility bonds compared to risk-free Treasuries. This suggests stronger confidence in

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the financial stability and creditworthiness of utilities. Narrow spreads generally reflect a view that utilities are less risky investments right now relative to the long-term, whether due to favorable regulation, stable earnings outlooks, or improved credit fundamentals.

Q HAS THE FED MADE RECENT COMMENTS CONCERNING MONETARY POLICY AND THE POTENTIAL IMPACT ON INTEREST RATES?

A Yes. On March 19, 2025, the FOMC released the following statement:

> Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.
>
> The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has increased further. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen.
>
> In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is

> strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.
>
> In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.[2]

The Federal Reserve's May 7, 2025, FOMC statement indicates that economic activity continues to expand at a solid pace, with labor market conditions remaining strong and inflation somewhat elevated. However, the Committee noted increased uncertainty about the economic outlook, citing heightened risks of both higher unemployment and higher inflation. To support its dual mandate of maximum employment and 2% inflation, the Fed maintained the federal funds rate target range at 4.25% to 4.5%. The Committee also decided to continue reducing its holdings of Treasury securities and agency debt and mortgage-backed securities, with Treasury redemptions capped at $5 billion per month and agency securities at $35 billion per month. The Fed emphasized its commitment to monitoring incoming data and is prepared to adjust monetary policy as appropriate to achieve its goals.

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[2] Federal Reserve Board - Federal Reserve issues FOMC statement, May 7, 2025.

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Q WHAT DO INDEPENDENT ECONOMISTS' OUTLOOKS FOR FUTURE INTEREST RATES AND INFLATION LEVELS INDICATE?

A Independent economists, surveyed by *Blue Chip Financial Forecasts,* expect long-term bond yields to remain relatively flat to marginally increase over the near term, while maintaining levels that are still relatively low by historical levels. For example, independent projections show that the consensus is the federal funds rate will decrease while long-term interest rates, as measured by the 30-year Treasury bond, are expected to remain relatively flat. Inflation, as measured through the Gross Domestic Product ("GDP") price index, is expected to be a mix of marginal increases and decreases over the near to intermediate term. This indicates that levels of inflation are expected to be relatively flat over that period. The consensus projections for the next several quarters are provided in Table CCW-4.

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TABLE CCW-4

Blue Chip Financial Forecasts
Projected Federal Funds Rate, 30-Year Treasury Bond Yields, and GDP Price Index

Publication Date	1Q 2024	2Q 2024	3Q 2024	4Q 2024	1Q 2025	2Q 2025	3Q 2025	4Q 2025	1Q 2026	2Q 2026	3Q 2026
T-Bond, 30 yr.											
Jun-24	**4.3**	4.6	4.5	4.5	4.4	4.3	4.3				
Jul-24		4.6	4.5	4.4	4.4	4.3	4.3	4.2			
Aug-24		4.6	4.5	4.4	4.4	4.3	4.3	4.3			
Sep-24		**4.6**	4.2	4.2	4.1	4.1	4.1	4.1			
Oct-24			4.2	4.1	4.0	4.0	4.0	4.1	4.0		
Nov-24			4.2	4.3	4.2	4.2	4.2	4.2	4.2		
Dec-24			**4.2**	4.5	4.5	4.4	4.4	4.4	4.4		
Jan-25				4.5	4.6	4.5	4.5	4.5	4.5	4.4	
Feb-25				4.5	4.7	4.7	4.7	4.7	4.6	4.6	
Mar-25				**4.5**	4.7	4.7	4.7	4.6	4.6	4.6	
Apr-25					4.7	4.6	4.6	4.5	4.5	4.5	4.5
May-25					4.7	4.6	4.5	4.5	4.4	4.4	4.4
GDP Price Index											
Jun-24	**3.0**	2.8	2.5	2.3	2.3	2.3	2.2				
Jul-24		2.8	2.3	2.3	2.4	2.2	2.2	2.1			
Aug-24		2.3	2.3	2.3	2.3	2.2	2.2	2.1			
Sep-24		**2.5**	2.2	2.2	2.3	2.2	2.2	2.1			
Oct-24			2.2	2.0	2.2	2.2	2.1	2.1	2.1		
Nov-24			1.8	2.1	2.2	2.1	2.1	2.1	2.2		
Dec-24			**1.8**	2.2	2.3	2.2	2.2	2.3	2.3		
Jan-25				2.2	2.3	2.4	2.4	2.5	2.6	2.1	
Feb-25				2.2	2.5	2.5	2.5	2.5	2.5	2.1	
Mar-25				**2.4**	2.7	2.5	2.5	2.5	2.5	2.2	
Apr-25					2.7	2.7	2.7	2.5	2.5	2.1	2.2
May-25					3.7	3.4	3.2	2.9	2.6	2.3	2.3

Source and Note:
Blue Chip Financial Forecasts, June 2024 through May 2025.
Actual Yields in Bold.

Q WHAT IS THE OUTLOOK FOR LONG-TERM INTEREST RATES, AND WHY DOES IT MATTER?

A The outlook for long-term interest rates in the intermediate to long-term is also impacted by the current Fed actions and the expectation that eventually the Fed's monetary actions will return to more normal levels.

Long-term interest rate projections are illustrated in Table CCW-5:

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TABLE CCW-5

30-Year Treasury Bond Yield: Actual vs Projected

Description	Actual	Near-Term Projected*	5- to 10-Year Projected
2020			
Q1	1.88%	2.57%	
Q2	1.38%	1.90%	3.0% - 3.8%
Q3	1.36%	1.87%	
Q4	1.62%	1.97%	2.8% - 3.6%
2021			
Q1	2.07%	2.23%	
Q2	2.26%	2.77%	3.5% - 3.9%
Q3	1.93%	2.63%	
Q4	1.95%	2.70%	3.4% - 3.8%
2022			
Q1	2.25%	2.87%	
Q2	3.04%	3.47%	3.8% - 3.9%
Q3	3.26%	3.63%	
Q4	3.90%	3.87%	3.9% - 4.0%
2023			
Q1	3.74%	3.77%	
Q2	3.80%	3.70%	3.8% - 3.9%
Q3	4.24%	3.83%	
Q4	4.58%	4.17%	4.1% - 4.2%
2024			
Q1	4.33%	4.03%	
Q2	4.57%	4.17%	4.3% - 4.4%
Q3	4.22%	4.20%	
Q4	4.50%	4.20%	4.3% - 4.2%

Source and Note:
Blue Chip Financial Forecasts, January 2019 through March 2025.
*Average of all 3 reports in Quarter.

As outlined in Table CCW-5, the outlook for interest rates has moderated more recently relative to 2020 and part of 2021. For example, when actual interest rates were in the range of 1.4% to 2.1%, the near-term projections for 30-year Treasury yields ranged from 1.9% to 2.8% in 2020-2021, while the projections five to ten years out were in the range of 2.8% to 3.9%. Most recently, actual interest rates were approximately 4.5%, with near and intermediate projections in the range of 4.2%

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to 4.3%. While interest rates were expected to increase drastically from their actual levels in the 2020-2021 period, those same projections are now flat to declining, which indicates the cost of long-term capital might be near its peak.

C. Market Sentiments and Utility Industry Outlook

Q PLEASE DESCRIBE THE CREDIT RATING OUTLOOK FOR REGULATED UTILITIES.

A All credit rating agencies see rate affordability as an important consideration in assessing utility credit, including Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's") as discussed below.

In its 2025 Outlook,[3] S&P reports that North American regulated utilities face continued credit pressure due to elevated capital spending, persistent cash flow deficits (exceeding $100 billion), and increasing physical risks such as wildfires and extreme weather. In 2024, downgrades again outpaced upgrades, a five-year trend driven by high capex, rising wildfire risk, and uneven regulatory outcomes. Despite ongoing investment in the energy transition and data center growth (which may modestly lift electricity sales by ~1% annually), financial metrics are deteriorating due to underwhelming common equity issuance and high leverage. Hybrid security issuance hit a record $26 billion in 2024 and is expected to continue helping credit support. Regulatory frameworks remain broadly credit supportive, though S&P downgraded its view of Connecticut due to inconsistent returns and rising lag. Customer bill affordability remains a key consideration, especially as capacity prices rise and new infrastructure costs must be equitably allocated. Wildfire risk—particularly litigation and insurance constraints—is becoming a systemic credit

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[3] S&P Global Credit Ratings, "Industry Credit Outlook 2025 – North America Regulated Utilities", January 14, 2025.

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concern, now affecting nearly all regions. S&P made several specific observations about affordability in the context of regulated utilities' credit quality:

1. Electric bills as a share of household income: S&P noted that the average electric customer bill is about 2% of U.S. median household income, which it characterizes as "good value" relative to other typical household expenses. Preserving this affordability is critical to maintaining the industry's credit quality, as it underpins public and regulatory support.
2. Risk from cost shifts due to data centers: S&P cautioned that if utilities assign a significant portion of new infrastructure costs related to data center growth to existing residential customers, it could lead to higher customer bills. This would, in turn, pressure regulators to limit future rate case increases, potentially impairing utilities' ability to recover costs or earn authorized returns.
3. Capacity price increases: S&P warned that higher PJM capacity prices—which are directly passed on to customers—could result in greater customer dissatisfaction. This could prompt regulators to limit increases in other parts of the customer bill, indirectly constraining utilities' ability to maintain financial performance and manage regulatory risk.

In sum, S&P views affordability as a cornerstone issue for the sector: sustained rate increases or cost shifts that threaten affordability could erode regulatory support, triggering credit risk.

In a recent industry report, Moody's explained that the regulated electric and gas utilities' outlook remains "Negative" largely due to increased pricing pressures on

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customers. Moody's stated that it changed its outlook from "Positive" to "Negative" due to the following:

> We have revised our outlook on the US regulated utilities sector to negative from stable. We changed the outlook because of increasingly challenging business and financial conditions stemming from higher natural gas prices, inflation and rising interest rates. These developments raise residential <u>customer affordability issues</u>, increasing the level of uncertainty with regard to the timely recovery of costs for fuel and purchased power, as well as for rate cases more broadly.[4]

Also, in a report published in January of 2024, S&P specifically mentioned commodity price volatility, in combination with significant increases in capital investments, driving utility rate increases which may strain affordability concerns.[5]

Finally, Fitch opined that the regulated electric and gas utilities' outlook is deteriorating due to elevated capex that put pressure on credit metrics. Fitch also notes the bill affordability concerns for ratepayers, and regulators' ability to balance the <u>rate requests with increasing customer bills</u>.

Specifically, Fitch states:

> Fitch Ratings' deteriorating outlook for the North American Utilities, Power & Gas sector reflects continuing macroeconomic headwinds and elevated capex that are putting pressure on credit metrics in the

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[4] *Moody's Investors Service Outlook*: "Regulated Electric and Gas Utilities – US 2023 outlook negative due to higher natural gas prices, inflation and rising interest rates," November 10, 2022 at page 1. (Emphasis Added).

[5] *S&P Global Ratings*: "Industry Credit Outlook 2024: North America Regulated Utilities," January 9, 2024 at page 8.

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> high-cost funding environment. <u>Bill affordability concerns for ratepayers continue to persist despite the pull back in natural gas prices and inflationary pressures</u>. Fitch expects utility capex to grow by double digits in 2024, underpinned by investments needed to make the electric infrastructure more resilient against extreme weather events and to accommodate renewable generation, including distributed sources. Rate case outcomes are key to watch as regulators balance more rate requests with increases in customer bills. Authorized ROEs could prove to be sticky despite an increase in cost of capital. Higher weather-normalized retail electricity sales, driven by datacenter growth and onshoring of manufacturing activities, and tax transferability provisions of the Inflation Reduction Act could somewhat offset headwinds to utilities. Ongoing management actions to sell assets and issue equity, in some cases, is supportive of parent companies' ratings. Within Fitch's coverage, 90% of ratings hold Stable Rating Outlooks. We expect limited rating movement in 2024. The number of upgrades in 2023 so far exceeds the number of downgrades, and is driven by positive rating actions on several parent holding companies and their regulated subsidiaries.[6]

As outlined by Moody's, S&P, and Fitch above, credit analysts are focusing on rate affordability as an important factor needed to support strong credit standing. Customers must be able to afford to pay their utility bills in order for utilities to maintain their financial integrity and strong investment grade credit standing. For this reason,

[6] *FitchRatings*. "North American Utilities, Power & Gas Outlook 2024," December 6, 2023 at page 1. (Emphasis Added).

this Commission should carefully assess the reasonableness of cost of service in this proceeding, including an appropriate overall ROR necessitated by a reasonably cost-effective balanced ratemaking capital structure, and a ROE that represents fair compensation but also maintains competitive, just, and reasonable rates.

D. Additional Remarks

Q IN LIGHT OF HIGHER LEVELS OF INFLATION, EXPECTATIONS OF HIGHER INTEREST RATES, AND GEOPOLITICAL EVENTS AROUND THE WORLD, HOW HAS THE MARKET PERCEIVED UTILITIES AS INVESTMENT OPTIONS?

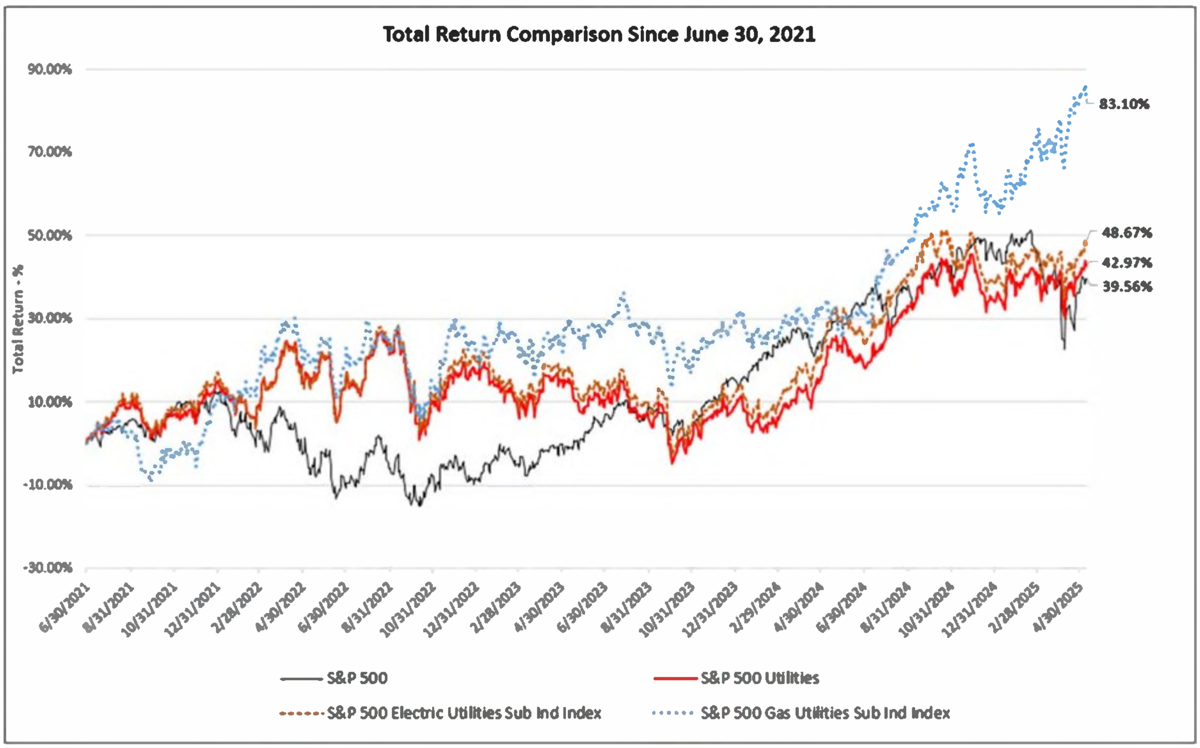
A Since the beginning of the second half of 2021, the natural gas utility sector has significantly outperformed the S&P 500, with a total return of 69.30% compared to the market's total return of 25.00%. Similarly, the electric utility sector has also outperformed the market with a total return of 37.56% over the same time period. This is presented in Figure CCW-4. It is important to note that the S&P 500's strong performance in 2023 and early 2024 was largely driven by a small group of "mega-cap" companies known as the Magnificent 7. The Magnificent 7's stocks were among the most valuable companies in the S&P 500 index and rallied significantly over this time. Those seven stocks accounted for a majority of the S&P 500's returns even though there were 493 other companies in the index. This is because the S&P 500 is a market capitalization-weighted index, meaning companies with larger market capitalizations have a greater impact on the index's overall performance. This is explained in the S&P Dow Jones Indices report "U.S. Equity Market Attributes April 2024," stating that:

> Year-to-date, the S&P 500 remained up 5.57% (with 10 of the 11 sectors up; Real Estate was down 9.86%), as breadth declined but remained positive (302 up and 199 down, compared to last March's 369 and 134 YTD, respectively). The Magnificent 7 as a group still

<u>dominated, accounting for 51% of the index return (which included Apple's 11.5% YTD decline and Tesla's 26.2% YTD decline), as NVIDIA (up 74.5% YTD) represented 41% of the S&P 500's YTD gain</u>.[7]

Generally, the utility sector has been able to deliver positive and relatively stable returns during a period of elevated inflation, rising interest rates, and uncertainty because of geopolitical events around the world.

Figure CCW-4



[7] https://www.spglobal.com/spdji/en/documents/commentary/market-attributes-us-equities-202404.pdf. (Emphasis Added).

IV. RATE OF RETURN

Q PLEASE GENERALLY DESCRIBE WHAT IS MEANT BY THE OVERALL ROR AS IT RELATES TO RATEMAKING FOR REGULATED UTILITIES.

A The overall ROR in utility ratemaking represents the weighted average cost of capital a utility is allowed to earn on its rate base. It combines the cost of debt and the authorized ROE, weighted by the utility's capital structure.

A. Capital Structure

Q WHAT IS THE COMPANY'S PROPOSED CAPITAL STRUCTURE?

A FPL's proposed capital structure is summarized in Table CCW-6:

Table CCW-6

Investor-Supplied Capital Structure

Description	Weight
Long-term Debt	38.71%
Short-term Debt	1.69%
Common Equity	59.60%
Total	100.00%[8]

*Total may not add due to rounding

Q DO YOU HAVE ANY COMMENTS ON THE COMPANY'S PROPOSED CAPITAL STRUCTURE?

A Yes. As I will discuss, FPL's proposed equity ratio of 59.60% is relatively higher than the equity ratio for the proxy group used to estimate the cost of equity for FPL. As

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[8] *See,* Direct Testimony of James Coyne, pages 62-63.

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shown on Exhibit CCW-2, the proxy group has an average common equity ratio of 38.4% (including short-term debt) and 42.6% (excluding short-term debt). Either an adjustment to the capital structure or a reduction in the authorized ROE could be warranted given FPL's stronger financial position relative to the proxy group used to assess the Company's cost of equity.

Q ARE YOU AWARE OF OTHER REGULATORY COMMISSIONS RECOGNIZING THE NEED TO ALIGN THE COST OF EQUITY WITH THE CAPITAL STRUCTURE?

A Yes. In a recent Order, the Arkansas Public Service Commission imputed the capital structure of Southwestern Electric Power Company ("SWEPCO") to be more in-line with the comparable companies used to estimate the cost of equity.[9] The adjustment was to recognize that there must be *congruence* between the cost of equity and the capital structure. Specifically, the Order states as follows:

Consistent with our ruling in Order No. 10 of Docket No. 06-101-U, the Commission holds that there should be congruence between the estimated cost of equity and the debt-to-equity ratio, whereby a lower DTE ratio decreases financial risk and decreases the cost of equity. The evidence of record supports imputing the average capital structure of companies with comparable risk to SWEPCO for the purposes of determining SWEPCO's overall cost of capital.[10]

As I described above, the Company's proxy group here has an average common equity ratio of 38.4% (including short-term debt) and 42.6% (excluding short-term debt) as calculated by *S&P Global Market Intelligence* and *Value Line*, respectively. The Company's proposed equity ratio of 59.60% exceeds that of the proxy group's comparable average equity ratio of 38.4% (including short-term debt).

[9] APSC Docket No. 21-170-U, Doc. No. 323, May 23, 2022, Order No. 14.
[10] *Id*. at 25.

Q ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S CAPITAL STRUCTURE?

A Not at this time. I note that the Company's proposed equity ratio of 59.60% exceeds the proxy group's average equity ratio of 42.6% as well as the industry averages and medians reported above in Table CCW-2. While I am not making an explicit adjustment to the Company's proposed capital structure, I will take its relative position into consideration in my overall recommendation.

B. Cost of Debt

Q WHAT COST OF DEBT IS THE COMPANY PROPOSING?

A The Company is proposing an embedded cost of long-term debt of 4.69%.

Q ARE YOU TAKING ISSUE WITH THE COMPANY'S PROPOSED COST OF DEBT?

A No, I am not.

C. Cost of Equity

Q PLEASE DESCRIBE WHAT IS MEANT BY A "UTILITY'S COST OF COMMON EQUITY."

A A utility's cost of common equity is the expected return that investors require on an investment in the utility. Investors expect to earn their required return from receiving dividends and through stock price appreciation. This rate is designed to ensure the utility can attract investment, maintain financial stability, and provide reliable service while balancing the interests of shareholders and ratepayers. Regulatory commissions set the ROE based on market conditions and the utility's specific risk profile.

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Q PLEASE DESCRIBE THE FRAMEWORK FOR DETERMINING A REGULATED UTILITY'S COST OF COMMON EQUITY.

A In general, determining a fair cost of common equity for a regulated utility has been framed by two hallmark decisions of the U.S. Supreme Court ("Supreme Court"): Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923) and Fed. Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944). In these decisions, the Supreme Court found that just compensation depends on many circumstances and must be determined by fair and enlightened judgments based on relevant facts. The Supreme Court also found that a utility is entitled to such rates as would permit it to earn a return on a property devoted to the convenience of the public that is generally consistent with the same returns available in other investments of corresponding risk. The Supreme Court continued that the utility has "no constitutional rights to profits" such as those "realized or anticipated in highly profitable enterprises or speculative ventures,"[11] and defined the ratepayer/investor balance as follows:

> The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.[12]

As such, a fair ROR is based on the expectation that the utility's costs reflect efficient and economical management, and the return will support its credit standing and access to capital, but the return will not be in excess of this level. Utility rates that are consistent with these standards will be just and reasonable, and compensation to

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[11] *Bluefield,* 262 U.S. at pages 692-693.
[12] *Id*. at 693 (Emphasis Added).

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the utility will be fair and support financial integrity and credit-standing, under economic management of the utility.

Q PLEASE DESCRIBE THE PROCESS YOU HAVE USED TO ESTIMATE THE COMPANY'S COST OF COMMON EQUITY.

A First, I assess the market's perspective of FPL's risk. Then, I developed a proxy group of publicly traded utility companies that have similar risks and characteristics to FPL and compared potential differences in risks. I then perform several models based on financial theory to estimate FPL's cost of common equity. These models are: (1) a constant growth Discounted Cash Flow ("DCF") model using consensus analysts' growth rate projections; (2) a constant growth DCF model using sustainable growth rate estimates; (3) a multi-stage growth DCF model; (4) a Risk Premium method, and; (5) a Capital Asset Pricing Model ("CAPM").

Q WHY MUST THE COST OF EQUITY BE ESTIMATED RATHER THAN DIRECTLY OBSERVED?

A The cost of equity cannot be directly observed because equity investors do not receive fixed, contractual payments like debt holders do. Instead, they are compensated through uncertain and variable returns in the form of dividends and capital appreciation. These returns depend on a range of unpredictable factors, including company performance, market conditions, and investor sentiment. As such, the cost of equity represents an investor's required ROR, which must be estimated using financial models rather than measured directly from observable market transactions.

Q WHY IS IT NECESSARY TO APPLY MULTIPLE METHODS TO ESTIMATE THE COST OF EQUITY?

A Because the cost of equity is an estimate based on forward-looking expectations and assumptions, no single model can definitively or universally capture the "true" cost. Each model, such as the DCF model, the CAPM, and the Risk Premium approach,

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has its own theoretical foundation, strengths, and limitations. These models rely on different assumptions and input variables such as projected growth rates or equity risk premiums which can vary in reliability. Using multiple models provides a more comprehensive and balanced view, helps identify outlier results, and increases confidence that the final estimate reasonably reflects investor expectations under current market conditions.

Q DOES THE USE OF MULTIPLE METHODS IMPROVE THE ACCURACY OF THE ESTIMATE?

A Yes. Employing multiple methods helps to cross-check and validate the results, mitigate the impact of any one model's limitations or potentially flawed assumptions, and reduce reliance on any single uncertain input. By considering results from different perspectives, a more informed and credible estimate can be made. This approach is consistent with both sound financial practice and regulatory expectations for fair and reasonable return determinations.

D. Investment Risk Assessment of the Company

Q PLEASE DESCRIBE THE MARKET'S ASSESSMENT OF THE COMPANY'S INVESTMENT RISK.

A The market's assessment of a company's investment risk is generally described by credit rating analysts' reports. The current credit ratings for FPL is A from S&P and A1 from Moody's.[13] The Company's outlook from S&P and Moody's is considered "stable". In its September 2024 report covering FPL, S&P stated as follows:

> Despite Hurricane Milton's severity, we expect FPL will manage any infrastructure damage and rely on existing regulatory mechanisms to

[13] S&P Capital IQ, accessed on May 9, 2025.

recover restoration costs without weakening credit quality. We expect FPL will manage its liquidity position because it has a separate $1.5 billion storm credit facility with numerous banks. We also expect the utility will seek recovery through a rate surcharge, and we assess the regulatory construct as very supportive of consistently approving storm restoration cost recovery. We will continue to monitor Hurricane Milton's damages and FPL's storm restoration efforts.

Company Description

FPL is a wholly owned electric utility of NextEra Energy Inc. (NEE) and is regulated by the Florida Power Service Commission. FPL has generating capacity of approximately 34,925 megawatts (MW) and serves more than 5.9 million customers throughout Florida. As of Dec. 31, 2023, the company's generating capacity consist of natural gas (73%), solar (14%), nuclear (11%), and coal (2%).

Outlook

S&P Global Ratings' stable outlook on FPL is consistent with its stable outlook on parent NEE and its expectation that FPL's stand-alone financial measures will not materially weaken. Under our base-case scenario, we expect FPL's funds from operations (FFO) to debt will remain in the middle of the range for its financial risk profile category at 31%-33%.

Downside scenario.

We could lower ratings on FPL if we downgrade NEE or if FPL's stand-alone financial measures materially weaken, such that FFO to debt is consistently below 19%.

Upside scenario.

We could raise our rating on FPL by one notch if we upgrade NEE and FPL's financial measures continue to reflect the middle of the range for its financial risk profile category, reflecting FFO to debt consistently above 25%.[14]

FPL's financial outlook is robust, with expected Funds From Operations ("FFO") to debt in the 31%-33% range over the near-term, supported by an equity-rich capital structure with an equity ratio of approximately 60% and effective management of regulatory risk. Florida's constructive regulatory framework, including forecast test years, multiyear rate settlements, and timely cost-recovery mechanisms, have enabled FPL to mitigate risks such as storm-related costs and regulatory lag. The stable outlook and A rating from S&P, aligned with its parent NextEra Energy Inc., is reflective of FPL's financial and operational resilience, further underpinned by its low leverage.

E. Development of Proxy Group

Q PLEASE BRIEFLY DESCRIBE WHY A PROXY GROUP IS NEEDED IN ESTIMATING THE COST OF EQUITY.

A There are a few reasons why a proxy group is needed to estimate the cost of equity. As an initial matter, to be consistent with the *Hope* and *Bluefield* standards, as described above, the allowed return should be commensurate with returns on investments in other forms of comparable risk. A proxy group of similarly situated

[14] S&P Capital IQ RatingsDirect, "Full Analysis: Florida Power & Light Co.," August 16, 2024.

companies of comparable risk is needed to assess the Company's proposal under this standard.

Even if FPL were a publicly traded company whose securities could be used to estimate its cost of equity, there exists the potential for certain errors and biases which would make the reliance on a single estimate undesirable and potentially less accurate. A proxy group of comparable risk companies adds reliability to the estimates by mitigating the potential for bias that may be introduced by measurement errors of model inputs.

Q PLEASE DESCRIBE HOW YOU IDENTIFIED A PROXY UTILITY GROUP THAT COULD BE USED TO ESTIMATE THE COMPANY'S CURRENT MARKET COST OF EQUITY.

A I started with the same utility company proxy group relied on by FPL witness Mr. Coyne.[15] I then reviewed each company to see if there were any significant factors that would potentially impact the overall risk level. Such factors would include significant merger and/or acquisition activity, credit ratings upgrades/downgrades, or dividend cuts. I also reviewed to make sure they were covered by an analyst in the *Value Line Investment Survey*. Based on my review, I found that Mr. Coyne's initial proxy group was sufficient.

Q HOW DOES THE INVESTMENT RISK OF THE COMPANY COMPARE TO THAT OF THE PROXY GROUP?

A As shown on my Exhibit CCW-2, the proxy group has average credit ratings of BBB+ and Baa2 from S&P and Moody's, respectively. The proxy group's average rating of BBB+ from S&P is two notches lower than FPL's rating of A from S&P. The proxy

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[15] *See,* Section V-Proxy Group Selection, Direct Testimony of James Coyne.

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group's average rating of Baa2 from Moody's is four notches lower than FPL's rating of A1 from Moody's.

As shown on the same exhibit, the proxy group has an average common equity ratio of 38.4% (including short-term debt) and 42.6% (excluding short-term debt) as calculated by *S&P Global Market Intelligence* and *Value Line*, respectively. FPL's requested common equity ratio of 59.60% significantly exceeds the proxy group's equity ratio as described above.

The Company's credit ratings are comparable to the proxy group, while its requested equity ratio of 59.60% exceeds the proxy group's equity ratio.

F. DCF Model

Q PLEASE DESCRIBE THE DCF MODEL.

A The DCF model posits that a stock price equals the sum of the present value of expected future cash flows discounted at the investor's required ROR or cost of capital.

This model is expressed mathematically as follows:

$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} \;....\; \frac{D_\infty}{(1+K)^\infty} \qquad \text{(Equation 1)}$$

P_0 = Current stock price
D = Dividends in periods 1 - ∞
K = Investor's required return

This model can be rearranged in order to estimate the discount rate or investor-required return, known as "K." If it is reasonable to assume that earnings and dividends will grow at a constant rate, then Equation 1 can be rearranged as follows:

$$K = D_1/P_0 + G \qquad \text{(Equation 2)}$$

K = Investor's required return
D_1 = Dividend in first year
P_0 = Current stock price
G = Expected constant dividend growth rate

Equation 2 is referred to as the annual "constant growth" DCF model.

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Q PLEASE DESCRIBE THE INPUTS TO YOUR CONSTANT GROWTH DCF MODEL.

A As shown in Equation 2 above, the DCF model requires a current stock price, the expected dividend, and the expected growth rate in dividends.

Q WHAT STOCK PRICE HAVE YOU RELIED ON IN YOUR CONSTANT GROWTH DCF MODEL?

A I relied on the average of the weekly high and low stock prices of the utilities in the proxy group over a 13-week period ending on May 9, 2025. An average stock price is less susceptible to market price variations than a price at a single point in time. Therefore, an average stock price is less susceptible to aberrant market price movements, which may not reflect the stock's long-term value.

Q WHAT DIVIDEND DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?

A I used each proxy company's most recently paid quarterly dividend as reported in *Value Line*.[16] This dividend was annualized (multiplied by 4) and adjusted for next year's growth to produce the D_1 factor for use in Equation 2 above. In other words, I calculate D_1 by multiplying the annualized dividend (D_0) by (1+G).

Q WHAT DIVIDEND GROWTH RATES HAVE YOU USED IN YOUR CONSTANT GROWTH DCF MODEL?

A There are several methods that can be used to estimate the expected growth in dividends. However, regardless of the method, for purposes of determining the market-required return on common equity, one must attempt to estimate investors' expectations about what the dividend, or earnings growth rate, will be, and not what an individual investor or analyst may use to make individual investment decisions.

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[16] The *Value Line Investment Survey*, March 7, April 18, and May 9, 2025.

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As predictors of future returns, securities analysts' growth estimates have been shown to be more accurate than growth rates derived from historical data.[17] That is, assuming the market generally makes rational investment decisions, analysts' growth projections are more likely to influence investors' decisions, which are captured in observable stock prices, than growth rates derived only from historical data.

For my constant growth DCF analysis, I have relied on a consensus, or mean, of professional securities analysts' earnings growth estimates as a proxy for investors' dividend growth rate expectations. I used the average of analysts' growth rate estimates from three sources: Zacks, S&P Capital IQ Market Intelligence ("MI"), and Institutional Brokers' Estimate System ("I/B/E/S") from LSEG Workspace. All such projections were available on May 9, 2025, and all were reported online.[18]

Each growth rate projection is based on a survey of independent securities analysts. There is no clear evidence whether a particular analyst is most influential on general market investors. Therefore, a single analyst's projection does not predict investor outlooks as reliably as does a consensus of market analysts' projections. The consensus of estimates is a simple arithmetic average, or mean, of surveyed analysts' earnings growth forecasts. A simple average of the growth forecasts gives equal weight to all surveyed analysts' projections. Therefore, a simple average, or arithmetic mean, of analysts' forecasts is a good proxy for investor expectations.

The growth rates I used in my DCF analysis are shown in Exhibit CCW-3. The average growth rate for my proxy group is 6.60% and a median growth rate of 6.63%.

[17] *See*, e.g., David Gordon, Myron Gordon, and Lawrence Gould, Choice Among Methods of Estimating Share Yield, The Journal of Portfolio Management, Spring 1989.
[18] www.zacks.com; LSEG Workspace; https://www.capitaliq.spglobal.com/.

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Q WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF MODEL?

A As shown in Exhibit CCW-4, page 1, the average and median constant growth DCF returns for my proxy group for the 13-week analysis are 10.43% and 10.18%, respectively.

Q ARE THERE LIMITATIONS OF THE CONSTANT GROWTH DCF ANALYSIS?

A Yes. The constant growth DCF analysis for my proxy group is based on a group average long-term growth rate of 6.60%. The three- to five-year growth rates are approximately 59% higher than the long-term projected GDP growth rate of 4.14%, described below. As I explain in detail below, a utility's growth rate cannot exceed the growth rate of the economy in which it provides services in perpetuity, which is the time period assumed by the DCF model.

Q HOW DID YOU IDENTIFY THE LONG-TERM PROJECTED GDP GROWTH RATE?

A Although there may be short-term peaks, the long-term sustainable growth rate for a utility stock cannot exceed the growth rate of the economy in which it sells its goods and services. The long-term maximum sustainable growth rate for a utility investment is limited by the projected long-term GDP growth rate, as that reflects the projected long-term growth rate of the economy. The consensus projection for U.S. GDP, as published by Blue Chip Economic Indicators, is an annual growth rate of approximately 4.14% over the next 10 years. In my opinion, this is a reasonable proxy of long-term growth.

Later in this testimony, I discuss academic and investment-practitioner support for using the projected long-term GDP growth outlook as a maximum long-term growth rate projection. Using the long-term GDP growth rate as a conservative projection for the maximum growth rate is logical and is generally consistent with academic and practitioner accepted practices.

G. Sustainable Growth DCF

Q PLEASE DESCRIBE WHAT THE SUSTAINABLE GROWTH DCF METHOD IS AND HOW YOU ESTIMATED A SUSTAINABLE GROWTH RATE FOR YOUR SUSTAINABLE GROWTH DCF MODEL.

A The sustainable growth rate, also referred to as the internal growth rate, is determined by the proportion of the utility's earnings that is retained and reinvested in its plant and equipment. These reinvested earnings enhance the earnings base, also known as the rate base. The earnings grow as the plant, funded by the reinvested earnings, is put into operation, allowing the utility to receive its authorized return on the additional rate base investment.

The internal growth approach is linked to the percentage of earnings retained within a company, as opposed to being paid out as dividends. The earnings retention ratio is calculated as 1 minus the dividend payout ratio. As the payout ratio decreases, the retention ratio increases, leading to stronger growth as a company funds more investments using retained earnings.

The payout ratios of the proxy group are shown in my Exhibit CCW-5. These dividend-payout ratios and earnings-retention ratios then can be used to develop a long-term growth rate driven by earnings retention.

The data used to estimate the long-term sustainable growth rate is based on the Company's current market-to-book ratio and on *Value Line*'s three- to five-year projections of earnings, dividends, earned returns on book equity, and stock issuances.

As shown in Exhibit CCW-6, the average and median sustainable growth rates for the proxy group using this internal growth rate model are 5.47% and 5.71%, respectively.

Q WHAT IS THE DCF ESTIMATE USING THESE SUSTAINABLE GROWTH RATES?

A A DCF estimate based on these sustainable growth rates is developed in Exhibit CCW-7. As shown there, and using the same formula in Equation 2 above, a sustainable growth DCF analysis produces proxy group average and median DCF results for the 13-week period of 9.27% and 9.13%, respectively.

H. Multi-Stage Growth DCF Model

Q HAVE YOU CONDUCTED ANY OTHER DCF STUDIES?

A Yes. As previously noted, the DCF model is intended to represent the present value of an endless series of future cash flows. Nevertheless, the initial constant growth DCF that I created is based on analyst growth-rate projections, providing a plausible representation of rational investment expectations over the next three-to-five years. The limitation of this constant growth DCF model is that it cannot reflect a reasonable expectation of a shift in growth from a high or low short-term rate to a rate that aligns more with long-term sustainable growth. To accommodate changing growth expectations, I conducted a multi-stage DCF analysis that reflects growth rate change over time.

Q WHY DO YOU BELIEVE GROWTH RATES CAN CHANGE OVER TIME?

A The growth rate projections by analysts for the next three-to-five years are subject to change as the outlook for utility earnings-growth evolves. Utility companies experience fluctuations in their investment cycles. When these companies are undertaking substantial investments, the growth of their rate base accelerates, leading to an increase in earnings growth. However, once a major construction cycle reaches completion or plateaus, the growth in the utility rate base slows down, and its earnings growth rate declines from an abnormally high three-to-five-year rate to a lower, sustainable growth rate.

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As construction cycles become longer in duration, even with an aggressive construction plan, the growth rate of the utility will naturally slow due to a decrease in rate base growth as the utility has limited human and capital resources to expand its construction activities. Therefore, the three-to-five-year growth rate projection should be viewed as a long-term sustainable growth rate, but not without considering the current market conditions, industry trends, and determining whether the three-to-five-year growth outlook is feasible and sustainable.

Q PLEASE DESCRIBE YOUR MULTI-STAGE DCF MODEL.

A The multi-stage DCF model reflects the possibility of non-constant growth for a company over time. The multi-stage DCF model reflects three growth periods: (1) a short-term growth period consisting of the first five years; (2) a transition period, consisting of the next five years (6 through 10); and (3) a long-term growth period starting in year 11 and extending into perpetuity.

For the short-term growth period, I relied on the consensus of analysts' growth projections described above in relationship to my constant growth DCF model. For the transition period, the growth rates were reduced or increased by an equal factor reflecting the difference between the analysts' growth rates and the long-term sustainable growth rate. For the long-term growth period, I assumed each company's growth would converge to the maximum sustainable long-term growth rate.

Q WHY IS THE GDP GROWTH PROJECTION A REASONABLE PROXY FOR THE MAXIMUM SUSTAINABLE LONG-TERM GROWTH RATE?

A As discussed above, utilities cannot indefinitely sustain a growth rate that exceeds the growth rate of the economy in which they sell services. A utility's earnings and dividend growth is created by increased utility investment in its rate base. Examples of what can drive such investment are: service area economic growth, system reliability upgrades, or state and federal green energy initiatives. As such, nominal

GDP growth is a reasonable upper limit for utility sales growth, rate base growth, and earnings growth in the long-run. Therefore, the U.S. GDP nominal growth rate is a conservative proxy for the highest sustainable long-term growth rate of a utility.

Q IS THERE RESEARCH THAT SUPPORTS YOUR POSITION THAT, OVER THE LONG-TERM, A COMPANY'S EARNINGS AND DIVIDENDS CANNOT GROW AT A RATE GREATER THAN THE RATE OF GROWTH OF THE U.S. GDP?

A Yes. This concept is supported in published analyst literature and academic work. Specifically, in a textbook titled *Fundamentals of Financial Management*, published by Eugene Brigham and Joel F. Houston, the authors state as follows:

> The constant growth model is most appropriate for mature companies with a stable history of growth and stable future expectations. Expected growth rates vary somewhat among companies, but dividends for mature firms are often expected to grow in the future at about the same rate as nominal gross domestic product (real GDP plus inflation).[19]

The use of the economic growth rate is also supported by investment practitioners as outlined as follows:

> **Estimating Growth Rates**
>
> One of the advantages of a three-stage discounted cash flow model is that it fits with life cycle theories in regards to company growth. In these theories, companies are assumed to have a life cycle with varying growth characteristics. Typically, the potential for extraordinary growth

[19] *Fundamentals of Financial Management*, Eugene F. Brigham and Joel F. Houston, Eleventh Edition 2007, Thomson South-Western, a Division of Thomson Corporation at page 298 (Emphasis Added).

in the near term eases over time and eventually growth slows to a more stable level.

* * *

Another approach to estimating long-term growth rates is to focus on estimating the overall economic growth rate. Again, this is the approach used in the *Ibbotson Cost of Capital Yearbook*. To obtain the economic growth rate, a forecast is made of the growth rate's component parts. Expected growth can be broken into two main parts: expected inflation and expected real growth. By analyzing these components separately, it is easier to see the factors that drive growth.[20]

Q HOW DID YOU DETERMINE A LONG-TERM GROWTH RATE THAT REFLECTS THE CURRENT CONSENSUS OF INDEPENDENT MARKET PARTICIPANTS?

A I relied on the consensus of long-term GDP growth projections by independent economists. Blue Chip Economic Indicators publishes the consensus for GDP growth projections twice a year. These projections reflect current outlooks for GDP and are likely to be influential on investors' expectations of future growth outlooks. The consensus of projected GDP growth is about 4.14% over the next 10 years.[21]

Q DO YOU CONSIDER OTHER SOURCES OF PROJECTED LONG-TERM GDP GROWTH?

A Yes, and these alternative sources corroborate the consensus analysts' projections I relied on. Several projections are shown in Table CCW-7.

[20] Morningstar, Inc., Ibbotson SBBI 2013 Valuation Yearbook at pages 51 and 52.
[21] Blue Chip Economic Indicators, March 10, 2025, at page 14.

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TABLE CCW-7

GDP Forecasts

Source	Projected Period	Real GDP	Inflation	Nominal GDP
Blue Chip Economic Indicators[1]	5-10 Yrs	1.9%	2.2%	4.1%
EIA - Annual Energy Outlook[2]	26 Yrs	1.8%	2.1%	3.9%
Congressional Budget Office[3]	30 Yrs	1.6%	2.0%	3.7%
Moody's Analytics[4]	31 Yrs	2.0%	2.1%	4.1%
Social Security Administration[5]	76 Yrs	1.6%	2.4%	4.0%
Economist Intelligence Unit[6]	31 Yrs	1.6%	2.3%	3.9%

Sources:
[1]Blue Chip Economic Indicators, March 10, 2025 at 14.
[2]U.S. EnergyInformation Administration (EIA), Annual Energy Outlook 2025, April 15, 2025.
[3]Congressional Budget Office, Long-Term Budget Outlook, March 27, 2025.
[4]Moody's Analytics Forecast, last updated January 13, 2025.
[5]Social Security Administration, "2024 OASDI Trustees Report," Table VI.G6. May 6, 2024.
[6]S&P MI, Economist Intelligence Unit, downloaded on March 4, 2025.

As shown in the table above, the real GDP and the inflation fall in the range of 1.6% to 2.0% and 2.0% to 2.4%, respectively. This results in a nominal GDP in the range of 3.8% to 4.3%. Therefore, the nominal GDP growth projections made by these independent sources support my use of 4.14% as a reasonable estimate of market participants' expectations for long-term GDP growth. The real GDP and nominal GDP growth projections made by these independent sources support my use of 4.14% as a reasonable estimate of market participants' expectations for long-term GDP growth.

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Q WHAT STOCK PRICE, DIVIDEND, AND GROWTH RATES DID YOU USE IN YOUR MULTI-STAGE DCF ANALYSIS?

A I relied on the same 13-week average stock prices and the most recent quarterly dividend payment data discussed above. For the first stage, I used the consensus of analysts' growth rate projections discussed above in my constant growth DCF model. The first stage covers the first five years, consistent with the time horizon of the securities analysts' growth rate projections. The second stage, or transition stage, begins in year 6 and extends through year 10. The second stage growth transitions the growth rate from the first stage to the third stage using a straight linear trend. For the third stage, or long-term sustainable growth stage, starting in year 11, I used a 4.14% long-term sustainable growth rate based on the consensus of economists' long-term projected nominal GDP growth rate.

Q WHAT ARE THE RESULTS OF YOUR MULTI-STAGE DCF MODEL?

A As shown in Exhibit CCW-8, the average and median DCF ROEs for my proxy group using the 13-week average stock price are 8.51% and 8.31%, respectively.

Q PLEASE SUMMARIZE THE RESULTS FROM YOUR DCF ANALYSES.

A The DCF results are summarized in Table CCW-8. As described above, the results of the constant growth DCF using analysts' growth rates assume an average long-term growth rate of 6.60%, which is approximately 59% higher than the long-term projected GDP growth rate of 4.14%. This is an unsustainable assumption, and likely leads to an overstatement in the cost of equity for a low risk regulated utility. As such, it is my opinion that primary weight should be given to the sustainable growth and multi-stage models of the DCF while minimal weight should be given to the constant growth DCF model based on three-to-five year analyst growth rates.

Table CCW-8

Summary of DCF Results

Description	Proxy Group Mean	Proxy Group Median
Constant Growth DCF Model (Analysts' Growth)	10.43%	10.18%
Constant Growth DCF Model (Sustainable Growth)	9.27%	9.13%
Multi-Stage DCF Model	8.51%	8.31%

I. Risk Premium Model

Q PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.

A This model is based on the principle that investors require a higher return to assume greater risk. Common equity investments have greater risk than bonds because bonds have more security of payment in bankruptcy proceedings than common equity and the coupon payments on bonds represent contractual obligations. In contrast, companies are not required to pay dividends or guarantee returns on common equity investments. Therefore, common equity securities are riskier than bond securities.

This risk premium model is based on two estimates of an equity risk premium. First, I quantify the difference between regulatory commission-authorized returns on common equity and contemporary U.S. Treasury bonds. The difference between the authorized return on common equity and the Treasury bond yield is the risk premium. I estimated the risk premium on an annual basis for each year since January 1986. The authorized ROEs were based on regulatory commission-authorized returns for utility companies. Authorized returns are typically based on expert witnesses' estimates of the investor-required return at the time of the proceeding.

The second equity risk premium estimate is based on the difference between regulatory commission-authorized returns on common equity and contemporary "A" rated utility bond yields by Moody's. I selected the period beginning in 1986 because public utility stocks consistently traded at a premium to book value during that period. This is illustrated in Exhibit CCW-9, which shows the market-to-book ratio since 1986 for the utility industry was consistently above a multiple of 1.0x. Over this period, an analyst can infer that authorized ROEs were sufficient to support market prices that at least exceeded book value. This is an indication that commission-authorized returns on common equity supported a utility's ability to issue additional common stock without diluting existing shares. It further demonstrates that utilities were able to access equity markets without a detrimental impact on current shareholders.

Based on this analysis, as shown in Exhibit CCW-10, the average indicated equity risk premium over U.S. Treasury bond yields has been 5.69%. Since the risk premium can vary depending upon market conditions and changing investor risk perceptions, I believe using an estimated range of risk premiums provides the best method to measure the current return on common equity for a risk premium methodology.

In addition, I assessed the five-year and ten-year rolling average risk premiums over the study period to gauge the variability over time. These rolling average risk premiums mitigate the impact of anomalous market conditions and skewed risk premiums over an entire business cycle. As shown on my Exhibit CCW-10, the five-year rolling average risk premium over Treasury bonds ranged from 4.25% to 7.09%, while the ten-year rolling average risk premium ranged from 4.38% to 6.91%.

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As shown on my Exhibit CCW-11, the average indicated equity risk premium over contemporary "A" rated Moody's utility bond yields was 4.34%. The five-year and ten-year rolling average risk premiums ranged from 2.88% to 5.91% and 3.20% to 5.74%, respectively.

Q WHY IS THE TIME PERIOD USED TO DERIVE THESE EQUITY RISK PREMIUM ESTIMATES APPROPRIATE TO FORM ACCURATE CONCLUSIONS ABOUT CONTEMPORARY MARKET CONDITIONS?

A Contemporary market conditions can change dramatically during the period that rates determined in this proceeding will be in effect. A relatively long period of time where stock valuations reflect premiums to book value indicates that the authorized ROEs and the corresponding equity risk premiums were supportive of investors' return expectations and provided utilities access to the equity markets under reasonable terms and conditions. Further, this period is long enough to smooth abnormal market movement that might distort equity risk premiums. While market conditions and risk premiums do vary over time, this historical period is a reasonable period to estimate contemporary risk premiums.

Q PLEASE EXPLAIN OTHER MARKET EVIDENCE YOU RELIED ON IN DETERMINING AN APPROPRIATE EQUITY RISK PREMIUM.

A The equity risk premium should reflect the market's perception of risk in the utility industry today. I have gauged investor perceptions in utility risk today in Exhibit CCW-12, where I show the yield-spread between utility bonds and Treasury bonds since 1980. As shown in this schedule, the average utility bond yield-spreads over Treasury bonds for "A" and "Baa" rated utility bonds for this historical period are 1.47% and 1.88%, respectively.

A current three-month average "A" rated utility bond yield of 5.79% when compared to the current Treasury bond yield of 4.66%, as shown in Exhibit CCW-13,

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page 1, implies a yield-spread of 1.13%. This current utility bond yield-spread is lower than the long-term average-spread for "A" rated utility bonds of 1.47%. The three-month average yield on "Baa" rated utility bonds is 5.97%. This indicates a current spread for the "Baa" rated utility bond yield of 1.31%, which is lower than the long-term average of 1.88%.

Q WHAT DOES THE CURRENT TREND IN UTILITY BOND SPREADS RELATIVE TO TREASURY BONDS INDICATE ABOUT THE MARKET'S PERCEPTION OF UTILITY RISK?

A The decline in the yield spread of utility bonds over Treasury bonds, to levels below historical averages, indicates that the market currently views utilities as relatively low-risk investments. Investors are demanding less additional yield to hold utility bonds, reflecting strong confidence in utilities' financial stability and creditworthiness under current market conditions.

Q HOW IS THE DECLINE IN UTILITY BOND SPREADS RELEVANT TO ESTABLISHING A FAIR ROE FOR UTILITIES?

A The narrowing of utility bond spreads demonstrates that investors require less compensation for utility credit risk today than they have historically. Because the cost of equity must reflect prevailing market conditions, lower perceived risk implies a lower investor-required ROE. A high ROE would overcompensate utilities and burden customers unnecessarily, given that the market clearly prices utilities as safer investments than in the past. This information supports a below-average equity risk premium.

Q WHY SHOULD REGULATORS CONSIDER UTILITY BOND SPREADS WHEN SETTING AN AUTHORIZED ROE?

A Bond spreads provide an objective, real-time market measure of risk that regulators should consider when setting the allowed ROE. If the bond market, which represents

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large, sophisticated investors, views utilities as low-risk, it follows that equity investors also perceive lower risk and require a correspondingly lower return. Ignoring this evidence could result in rates that are not just and reasonable for customers.

Q WHAT ARE THE RESULTS BASED ON YOUR RISK PREMIUM ANALYSES?

A I give primary consideration to the Risk Premium results using Treasury bonds and A-rated utility bonds. My recommendation also takes the results of adding the Baa-rated utility bond yield to the equity risk premium over A-rated utility bonds into consideration.

Considering the current and projected economic environment, current yield-spreads and equity risk premiums, as well as current levels of interest rates and interest rate projections, I believe an equity risk premium between the average and most recent two-year average equity risk premiums are warranted. As such, I believe an equity risk premium over Treasury yields in the range of 5.47% and 5.69% is appropriate. The midpoint of this risk premium range is 5.58%. Adding this risk premium to the most recent consensus projected Treasury yield of 4.40% produces a ROE of 9.98%.

Applying a similar methodology as described above, the most recent two-year average equity risk premium over A-rated utility bonds is 4.18%, while the long-term average risk premium 4.34%. The midpoint of this risk premium range is 4.26%. The A-rated utility bond yield has averaged 5.79% over the three-month period through April 2025 while the Baa-rated utility bond yield has averaged 5.97% over the same period. Adding the indicated equity risk premium of 4.26% to the three-month average A-rated utility bond yield of 5.79% produces an estimated cost of equity of 10.05%. Adding the same equity risk premium to the three-month average Baa-rated utility bond yield of 5.97% produces an estimated cost of equity of 10.23%.

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The A-rated utility bond yield has averaged 5.73% over the six-month period ending April 2025 while the Baa-rated utility bond yield has averaged 5.92% over the same period. Adding the indicated equity risk premium of 4.34% to the six-month average A-rated utility bond yield of 5.73% produces an estimated cost of equity of 9.99%. Adding the same equity risk premium to the six-month average Baa-rated utility bond yield of 5.92% produces an estimated cost of equity of 10.17%.

The results of my risk premium analyses are summarized in Table CCW-9.

Table CCW-9

Summary of Risk Premium Results

Description	Results
Projected Treasury Yield	9.98%
3-Month Average Yields	
A-Rated Utility Bond	10.05%
Baa-Rated Utility Bond	10.23%
6-Month Average Yields	
A-Rated Utility Bond	9.99%
Baa-Rated Utility Bond	10.17%

J. Capital Asset Pricing Model

Q PLEASE DESCRIBE THE CAPM.

A The CAPM method of analysis is based upon the theory that the market-required ROR for a security is equal to the risk-free rate, plus a risk premium associated with the specific security. This relationship between risk and return can be expressed mathematically as follows:

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$R_i = R_f + B_i \times (R_m - R_f)$ where:

R_i = Required return for stock i
R_f = Risk-free rate
R_m = Expected return for the market portfolio
B_i = Beta - Measure of the risk for stock

The term "beta" in the equation represents the stock-specific risk that cannot be reduced through diversification. In a well-diversified portfolio, specific risks related to individual stocks can be reduced by balancing the portfolio with securities that offset the impact of firm-specific factors, such as business cycle, competition, product mix, and production limitations.

Non-diversifiable risks, on the other hand, are related to market conditions and are referred to as systematic risks. These risks cannot be reduced through diversification and are considered market risks. Conversely, non-systematic risks, also known as business risks, can be reduced through diversification.

According to the CAPM, the market does not compensate investors for taking on risks that can be diversified away. Thus, investors are only compensated for taking on systematic, or non-diversifiable, risks. Beta is a measure of these systematic risks.

Q PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.

A The CAPM requires an estimate of the market risk-free rate, the stock's beta, and the Market Risk Premium ("MRP"). The MRP is the difference between the expected market return and the risk-free rate.

Q WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE RATE?

A As previously noted, *Blue Chip Financial Forecasts*' projected 30-year Treasury bond yield is 4.40%.[22] The current 30-year Treasury bond yield is 4.66%, as shown in Exhibit CCW-13 at page 1. I used *Blue Chip Financial Forecasts*' projected 30-year Treasury bond yield of 4.40% for my CAPM analysis.

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[22] *Blue Chip Financial Forecast* May 1, 2025.

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Q WHAT BETA DID YOU USE IN YOUR ANALYSIS?

A As shown in Exhibit CCW-14, the current proxy group average and median *Value Line* beta estimates are 0.85 and 0.85, respectively. In my experience, these beta estimates are abnormally high and are unlikely to be sustained over the long-term. As such, I have also reviewed the historical average of the proxy group's *Value Line* betas. The historical average *Value Line* beta since 2014 is 0.79 and has ranged from 0.55 to 0.95. Prior to the recent pandemic, the high end of this range was 0.74.

In addition to *Value Line*, I have also included adjusted beta estimates as provided by Market Intelligence's Beta Generator Model. This model relied on a five-year period on a weekly basis ending May 9, 2025. The average and median Market Intelligence betas are 0.46 and 0.46, respectively. Market Intelligence betas, as calculated using its Beta Generator Model, are adjusted using the Vasicek method and calculated using the S&P 500 as the proxy for the investable market. This is in stark contrast with the *Value Line* beta estimates that are adjusted using a constant weighting of 67%/35% to the raw beta/market beta and use the New York Stock Exchange ("NYSE") as the proxy for the investable market. Because I rely on the S&P 500 to estimate the expected return on the investable market, it makes sense to rely on beta estimates that are calculated using the S&P 500 as the benchmark for the market. Further, as S&P explains:

> The Vasicek Method is a superior alternative to the Bloomberg Beta adjustment. The Bloomberg adjustment is not appropriate for a vast number of situations, as it assigns constant weighting regardless of the standard error in the raw beta estimation (Bloomberg Beta = 1/3*market beta + 2/3*Raw Beta). Given the statistical fact that a larger sample size yields a smaller error, the Vasicek method more appropriately adjusts the raw beta via weights determined by the variance of the

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individual security versus the variance of a larger sample of comparable companies. The weights are designed to bring the raw beta closer to whichever beta estimation has the smallest error. This is a feature the Bloomberg beta cannot replicate.[23]

Notably, while S&P makes reference to the Bloomberg method of applying 2/3 and 1/3 weights to the raw beta and market beta, respectively, the comparison still applies to *Value Line's* methodology of applying 67% and 35% weights. Both methods are forms of the Blume adjustment.[24] While the weights are slightly different between the Bloomberg and *Value Line* methods, they are similar and apply a constant weight without any regard to accuracy. As such, S&P's criticisms apply to both Bloomberg betas and *Value Line* betas.

Because current beta estimates are based on the most recent five years of historical stock returns and volatility, they are being heavily impacted by the market fallout in early 2020 as the global pandemic set in and the market reacted, with this S&P 500 falling more than 40%. For this reason, it is not reasonable to assume current beta estimates, particularly Blume-adjusted betas such as those published by *Value Line*, are reflective of investor expectations at this time.

[23] S&P Market Intelligence, Beta Generator Model.

[24] The Blume adjustment is a tool used to refine a beta measurement in finance. In general, beta attempts to explain how much a particular investment's price moves compared to the overall market. But beta is often based on historical data, which may not be an accurate method for predicting the future. The Blume adjustment tries to address this by considering the idea that, in the long run, most investments tend to become more similar in their riskiness to the overall market (represented by a beta of 1).

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Q IS THERE AN EXPLANATION FOR WHY THE VASICEK-ADJUSTED BETAS FROM S&P ARE SIGNIFICANTLY LOWER THAN THE *VALUE LINE* BETAS IN YOUR ANALYSIS?

A The Vasicek-adjusted betas, which average 0.46 for the proxy group, are significantly lower than the Value Line betas, which average 0.85, due to differences in how each method corrects for estimation error. The Vasicek method adjusts each company's raw beta toward a lower industry-specific mean when the underlying data is less reliable. This is especially relevant for utilities, which typically have stable earnings, limited volatility, and weaker correlations with overall market returns. As a result, the Vasicek method often pulls utility betas closer to a range of 0.4 to 0.6. In contrast, Value Line's method adjusts toward the broader market average of 1.0, which inflates the final estimate relative to Vasicek. In the current environment, utility stocks have exhibited particularly low volatility and reduced market sensitivity, making the Vasicek adjustment more pronounced. Both approaches use five years of weekly returns, but they differ in how they respond to the statistical quality of the input data. The lower Vasicek betas reflect utilities' defensive and low-risk investment profile more conservatively.

Q YOU MENTION THAT THE CURRENT 5-YEAR VALUE LINE BETA ESTIMATES MIGHT NOT BE REFLECTIVE OF INVESTOR EXPECTATIONS, AND POTENTIALLY OVERSTATE THE COST OF EQUITY. DO YOU HAVE EVIDENCE TO SUPPORT THAT HYPOTHESIS?

A Yes. As mentioned above, *Value Line's* beta estimates calculated over a 5-year historical price period will include the unprecedented volatility and market prices caused by the onset of the COVID-19 pandemic in early 2020. It is unreasonable to assume that those prices and resulting volatility resemble investor expectations going forward. Prior to the market fallout from the pandemic, utility beta estimates were at several year lows. Subsequent to the period of peak volatility from the pandemic, utility betas have actually declined back toward their normalized levels. This is demonstrated in Table CCW-10. In this table, I present the raw unadjusted beta estimates for *Value Line's* reported 5-year period as well as a 3-year period ending May 9, 2025. I then apply the Blume adjustment using the same weighting applied by *Value Line*.[25]

Table CCW-10

Beta Comparison

Proxy Group	5-Year Value Line Beta[1]		3-Year Beta[3]	
	Unadjusted[2]	Reported	Unadjusted	Adjusted[4]
Alliant Energy Corporation	0.90	0.95	0.63	0.77
Ameren Corporation	0.82	0.90	0.54	0.71
American Electric Power Company, Inc.	0.75	0.85	0.43	0.64
Duke Energy Corporation	0.52	0.70	0.40	0.62
Edison International	0.82	0.90	0.76	0.86
Entergy Corporation	0.97	1.00	0.62	0.76
Evergy, Inc.	0.90	0.95	0.54	0.71
IDACORP, Inc.	0.60	0.75	0.45	0.65
NextEra Energy, Inc.	0.82	0.90	0.69	0.81
NorthWestern Corporation	0.67	0.80	0.50	0.68
OGE Energy Corp.	1.04	1.05	0.67	0.80
Pinnacle West Capital Corporation	0.67	0.80	0.55	0.72
Portland General Electric Company	0.67	0.80	0.54	0.71
PPL Corporation	0.82	0.90	0.60	0.75
Southern Company	0.60	0.75	0.40	0.61
TXNM Energy	0.52	0.70	0.42	0.63
Xcel Energy Inc.	0.60	0.75	0.48	0.67
Average	0.75	0.85	0.54	0.71
Median	0.75	0.85	0.54	0.71

Source:
[1] *The Value Line Investment Survey*, March 7, April 18, and May 9, 2025.
[2] Estimated the unadjusted beta by removing Value Line's Blume adjustment methodology: (Unadjusted Beta - 0.35) / 0.67.
[3] S&P Global Market Intelligence, betas for the period 5/16/2022 - 5/16/2025.
[4] Adjusted using Value Line's Blume adjustment methodology: 0.35+(0.67 x Unadjusted Beta).

[25] The *Value Line* method to calculate adjusted betas is as follows: $B_{adjusted} = 0.35 + 0.67 \times B_{unadjusted}$.

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This data clearly demonstrates that systematic market risk has subsided for regulated utilities after controlling for the impacts of the global pandemic with average and median beta estimates of 0.72 and 0.73, respectively.

Q HOW DID YOU DERIVE YOUR MRP ESTIMATES?

A My MRP estimates are derived using two general approaches: a risk premium approach and a DCF approach. I also consider the normalized MRP of 5.50% with the normalized risk-free rate of 4.70% as recommended by Kroll, formerly known as Duff & Phelps.[26] Based on this methodology and utilizing a "normalized" risk-free rate of 4.70%, Kroll concludes that the current expected, or forward-looking, MRP is 5.50%, implying an expected return on the market of 10.20%.[27]

Q PLEASE DESCRIBE YOUR MRP ESTIMATE DERIVED USING THE RISK PREMIUM METHODOLOGY.

A The forward-looking risk premium-based estimate was derived by estimating the expected return on the market (as represented by the S&P 500) and subtracting the risk-free rate from this estimate. I estimated the expected return on the S&P 500 by adding an expected inflation rate to the long-term historical arithmetic-average real return on the market. The real return on the market represents the achieved return above the rate of inflation.

Morningstar Direct calculates the historical arithmetic-average real-market return over the period 1926 to 2023 to be 9.02%.[28] A current consensus for projected

[26] Kroll, and its predecessor Duff & Phelps, is a provider of economic, financial, and valuation data that is often relied on by finance professionals and cited in ROR testimony.

[27] Kroll, *Kroll Recommended U.S. Equity Risk Premium and Corresponding Risk-Free Rates to be Used in Computing Cost of Capital: January 2008 - Present* (Apr. 15, 2025). The current 20-year yield of 4.70% exceeds the "normalized" yield of 3.5%. In accordance with Kroll's prescribed method, the greater of the two shall be used under the normalized Kroll methodology, i.e., 4.70%.

[28] Morningstar Direct, data through 2023.

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inflation is 2.40%.[29] Using these estimates, the expected market return is 11.64%.[30] The MRP then is the difference between the 11.64% expected market return and the projected risk-free rate of 4.40%, or 7.20%.

Q PLEASE DESCRIBE YOUR MRP ESTIMATES DERIVED USING THE DCF METHODOLOGY.

A I employed two versions of the constant growth DCF model to develop estimates of the MRP. I first employed the Federal Energy Regulatory Commission's ("FERC") method of estimating the expected return on the market that was established in its Opinion No. 569-A. FERC's method for estimating the expected return on the market is to perform a constant growth DCF analysis on each of the dividend-paying companies of the S&P 500 index. The growth rate component is based on the average of the growth projections excluding companies with growth rates that were negative or greater than 20%.[31] The weighted average growth rate for the remaining companies is 10.30%. After reflecting the FERC prescribed method of adjusting the dividend yield by (1 + 0.5g), the weighted average expected dividend yield is 1.79%. Thus, the DCF-derived expected return on the market is the sum of those two components, or 12.09%. The MRP then is the expected market return of 12.09%, less the projected risk-free rate of 4.40%, or approximately 7.70%.

My second DCF-based MRP estimate was derived by performing the same DCF analysis described above, except I used all companies in the S&P 500 index rather than just the dividend-paying companies. The weighted average growth rate for these companies is 10.90%. After reflecting the FERC-prescribed method of adjusting the dividend yield by (1 + 0.5g), the weighted average expected dividend

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[29] Blue Chip Financial Forecast May 1, 2025.
[30] [(1 + 9.02%) ∗ (1 + 2.40%) - 1] ∗ 100.
[31] Opinion No. 569-A, at page 210.

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yield is 1.58%. Thus, the DCF-derived expected return on the market is the sum of those two components, or 12.48%. The MRP then is the expected market return of 12.48% less the projected risk-free rate of 4.40%, or approximately 8.10%.

The average expected market return based on the DCF model is 12.29% and the average MRP based on the two DCF estimates is 7.90%.

Q HOW DO YOUR EXPECTED MARKET RETURNS COMPARE TO CURRENT EXPECTATIONS OF FINANCIAL INSTITUTIONS?

A As shown in Table CCW-11 below, my average expected market return of 11.38%[32] exceeds long-term market expectations of several financial institutions.

TABLE CCW-11

Long-Term Expected Return on the Market

Source	Term	Expected Return Large Cap Equities
BlackRock Capital Management[1]	10 Years	6.70%
JP Morgan Chase[2]	10 - 15 Years	6.70%
Vanguard[3]	10 Years	2.8% - 4.8%
Research Affiliates[4]	10 Years	3.92%
Invesco[5]	10 Years	5.0% - 6.3%
Goldman Sachs[6]	10 Years	3.00%
Fidelity[7]	20 Years	5.70%
Schwab[8]	10 Years	6.00%

Sources:
[1]BlackRock Investment Institute, Capital market assumptions, May 22, 2025.
[2]JP Morgan Chase, Long-Term Capital Market Assumptions, 2025 Report.
[3]Vanguard economic and market outlook for 2025: Beyond the Landing.
[4]Research Affiliates, Asset Allocation Interactive. Retrieved 4/30/2025.
[5]2025 Invesco Capital Market Update.
[6]Goldman Sachs, Updating our long-term return forecast for US equities to incorporate the current high level of market concentration, October 18, 2024.
[7]Fidelity, Capital market assumptions
[8]Schwab's 2025 Long-Term Capital Market Expectations, January 3, 2025

[32] 11.38% = (10.20% + 12.29% + **11.64%**) / 3.

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When compared to the expected market returns of financial institutions above, my average expected market return of 11.38% is greater than all of them. For these reasons, my expected market returns, and the associated MRPs, should be considered reasonable, if not high-end estimates.

Q HOW DO YOUR ESTIMATED MRPS COMPARE TO THAT ESTIMATED BY KROLL?

A On its Cost of Capital portal, Kroll's MRP falls somewhere in the range of 5.50% to 7.17%. My MRP estimates are in the range of 5.50% to 7.90%.

Q HOW DOES KROLL MEASURE A MRP?

A Kroll's range is based on several methodologies. First, Kroll estimated a MRP of 7.17% based on the difference between the total market return on common stocks (S&P 500) less the income return on 20-year Treasury bond investments over the 1926-2023 period.[33]

Second, Kroll used the Ibbotson & Chen supply-side model which produced a MRP estimate of 6.22%.[34] Kroll explains that the historical MRP based on the S&P 500 was influenced by an abnormal expansion of P/E ratios relative to earnings and dividend growth. To control for the volatility of extraordinary events and their impacts on P/E ratios, Kroll takes into consideration the three-year average P/E ratio as the current P/E ratio. Therefore, Kroll adjusted this MRP estimate to normalize the growth in the P/E ratio to be more in line with the growth in dividends and earnings.

Finally, Kroll developed its own recommended equity, or MRP, by employing an analysis that takes into consideration a wide range of economic information, multiple risk premium estimation methodologies, and the current state of the economy by observing measures such as the level of stock indices and corporate spreads as

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[33] Kroll Cost of Capital Navigator.
[34] *Id.*

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indicators of perceived risk. Based on this methodology, and utilizing a "normalized" risk-free rate of 4.70%, Kroll concludes that the current expected, or forward-looking, MRP is 5.50%, implying an expected return on the market of 10.20%.[35]

Q WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?

A As shown in Exhibit CCW-15, I have provided the results of twelve different applications of the CAPM. The first three results presented are based on the proxy group's current average *Value Line* beta of 0.85. The results of the CAPM based on these inputs range from 9.38% to 11.12%.

The next set of three results presented are based on the proxy group's historical *Value Line* beta of 0.79. The results of the CAPM based on these inputs range from 9.04% to 10.63%.

The third set of results presented are based on the proxy group's current *S&P Global Market Intelligence* beta of 0.46. The results of the CAPM based on these inputs range from 7.24% to 8.04%.

The final set of results presented are based on the proxy group's three-year beta estimate of 0.72. The results of the CAPM based on these inputs range from 8.66% to 10.09%.

My CAPM results are summarized in Table CCW-12.

[35] Kroll, *Kroll Increases U.S. Normalized Risk-Free Rate from 3.0% to 3.5%, but Spot 20-Year U.S. Treasury Yield Preferred When Higher* (Jun. 16, 2022).

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Table CCW-12

CAPM Results Summary

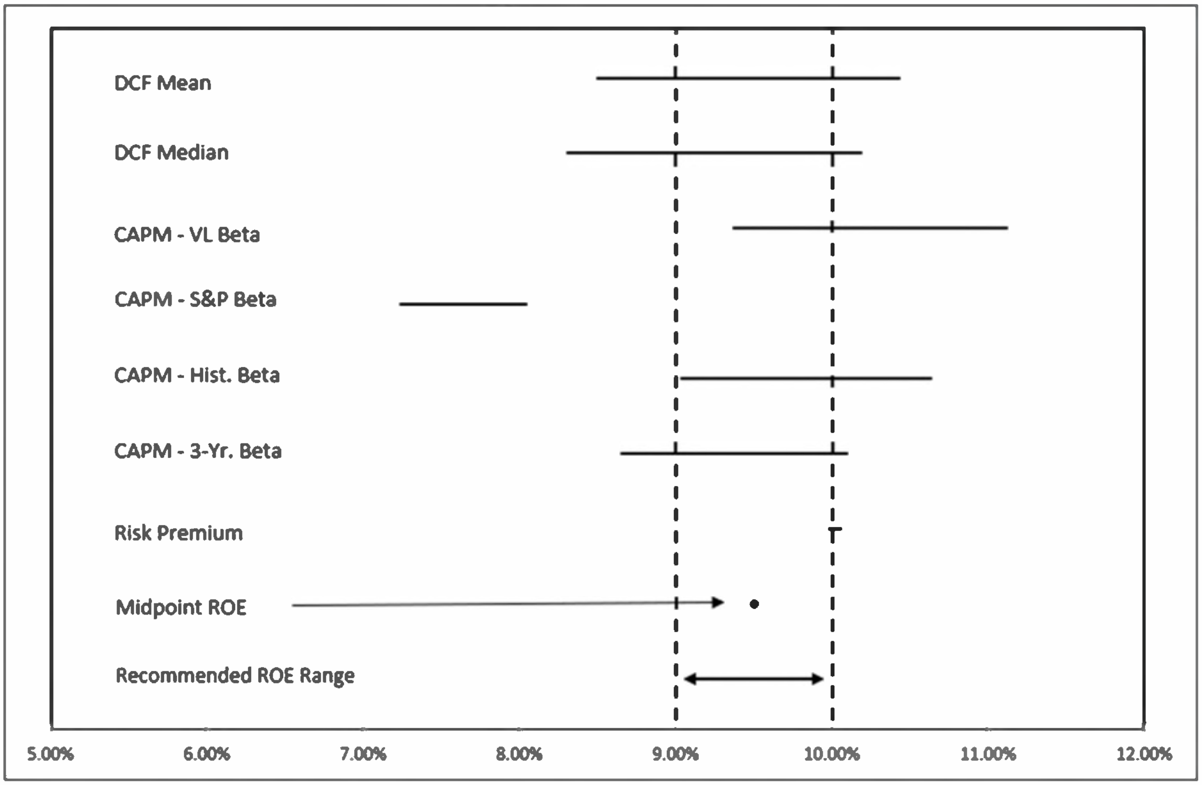
Description	Current VL Beta	Historical VL Beta	Current S&P Beta	3-Year Beta
Kroll Method	9.38%	9.04%	7.24%	8.66%
RP Method	10.52%	10.08%	7.71%	9.58%
FERC DCF Method	11.12%	10.63%	8.04%	10.09%
Average	**10.34%**	**9.92%**	**7.66%**	**9.44%**

K. Return on Equity Summary

Q BASED ON THE RESULTS OF YOUR RETURN ON COMMON EQUITY ANALYSIS DESCRIBED ABOVE, WHAT RETURN ON COMMON EQUITY DO YOU RECOMMEND FOR THE COMPANY?

A The results of my analyses are summarized in Figure CCW-5. In this figure, I present the various measures of central tendency (i.e., the mean and median results) for each of my analytical models.

Figure CCW-5



Based on my analyses of the various methodologies described above, I estimate the Company's current market ROE to be in the reasonable range of 9.00% to 10.00%. My recommended range accounts for the unsustainable growth rates assumed in the constant growth DCF model and the irrational assumption that *Value Line*'s current beta estimates are reflective of current investor expectations. As described above, the results of the constant growth DCF using analysts' growth rates assume an average long-term growth rate of 6.60%, which is approximately 59% higher than the long-term projected GDP growth rate of 4.14%. This is an unsustainable assumption, and likely leads to an overstatement in the cost of equity for a low risk regulated utility. As such, it is my opinion that more weight should be given to the sustainable growth and multi-stage models of the DCF. Based on my assessment of FPL's overall risk profile and the results of these analytical methods, I would recommend that this Commission authorize FPL a ROE of 9.50%, which is the midpoint of the range produced by these models. In acknowledgment of the Company's significantly higher equity ratio relative to the proxy group, a more reasonable range applicable to the Company would be the lower-half of my overall recommended range. As such, should the Commission authorize FPL its requested equity ratio of 59.60%, an ROE in the lower half of my range (i.e., 9.00% to 9.50%) would be warranted.

V. REVIEW AND CRITIQUE OF MR. COYNE'S TESTIMONY

A. Summary of Rebuttal

Q WHAT ROE IS THE COMPANY REQUESTING?

A In his Direct Testimony, Mr. Coyne recommends a ROE of 11.90% for FPL.[36] His recommendation is based on the average of his analytical results, producing a base ROE of 11.83%, adjusted upward by 9 basis points for flotation costs, which he then rounds down to 11.90%.[37] Mr. Coyne's analyses yield a range of results from four models: the Constant Growth DCF model (10.28%), the CAPM (15.65%), the Risk Premium analysis (10.51%), and the Expected Earnings analysis (10.91%).[38] After reviewing Mr. Coyne's analyses and making reasonable adjustments, as discussed below, I will demonstrate that a more reasonable ROE of 9.50% or less is more aligned with current market conditions, FPL's relative risk, as well as regulatory precedents.

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[36] Direct Testimony of James Coyne, page 61.
[37] *Id.*
[38] *Id.* at page 9, Figure 1.

Q PLEASE DESCRIBE HOW MR. COYNE DEVELOPED HIS MARKET COST OF EQUITY FOR FPL.

A Mr. Coyne used a DCF model, a CAPM, a Risk Premium analysis, and an Expected Earnings analysis to support his ROE estimate for FPL. Mr. Coyne employed these models to a proxy group of six publicly traded natural gas utility companies.

His estimated ROE results for FPL are shown in Table CCW-14.

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TABLE CCW-14

Summary of Mr. Coyne's Return on Equity Estimates

Description	Coyne Results
Constant Growth DCF[39]	
Mean-Low Growth (5.30%)	8.94%-9.22%
Mean Growth (6.50%)	10.16%-10.45%
Mean-High Growth (7.50%)	11.18%-11.47%
CAPM[40]	
Current Risk-Free Rate	15.37%-15.95%
Projected Risk-Free Rate	15.34%-15.93%
Risk Premium[41]	
30-Day Average Yield	10.57%
Short-term Projected Yield	10.53%
Long-term Projected Yield	10.45%[42]
Expected Earnings: Median/Mean	10.91%/10.27%[43]
Base ROE	**11.83%[44]**
Flotation Costs	**0.09%[45]**
Recommended Return on Equity	**11.90%[46]**

Note:
Mr. Coyne's recommended ROE of 11.90% is rounded down from 11.92% after his flotation cost adjustment

With reasonable adjustments described in detail below, Mr. Coyne's analyses would support my recommended return of equity for FPL of 9.50%.

[39] Direct Testimony of James Coyne, page 36, Figure 11.
[40] *Id.* at page 39, Figure 13.
[41] *Id.* at page 42, Figure 15.
[42] *Id.* at Exhibit JMC-6, page 4.
[43] *Id.* at page 43.
[44] *Id.*
[45] *Id.* at page 61
[46] *Id.*

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Q DO YOU HAVE ANY INITIAL COMMENTS OR OBSERVATIONS YOU WOULD LIKE TO MAKE REGARDING MR. COYNE'S RECOMMENDATIONS?

A Yes. Mr. Coyne's recommended ROE of 11.90% and proposed common equity ratio of 59.60% for FPL overstates the cost of capital for a low-risk, rate-regulated electric utility, resulting in a ROR that is among the highest in the United States. These recommendations exceed reasonable benchmarks and risk violating the Hope and Bluefield standards, which require rates to be just and reasonable for both investors and ratepayers.

FPL's credit ratings of A (S&P) and A1 (Moody's), as shown in my Exhibit CCW-2, are two and four notches higher than the proxy group's average ratings of BBB+ and Baa2, respectively, reflecting a lower risk profile. The S&P Global Ratings report dated August 16, 2024, further supports FPL's low risk, projecting FFO to debt at 31%-33% and debt to EBITDA[47] at 2.5x-3x through 2026.

Further, Mr. Coyne's proposed ROE implies an equity risk premium of 7.21% over FPL's embedded cost of debt of 4.69%. This significantly exceeds the average equity risk premium for electric utilities with A-rated bonds, which has ranged from 3.95% (year-to-date 2025) to 4.24% (2024) based on authorized ROEs.

Additionally, FPL's requested equity ratio of 59.60% is substantially higher than the proxy group's average of 38.4% (including short-term debt) or 42.6% (excluding short-term debt), increasing the weighted average cost of capital and potentially inflating customer rates beyond what is necessary to attract capital. These recommendations, if adopted, would impose excessive costs on ratepayers, failing to balance investor and consumer interests as required by Hope and Bluefield.

[47] Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA").

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B. Flotation Costs

Q DID MR. COYNE INCLUDE A FLOTATION COST ADJUSTMENT IN HIS RECOMMENDED RETURN FOR FPL?

A Coyne includes a 9 basis point adjustment for flotation costs, increasing his base ROE from 11.83% to 11.92%, which he rounds to 11.90%.[48] He asserts that flotation costs, associated with issuing new equity, justify this adjustment regardless of whether FPL plans to issue additional shares.[49]

Q WHY IS MR. COYNE'S FLOTATION COST ADJUSTMENT FLAWED?

A Mr. Coyne's flotation cost adjustment is not based on FPL's actual and verifiable flotation expenses. Instead, he derives the adjustment from generic cost information for his proxy group.[50] Without evidence of FPL's specific flotation costs, there is no basis to verify the reasonableness or appropriateness of the 9 basis point adjustment. Furthermore, flotation costs, if incurred, are more appropriately recovered as an expense through the cost of service rather than as an ROE adjustment. This approach ensures that only prudently incurred costs are allocated fairly across FPL's operations, avoiding an unnecessary increase in the ROE that burdens ratepayers.

Further, should flotation costs be allowed to be recovered, I believe it is more appropriate to recover them as an expense through cost of service rather than an increase to the ROE. This would allow for FPL's reasonably incurred flotation costs to be allocated in a fair manner to its various operations.

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[48] Direct Testimony of James Coyne, page 61.
[49] *Id.* at pages 60-61.
[50] Exhibit JMC-10, page 2.

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C. Mr. Coyne's DCF Analyses

Q PLEASE SUMMARIZE HOW MR. COYNE APPLIED THE CONSTANT GROWTH DCF MODEL.

A Mr. Coyne applied the Constant Growth DCF model using average stock prices over 30, 90, and 180 trading days, annualized dividend per share data, and company-specific earnings growth forecasts for his 15 proxy group companies[51]. He considers the results of each proxy company's low, mean, and high growth rates.[52]

Q WHAT ARE THE RESULTS OF MR. COYNE'S CONSTANT GROWTH DCF ANALYSIS?

A The results of Mr. Coyne's analysis, summarized in his Exhibit JMC-4, are as follows:

- 30-day average: Mean Low 8.94%, Mean 10.16%, Mean High 11.18%;
- 90-day average: Mean Low 8.99%, Mean 10.22%, Mean High 11.24%; and
- 180-day average: Mean Low 9.22%, Mean 10.45%, Mean High 11.47%.[53]

Q ARE THE CONSTANT GROWTH DCF RESULTS PRODUCED BY MR. COYNE REASONABLE?

A No. His DCF results are overstated primarily due to the fact that his growth rates are substantially higher than the projected long-term growth rate of the United States economy. Specifically, Mr. Coyne's constant growth DCF model is based on growth rates of 5.30% (low-growth) to 7.50% (high-growth). These growth rates exceed the projected long-term GDP growth rate of 4.14%, meaning even his lowest average growth rate scenario produces excessive results. As I discuss in greater detail below and in my Direct Testimony, growth rates that exceed the growth rate of GDP in the country in which the utility provides goods and services cannot be sustained.

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[51] Exhibit JMC-3, page 1.
[52] Direct Testimony of James Coyne, page 36, Figure 11.
[53] *Id.*

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Therefore, his DCF model results should be considered high-end return estimates. Given the fact that Mr. Coyne's lowest and highest average growth scenarios 5.30% and 7.50%, which exceed the consensus long-term projected growth rate of the U.S. economy by 116 to 336 basis points, respectively, they should be given little weight. Because of the economic infirmities with his assumed proxy company growth rate that exceeds the expected growth of the U.S. economy in perpetuity, Mr. Coyne should have considered the results of a multi-stage DCF. As shown on my Exhibit CCW-8, the results of a multi-stage DCF model are in the range of 8.31% to 8.51%.

D. Mr. Coyne's CAPM Analysis

Q PLEASE SUMMARIZE MR. COYNE'S CAPM ANALYSIS.

A Mr. Coyne's CAPM analysis used the Blue Chip forecast yield on 30-year Treasury bonds of 4.30%[54] as the risk-free rate, and also considered the 30-day average yield on 30-year Treasury bonds of 4.56% as of December 31, 2024. He used Beta coefficients from both Bloomberg and Value Line, calculated over five years of weekly data. For the MRP, Mr. Coyne began by calculating a DCF-derived expected return on the market using growth rates from Value Line, Bloomberg, and S&P Earnings & Estimates. The DCF-derived return estimates range from 15.50% to 17.44%, and average 16.68%. Mr. Coyne then subtracted his current and projected risk-free rates of 4.56% and 4.30%, respectively, from his average expected market return of 16.68%. This produced average MRPs of 12.11% (current risk free rate) and 12.38% (projected risk-free rate).

[54] Mr. Coyne's Exhibit JMC-5.2 page 3 indicates that he relied on a projected yield for the 2026-2030 period, while his Exhibit JMC-5.2 page 4 indicates that he relied on a projected yield for the 2023-2027 period.

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The results of Mr. Coyne's CAPM analysis are summarized in his Exhibit JMC-5.2. His CAPM results range from 15.37% to 15.95% using his current risk-free rate. Using his projected risk-free rate, his CAPM results ranged from 15.34% to 15.93%.

Q WHAT ARE YOUR CONCERNS WITH MR. COYNE'S CAPM ANALYSIS?

A I have several concerns with Mr. Coyne's CAPM analysis. First, his lowest CAPM result of 15.34% is so far removed from the rest of his analytical methods as well as what has been authorized to other regulated utilities, it cannot be seriously considered as a reasonable estimate. For example, 15.34% is 562 basis points higher than the year-to-date average authorized ROE of 9.72% and 556 basis points higher than the 2024 average authorized ROE of 9.78% for electric utilities. Even without taking issue with the rest of Mr. Coyne's additional analytical methods, his next highest result of 11.47% (high growth DCF result) is nearly 400 basis points lower than his lowest CAPM result. Notably, Mr. Coyne appears to not rely on his high-growth DCF scenario based on the results presented in his Exhibit JMC-2. Second, Mr. Coyne's sole reliance on 5-year Betas overstate the CAPM. Third, the assumed growth rates in his DCF-derived market return estimates are excessive. Fourth, Mr. Coyne's MRPs of 12.11%-12.38% exceed MRPs supported by empirical research. Finally, Mr. Coyne failed to consider other sources of the MRP as he has typically done in the past.

Q WHY DO YOU BELIEVE MR. COYNE'S 5-YEAR BETA ESTIMATES OVERSTATE THE CAPM?

A The Beta coefficients he references rely on five years of prices and volatility, which include the market fallout induced by the onset of the global pandemic in early 2020. This period of extraordinary market volatility skews the Beta upwards, reflecting short-term market disruptions rather than a long-term change in the perceived risk of gas utilities. As discussed earlier in my testimony, prior to the market fallout from the

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pandemic, utility Betas were at historically low levels. Therefore, Betas using five years of prices do not reasonably reflect investor expectations, as the prices and volatility from early 2020 will be included in the data through early 2025. This inclusion distorts the Beta calculation, making it less representative of the true, long-term market risk of utilities.

Q PLEASE EXPLAIN WHY YOU BELIEVE THE ASSUMED GROWTH RATES IN HIS DCF-DERIVED MARKET RETURN ESTIMATES ARE EXCESSIVE?

A Mr. Coyne's DCF-derived expected market returns of 17.08%, 17.44%, and 15.50% assume weighted average growth rates of 15.70%, 16.05%, and 14.09%, respectively.[55] As discussed above with respect to my own DCF model, the DCF model requires a long-term sustainable growth rate. Mr. Coyne's average market growth rates of 14.09-16.05% are far too high to be a rational outlook for sustainable long-term market growth. His lowest growth rate of 14.09% is approximately 3.4x the growth rate of the U.S. GDP long-term growth outlook of 4.14%. Notably, his highest assumed growth rate of 16.05% is approximately 3.9x the growth rate of the U.S. GDP long-term growth outlook of 4.14%. Mr. Coyne's market growth rates are irrational and unsustainable for perpetuity, which is the assumed period of the DCF model.

In fact, in the Chartered Financial Analyst ("CFA") curriculum textbooks, the CFA Institute notes as follows with regard to earnings growth rates for the companies within the composite indices (i.e., S&P 500):

> Earnings growth for the overall national economy can differ from the growth of earnings per share in a country's equity market composites. This is due to the presence of new businesses that are not yet included in the equity indices and are typically growing at a faster rate than the

[55] Exhibit JMC-5.1.

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mature companies that make up the composites. **<u>Thus, the earnings growth rate of companies making up the composites should be lower than the earnings growth rate for the overall economy.</u>**[56]

Mr. Coyne's DCF-derived expected return on the market is irrational, excessive, and should be rejected.

Q PLEASE EXPLAIN WHY YOU BELIEVE MR. COYNE'S MRPS OF 12.11%-12.38%[57] EXCEED MRPS SUPPORTED BY EMPIRICAL RESEARCH.

A These MRP estimates exceed the high end of the empirical evidence by as much as 54.8%. For example, Dr. Morin notes in his book, <u>Modern Regulatory Finance</u>, that several studies of the MRP have concluded that a MRP in the range of 5.0% to 8.0% is a reasonable estimate for the United States.[58] For example, the Duarte and Rosa study that Dr. Morin cites concludes that the historical mean is "quite difficult to improve upon when considering out-of-sample performance measures."[59] Dr. Morin also notes that a survey of professional practices showed that 71% of textbooks/tradebooks used a historical average as the MRP, and 60% of financial advisors used a MRP in the range of 7.0% to 7.4% (similar to a long-term arithmetic average MRP).[60]

Based on this empirical research, it is clear Mr. Coyne's MRPs of 12.11% to 12.38% are excessive and overstate the cost of equity.

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[56] CFA Program Curriculum, 2014 Level II Vol.1, "Ethical and Professional Standards, Quantitative Methods, and Economics", Paul Kutasovic, Reading 15 – Economic Growth and the Investment Decision, p. 609, footnote 5 (Emphasis Added).

[57] Direct Testimony of James Coyne, page 39.

[58] Dr. Morin references studies by Duarte & Rosa; Professors Ross, Westerfield, and Jordan; Mahera; and Brealey, Myers, and Allen. Roger A. Morin, <u>Modern Regulatory Finance</u>, 190-192 (PUR Books LLC 2021). Dr. Morin notes in his textbook that there is a "slight preference" for the upper end of the range (i.e., 8%) during tumultuous times in capital markets with examples being the 2008-2009 credit crisis and the 2020 pandemic.

[59] <u>See</u> Roger A. Morin, <u>Modern Regulatory Finance</u>, 191 (PUR Books LLC 2021) (citing the Duarte and Rosa study).

[60] <u>Id.</u>, at 190, n. 35.

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Q PLEASE EXPLAIN WHY YOU BELIEVE MR. COYNE FAILED TO CONSIDER OTHER SOURCES OF THE MRP AS HE HAS TYPICALLY DONE IN THE PAST.

A Mr. Coyne has previously incorporated the long-term average MRP into his CAPM analysis but has excluded it in his CAPM here for unexplained reasons. For example, last year Mr. Coyne explains as follows:

> Q What Market Risk Premium did you use in your CAPM analysis?
>
> A I calculated a forward-looking MRP using the Constant Growth DCF model to estimate the total market return for the S&P 500 Index, using projected earnings growth rates and dividend yields. As of February 29, 2024, the projected total market return is 14.21%, as shown in Exhibit JMC-5.1. I then calculated the forward-looking MRP by subtracting the risk-free rate (based on the five-year forecast of the 30-year Treasury bond of 4.10%) from the total market return. The forward-looking MRP is 10.11%. I also utilized the historical MRP from Kroll of 7.17%, which is based on the difference between the return on large company stocks less the income-only return on government bonds from 1926-2022, in combination with the current 30-year Treasury bond yield of 4.37%.[61]

Mr. Coyne should have considered alternative sources of the MRP rather than his sole reliance on the DCF model. Doing so would be consistent with his testimony

[61] Before The North Carolina Utilities Commission, Docket No. G-9, Sub 837, Direct Testimony of James M. Coyne, April 1, 2024 at page 30.

where he explains "[t]hese factors emphasize the importance of considering the results of multiple models, and the use of both current and forecasted bond yields, as I have with my analysis."[62] Mr. Coyne's choosing to omit from consideration other sources of the MRP is in direct contradiction with his own testimony here and against his practice as recently as last year. By doing so, Mr. Coyne has biased his results and overstated the cost of equity for FPL.

E. Mr. Coyne's Risk Premium Analysis

Q PLEASE SUMMARIZE MR. COYNE'S RISK PREMIUM ANALYSIS AND ITS INPUTS.

A As shown on his Exhibit JMC-6, Mr. Coyne estimates an ROE estimate based on the premise that equity risk premiums are inversely related to interest rates, meaning as interest rates go up the equity risk premium should decrease, and conversely, as interest rates go down, the equity risk premium should increase. Calculating the equity risk premium as the authorized ROE less the contemporaneous 30-year Treasury yield, he estimates the average equity risk premium for electric utilities to be approximately 6.02% over the period 1992 through 2024.[63] He performs a linear regression using the 30-year Treasury yield as the independent variable (x-axis) and the risk premium as the dependent variable (y-axis).[64] This model produces a regression formula, which he applies by inputting his current, near-term projected, and long-term projected 30-year Treasury bond yield of 4.56%, 4.48%, and 4.30%, respectively. The resulting expected equity risk premium based on these inputs is 6.01%, 6.05%, and 6.15%, respectively.[65] He then adds these estimated risk

[62] Direct Testimony of James Coyne, page 27.
[63] *Id.*
[64] *Id.*
[65] *Id.*

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premiums to the corresponding Treasury yields, producing cost of equity estimate in the range of 10.45% to 10.57%.[66]

Q IS MR. COYNE'S RISK PREMIUM METHODOLOGY REASONABLE?

A No. As an initial matter, even though his analysis is predicated on the authorized ROEs for electric utilities as the starting point, two of his three Risk Premium model results exceed the highest ROE awarded to any electric utility since 2024. For example, the two highest estimates based on his Risk Premium model (10.53% and 10.57%) exceed the single highest authorized ROE of 10.50% observed since 2024. Notably, the one observed ROE of 10.50% is the only instance where an authorized ROE exceeds his lowest Risk Premium model estimate of 10.45%. In other words, despite his Risk Premium model being predicated on authorized ROEs, all three of his Risk Premium model estimates are higher than 56 of the 57 authorized ROEs for electric utilities since 2024. Notably, two of his model results are higher than all 57 observations.

Notwithstanding that observation, my main concern with Mr. Coyne's Risk Premium analysis is that his estimated equity risk premium is significantly overstated and inconsistent with his own hypothesis. For example, based on the data presented in my Direct Testimony, the average equity risk premium in 2023 and 2024 is 5.51% and 5.30%, respectively. This recent average is between 39 and 60 basis points less than the equity risk premium of 5.90% estimated by Mr. Coyne. In a report issued last year, RRA (a division of S&P Global) discussed the equity risk premium, as measured by the authorized ROE spread over bond yields as follows:

> However, with the uptick in interest rates since 2020, the spread has begun to narrow, falling to around 550 basis points in 2023. With the

[66] *Id.*

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myriad factors putting upward pressure on customer bills, the spread may continue to narrow as regulators may become more reluctant to raise authorized returns.[67]

As indicated by the data, the average Treasury yield in 2023 and 2024 was 4.09% and 4.40%, respectively. The average equity risk premium over Treasury yields over those two years were 5.51% and 5.30%, respectively. Mr. Coyne assumed a 30-year Treasury yield of 4.30% to 4.56%. To be consistent with Mr. Coyne's inverse relationship hypothesis, the equity risk premium should be consistent with the equity risk premiums in the range of 5.30% to 5.51% since interest rates assumed by Mr. Coyne are relatively consistent with the interest rates realized over 2023 and 2024. However, Mr. Coyne's estimated equity risk premiums of 6.01%-6.15%, representing an increase of up to 85 basis points relative to the 2023 and 2024 equity risk premiums. Notably, the year-to-date average authorized ROE for vertically integrated electric utilities is 9.76%, a decline from 9.84% in 2024.

Importantly, it is a clear indication that Mr. Coyne's Risk Premium method is unreliable given his model produces an ROE estimate that significantly exceeds the recent ROEs awarded to other regulated utilities. Further, given Mr. Coyne's estimates of the equity risk premium are inconsistent with the inverse relationship he asserts is present, Mr. Coyne's Risk Premium analysis should be given little weight.

[67] RRA, Major energy rate case decisions in the U.S. January-December 2023 Quarterly update on decided rate cases, February 6, 2024. (Emphasis Added).

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F. Mr. Coyne's Expected Earnings Analysis

Q PLEASE SUMMARIZE MR. COYNE'S EXPECTED EARNINGS ANALYSIS, INCLUDING ITS INPUTS.

A Mr. Coyne's Expected Earnings analysis estimates the ROE based on projected returns on book equity for proxy companies, using Value Line's projections for 2027-2029.[68] He argues this approach reflects the opportunity cost of investing in FPL by comparing expected returns of risk-comparable companies. The average result is 10.91% while the median result is 10.27%.[69]

Q WHAT ARE YOUR CONCERNS WITH MR. COYNE'S EXPECTED EARNINGS ANALYSIS?

A An expected earnings analysis does not measure the return an investor requires in order to make an investment. In other words, the accounting measure of the earned ROE does not measure the opportunity cost of capital. Rather, it measures the earned return on book equity that companies have experienced in the past or are projected to achieve in the future. The returns investors require in order to assume the risk of an investment are measured from prevailing stock market prices.

In addition, FERC has recently found that the Expected Earnings model does not satisfy the requirements of *Hope*. In part, FERC states as follows:

> As a result, the expected return on a utility's book value does not reflect "returns on investments in other enterprises" because book value does not reflect the value of any investment that is available to an investor in the market, outside of the unlikely situation in which market value and book value are exactly equal. Accordingly, we find that relying on

[68] Direct Testimony of James Coyne, page 43.
[69] *Id.*

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> the Expected Earnings model would not satisfy the requirements of *Hope*.
>
> The return on book value is also not indicative of what return an investor requires to invest in the utility's equity or what return an investor receives on the equity investment, because those returns are determined with respect to the current market price that an investor must pay in order to invest in the equity.[70]

Later in the same Opinion, FERC observes that Expected Earnings model does not identify investments of comparable risk. It states as follows:

> Moreover, we find that the record demonstrates that the Expected Earnings model does not identify investments of comparable risk and which alternatives will have a higher expected return as MISO TOs' witness Mr. McKenzie indicates.[footnote omitted] In particular, because the Expected Earnings model measures returns on book value, without consideration of what market price an investor would have to pay to invest in the relevant company, it does not accurately measure the investor's expected returns on its investment.[71]

Additionally, the historical and projected earned ROE for these holding companies can be significantly influenced by the financial performance of nonregulated operations. For these reasons, Mr. Coyne's expected earnings analysis should be disregarded.

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[70] Opinion No. 569, 169 FERC ¶ 61,129 at p. 201-202.
[71] *Id*. at p. 205.

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G. Mr. Coyne's Assertion that FPL is Riskier than the Proxy Group

Q PLEASE EXPLAIN HOW MR. COYNE VIEWS THE COMPANY'S RISK RELATIVE TO HIS PROXY GROUP.

A In his testimony, Mr. Coyne asserts that FPL faces above-average risk compared to the proxy group due to several factors.[72] He highlights FPL's significant capital expenditure program, which requires substantial investment and increases financial risk. Additionally, FPL's ownership of nuclear generation assets introduces operational and regulatory complexities that elevate risk. Mr. Coyne also points to severe weather risks, particularly hurricanes, which pose a threat to FPL's infrastructure and financial stability due to its Florida location. Regulatory risks are noted, as FPL operates in a jurisdiction with complex regulatory oversight. Lastly, the multi-year rate plan introduces uncertainty, as it locks in rates over an extended period, potentially misaligning with changing economic conditions.

Q DO YOU AGREE WITH HIS ASSESSMENT THAT THE COMPANY IS OF HIGHER RISK THAN THE PROXY GROUP?

A No. FPL's credit ratings of A from S&P and A1 from Moody's are significantly stronger than the proxy group's average ratings of BBB+ and Baa2, respectively, as shown in my Exhibit CCW-2. These ratings, which are two and four notches higher than the proxy group's, reflect a comprehensive evaluation of FPL's risk profile, including its capital expenditure program, nuclear generation ownership, severe weather exposure, regulatory environment, and multi-year rate plan. Credit rating agencies view multi-year rate plans as credit positive due to their predictability and stability. Furthermore, FPL's requested common equity ratio of 59.60% is substantially higher than the proxy group's average equity ratio of 38.4% (including short-term debt) and

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[72] Direct Testimony of James Coyne, p. 7 & 56.

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42.6% (excluding short-term debt), as calculated by S&P Global Market Intelligence and Value Line. This higher equity ratio indicates a less leveraged capital structure, further reducing FPL's financial risk compared to the proxy group. Therefore, FPL's superior credit ratings and stronger capital structure demonstrate that it is of lower risk than the proxy group, contrary to Mr. Coyne's assertion.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

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APPENDIX A – Qualifications of Christopher C. Walters

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I received a Bachelor of Science Degree in Business Economics and Finance from Southern Illinois University Edwardsville. I have also received a Master of Business Administration Degree from Lindenwood University.

As a Principal at BAI, I perform detailed technical analyses and research to support regulatory projects including expert testimony covering various regulatory issues. Since my career at BAI began in 2011, I have held the positions of Analyst, Associate Consultant, Consultant, Senior Consultant, and Associate. Throughout my tenure, I have been involved with several regulated projects for electric, natural gas and water and wastewater utilities, as well as competitive procurement of electric power and gas supply. My regulatory project work includes estimating the cost of equity capital, capital structure evaluations, assessing financial integrity, merger and acquisition related issues, risk management related issues, depreciation rate studies, and other revenue requirement issues.

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony before state regulatory commissions including: Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Texas, Utah, and Wyoming. In addition, I have also sponsored testimony before the City Council of New Orleans and an affidavit before the FERC.

Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.

A I earned the Chartered Financial Analyst ("CFA") designation from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting and reporting analysis, corporate finance, economics, fixed income and equity valuation, derivatives, alternative investments, risk management, and professional and ethical conduct. I am a member of the CFA Institute and the CFA Society of St. Louis.

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(Whereupon, prefiled direct testimony of David Failkov was inserted.)

I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. Please state your name and business address.

A. David Fialkov, PO Box 15269 Washington, DC 20003.

Q. On whose behalf are you testifying in the proceeding?

A. I am testifying on behalf of Americans for Affordable Clean Energy, Inc. ("AACE"), as well as three of our member fuel retailer companies that have also individually and jointly with AACE sought to intervene in this proceeding. Collectively, I will refer to AACE and its fuel retailer member companies as the "Fuel Retailers."

Q. Please describe further AACE.

A. AACE is a non-profit organization with members among Florida's most sophisticated suppliers of vehicle fuels that are currently investing in and are otherwise eager to expand investments in electric vehicle ("EV") charging. AACE's members include the three fuel retailer companies that have jointly intervened in this docket with AACE: Circle K Stores, Inc., RaceTrac, Inc., and Wawa, Inc. Other AACE members operating in Florida in the Florida Power & Light Company ("FPL") territory include: The Love's Family of Companies ("Love's"); QuikTrip Corporation ("QuikTrip"); and TravelCenters of America, Inc. ("TA"). AACE's members are proud to provide fuel for all vehicle types, as well as other goods, services, and conveniences, to the traveling public at existing and future locations throughout Florida and across the United States. Combined, AACE's retail members operate more than 1,500 gas stations, convenience stores, and travel centers throughout Florida.

Q. What is your occupation and by whom are you employed?

A. I am a Partner at Fialkov, Frend, and Goheen, LLC ("FFG Group") representing the fuel marketing and retail fuel industry. This representation includes advocacy for the National Association of Truck Stop Operators ("NATSO"), the national trade association representing the travel plaza and truckstop industry, and the Society of Independent Gasoline Marketers of America ("SIGMA"), a national trade association representing the most sophisticated, forward-thinking fuel retailers and marketers in the country. Those two groups represent between 80% and 90% of retail sales of motor fuel in the United States today. FFG Group also represents AACE, and I function as the Executive Director of AACE, on whose behalf I am testifying. AACE is comprised of a group of fuel retailers from national trade associations that focus on EV charging markets and policies.

NATSO represents nearly 5,000 travel plazas and truck stops nationwide, comprised of both national chains and small, independent locations. The travel center industry – defined loosely as retail fuel outlets located within one-half mile of an Interstate – is a diverse, sophisticated and evolving industry that is positioned to meet the needs of all drivers traveling on the

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Interstate Highway System regardless of the fuel their vehicles use. Although the industry was once tailored solely to truck drivers, it now caters to the entire Interstate traveling public, as well as the local population. NATSO advances the industry's interests by influencing government action and public opinion on highway issues such as commercialization, tolling, and truck parking, and represents the industry on environmental and energy issues.

SIGMA represents a diverse membership of approximately 260 independent chain retailers and marketers of motor fuel. Founded in 1958, SIGMA is the national trade association representing the most successful, progressive, and innovative fuel marketers and chain retailers in the United States and Canada. In addition to a sophisticated, dynamic advocacy operation, SIGMA also delivers first class education and other content to members on trends and news affecting the industry.

Q. Please summarize your work for these trade organizations.

A. I have represented the retail fuels industry in a variety of roles since 2010. Today, I lead efforts and advocate for members on legislative and regulatory issues, while also providing education on legal and policy issues affecting the industry. The downstream fuel sector, representing the wholesale, distribution, and retail segments of the transportation energy value chain, is unambiguously fuel agnostic. The associations I represent firmly believe

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that the most expeditious and economical way to diversify transportation energy technology is through market-oriented, consumer-focused policies that encourage our membership to offer more alternatives and lower prices for consumers. I work closely with federal policymakers who seek to achieve a transition to lower-carbon and zero emission transportation energy.

Q. Please state your educational background and experience.

A. I previously worked as a senior associate in the Government Affairs and Public Policy practice at Steptoe and Johnson LLP in Washington, D.C. Prior to that position, I graduated with honors from George Washington University Law School after receiving my B.S. *summa cum laude* with highest honors from Clark University in Worcester, MA.

Q. Have the Fuel Retailers participated in previous Florida PSC proceedings?

A. Yes. Last year, AACE, Circle K, RaceTrac, and Wawa were granted intervention in the Duke Energy Florida, LLC rate case, Docket No. 20240025-EI, as well as in the Tampa Electric Company rate case, Docket No. 20240026-EI.

Q. Did you provide testimony in those other Florida rate cases?

A. No, given the issues in those cases, we felt it was not necessary to provide testimony in order to address our issues. However, I have testified on behalf

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of AACE before the Minnesota Public Utilities Commission in Docket No. E002/M-22-432, which involved the petition by Northern States Power Company d/b/a Xcel Energy ("Xcel") for approval to modify and expand its commercial and residential EV charging programs ("EV Portfolio Petition").[1] The Commission referenced this proceeding in its Interim Order, Decision No. C23-0425-I, as the "similar transportation electrification plan" filed by Public Service Company of Colorado's ("PSCo" or "Company") affiliate but was withdrawn several months into the proceeding.[2] I submitted direct testimony in that Colorado docket on behalf of AACE on February 7, 2023.[3] The procedural schedule in that proceeding was subsequently stayed pending settlement discussions, and, as acknowledged by the Commission, Xcel ultimately withdrew its petition. I also submitted direct testimony with the Public Service Commission of

[1] *See* Minnesota Public Service Commission, Docket No. E002/M-22-432, https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=eDocketsResult&userType=public.

[2] Decision No. C23-0425-I, ¶ 10 (directing PSCo "to address press reports that its parent company withdrew a similar transportation electrification plan in Minnesota and the potential implications, if any, that this withdrawal has on the Company's efforts in Colorado. Such potential impacts could involve less commitment from executive leadership toward owning and operating an EV charging network, or spreading the fixed costs associated with developing and running a Company-owned network of chargers over a significantly smaller base of invested capital.").

[3] Minnesota Public Utilities Commission, Docket No. E002/M-22-432, Direct Testimony of David H. Fialkov on behalf of Americans for Affordable Clean Energy (Feb. 7, 2023), https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=eDocketsResult&userType=public#{10F32D86-0000-C915-9F5E-C07489E85FA2}.

South Carolina in Docket No. 2023-121-E, *Identification of Regulatory Challenges and Opportunities Associated with Electrification of Transportation Sector Pursuant to S.C. Code Ann. Section 58-27-265*.[4]

Q. What is AACE's interest in this proceeding?

A. First and foremost, the Fuel Retailers are customers of FPL, so any rate increases or policy changes relating to them as retail commercial electric customers will have an impact on their businesses. They want to ensure that the rates, terms, and conditions of service that impact them as FPL customers are fair, reasonable, and justified.

AACE's members are in the business of transportation services and want to play a significant role in providing EV charging services through their respective retail networks so that the traveling public has a recognizable service provider with a convenient network of charging locations. Several of our members currently offer or have announced plans to offer EV charging services.[5] As we noted in our petition to intervene, Circle K,

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[4] Public Service Commission of South Carolina, Direct Testimony and Exhibits of David H. Fialkov on behalf of AACE (Sept. 22, 2023), https://dms.psc.sc.gov/Attachments/Matter/ead94ab9-808e-4e79-aabc-347520ec36da.

[5] *See, e.g.*, Steve Holtz, "Casey's Doubles Its EV-Charger Operations," CSP Daily News (Nov. 1, 2022), https://www.cspdailynews.com/fuels/caseys-doubles-its-ev-charger-operations; Brett Dworski, "TravelCenters of America to deploy 1,000 EV charging ports by 2028," Utility Dive (Jan. 31, 2023), https://www.utilitydive.com/news/travelcenters-of-america-deploy-1000-ev-charging-ports-electrify-america/641614/; Umar Shakir, "EV Chargers Are Coming, This Time at TA Rest Stops," The Verge (Jan. 30, 2023), https://www.theverge.com/2023/1/30/23577696/electrify-america-travelcenters-petro-ev-dc-fast-chargers; Liz Dominguez, RIS News, "Circle K expands fast EV charging

RaceTrac, and Wawa each currently offer EV charging services, and they are in various stages of providing EV charging services within the FPL service area. Thus, it is important that the Fuel Retailers be able to offer EV charging services in an affordable manner to the public, which will be impacted by the decisions the Commission makes in this docket.

II. FPL EV CHARGING ISSUES

Q. You noted that the Fuel Retailers are first and foremost, retail electric customers of FPL. How does FPL's planned rate increases impact the individual AACE members?

A. Overall, FPL is requesting a base rate increase of $1,545 million, to be effective January 1, 2026, an additional increase in rates of $927 million to be effective January 1, 2027, a return on common equity based upon an 11.90 midpoint for rate setting purposes, in addition to various other

footprint" (May 5, 2023), https://risnews.com/circle-k-expands-fast-ev-charging-footprint; Aria Alamalhodei, "7-Eleven to install 500 EV charging ports by the end of 2022," TechCrunch (June 1, 2021), https://techcrunch.com/2021/06/01/7-eleven-to-install-500-ev-charging-stations-by-the-end-of-2022/; Dana Hull, "How Sheetz Partnered with Tesla and Brought EV Charging to Rural America," *Bloomberg.com* (July 14, 2022), https://www.bloomberg.com/features/2022-tesla-electric-car-charging-stations-road-trip-sheetz/#xj4y7vzkg; Tom Moloughney, "Love's Travel Stops to Further Expand Network," InsideEVs (Aug. 18, 2020), https://insideevs.com/news/439519/electrify-america-loves-travel-stops-partnership/; "Wawa Partners with EVgo to Expand Electric Vehicle Charging Network," Convenience Store News (Mar. 10, 2022), https://www.csnews.com/wawa-partners-evgo-expand-electric-vehicle-charging-network; "GoMart to Launch EV-Charging Stations at over 40% of Its C-Stores," C-Store Dive (Oct. 25, 2022), https://www.cstoredive.com/news/gomart-to-launch-ev-charging-stations-at-over-40-of-its-c-stores/634911/.

mechanisms and rate changes. Each Fuel Retailer will be impacted differently, based upon the size and number of locations within the FPL service area, but each location within FPL's service territory will be adversely impacted if FPL's proposals are all approved. FPL bears the burden of proof in these proceedings to substantiate its return and its specific rate increases. I note that there are a number of other parties in this proceeding who are better equipped to challenge FPL on its return and rate proposals, a process we support. While each AACE member company will continue its own assessment of the specific impacts of FPL's requests on its operations, at this time we will not duplicate the efforts of the other parties, and instead focus on the specific EV charging issues impacting the Fuel Retailers.

Q. How do FPL's proposals impact the Fuel Retailers' EV charging services?

A. FPL currently has several different pilot tariff programs involving EV charging services that were discussed in Mr. Tim Oliver's direct testimony, beginning at page 34. First, there is the FPL Utility-Owned Public Charing (rate schedule UEV or the "UEV Tariff"), that allows FPL to provide FPL-owned charging stations and collect fees for such usage. The availability of FPL-owned EV charging ports was significantly expanded in the 2021 rate

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case settlement,[6] which authorized an investment of up to $100 million over 2022-2025. Second and third, there is the Electric Vehicle Charging Infrastructure Riders, including the General Service Demand ("GSD-1EV") and the General Service Large Demand ("GSLD-1EV") tariffs, which enable third-party investment in public charging stations. These three pilot tariffs were approved for a five-year period, that will run through the end of 2025. There is also an EV Home Program pilot and a Commercial EV charging program that enables homes and certain commercial businesses to install FPL-owned charging equipment at their homes for personal vehicles or at certain commercial business for use by commercial fleet vehicles.

A. <u>The Commission Should Reject Making the UEV Tariff Permanent.</u>

Q. Please summarize what FPL proposes to do with the UEV Tariff.

A. FPL is requesting to make the UEV Tariff permanent and increase the charging fee from $0.30 to $0.35 per kWh, which it says is a market-based rate "comparable to the EV pricing options offered by non-utility providers," which FPL asserts is effectively approximately $0.43 per kWh. (Oliver Direct, page 36.) Overall, FPL claims that based on current utilization trends, "the costs of the chargers will be fully offset by the revenue." (Oliver Direct, page 36.)

[6] Docket No. 20210015-EI, Order No. PSC-2021-0446-S-EI, *Final Order Approving 2021 Stipulation and Settlement Agreement*, December 2, 2021 ("2021 Settlement Order").

Q. Do you agree with FPL's proposals for the UEV Tariff?

A. No, I do not. FPL's assessment is based on several flawed assumptions. First, if you look at the annual reports that FPL has been filing in Docket No. 20200170, and if you simply accept the data as presented, after 2021, this program has never earned more revenue than its expenses.[7] Moreover, there is no explanation for how adding more chargers, as Mr. Oliver reports in his testimony, flips the table and going forward makes the program revenues greater than expenses. Indeed, as FPL has added chargers, the losses have only increased, nearly doubling year over year.

Second, to make projections based upon the last 1-3 years is seriously flawed. We have already seen federal grant monies recalled. Moreover, Florida has completely failed to utilize its National Electric Vehicle Infrastructure ("NEVI") funding to get chargers installed. In February of this year, the U.S. Department of Transportation told states in a memo to suspend the NEVI program, likely meaning Florida will never spend any of the almost $200 million originally authorized.[8]

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[7] Florida PSC Docket No. 20200170, reports dated January 28, 2022, at 15 net positive revenues of $8,000); January 30, 2023, at 15 (a $538,000 loss); January 30, 2024, at 15 (a $1,023,000 loss); and January 30, 2025, at 14 (a $2,387 000 loss).

[8] Miami Herald, *Miami-Dade was set to get millions for new electric car chargers. Trump pulled the plug*, March 25, 2025, available at: https://www.miamiherald.com/news/local/environment/climate-change/article302700239.html, last accessed June 6, 2025.

Third there are further signals that tax incentives will be seriously scaled back if not abandoned entirely. This impacts not only the 30C tax incentives that FPL has relied upon for its EV public charger program, but the $7,500 tax incentives that have consumers have relied upon to make EV purchases.

Fourth, even before the changes in grants and tax incentives caused by the change in administrations, the market has already been experiencing slower than expected EV sales for over a year now.[9]

Fifth, we have to remember that FPL was authorized to spend up to $100 million in the 2021 rate case settlement on its public chargers. This is rate payer money for 585 fast charging ports in total by the end of 2025 – fast charging is what most EV owners demand, especially when traveling, since charging takes approximately 30 minutes, instead of several hours with Level 2 chargers. The Commission has to ask itself if this is really an effective use of ratepayer funds when the private sector is demonstrably prepared to invest to meet EV driver demand.

The bottom line is, basing continuation of this program on current utilization trends, and to assert it will ultimately meet the statutory

[9] E&E News by Politico, *Congress ends the road for EV support,* May 23, 2025, available at https://www.eenews.net/articles/congress-ends-the-road-for-ev-support-2/, last accessed June 9, 2025. *See also*, Goldman Sachs, *Why are EV Sales Slowing*, May 21, 2024, available at: https://www.goldmansachs.com/insights/articles/why-are-ev-sales-slowing, last accessed June 6, 2025.

requirements, is unreasonable, since going forward there will be a completely new, and different set of rules.

Q. You noted that Mr. Oliver has testified that the cost of the UEV program will be offset by the revenues. Why is this important?

A. It is very important because the Florida Legislature in 2024 amended Florida Statutes Section 366.94, to create a new subsection (4), which provides:

> Upon petition of a public utility, the commission may approve voluntary electric vehicle charging programs to become effective on or after January 1, 2025, to include, but not be limited to, residential, fleet, and public electric vehicle charging, upon a determination by the commission that the utility's general body of ratepayers, as a whole, will not pay to support recovery of its electric vehicle charging investment by the end of the useful life of the assets dedicated to the electric vehicle charging service. This provision does not preclude cost recovery for electric vehicle charging programs approved by the commission before January 1, 2024.

By asking the Commission to make the UEV Tariff a permanent offering, this request is subject to this law. As such, FPL bears the burden of proof to demonstrate that by the end of its useful life of the assets, the general body of ratepayers will not pay for this program. Given the flawed assumptions underlying FPL's request, there is no basis for the Commission to make a finding that would support making this program permanent.

Q. Are there other problems with making the UEV program permanent?

A. Providing of EV charging to the public is unquestionably a competitive business. As I have already testified, the Fuel Retailers are fuel agnostic – *it is their business* to serve the traveling public with the fuel and services they need. Authorizing the continuation of utility-owned charging stations will directly affect AACE's members' planned investments and partnerships in EV charging infrastructure. AACE members have already committed to installing thousands of EV charging stations across the country.[10] In addition to developing their own chargers,[11] several AACE members are partnering with charging network providers to expand EV charging access at retail locations. For example, TA is partnering with Electrify America to deploy 1,000 charging stalls across 200 TA (and TA-affiliated) sites nationwide.[12] RaceTrac is installing EV chargers as a part of its "Electric Highway" program.[13] Together with the NEVI funding grants utilized by other states, these innovative partnerships demonstrate

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[10] *Supra* n.5.
[11] *See, e.g.*, https://www.circlek.com/charge.
[12] Umar Shakir, "EV Chargers Are Coming, This Time at TA Rest Stops," The Verge (Jan. 30, 2023), https://www.theverge.com/2023/1/30/23577696/electrify-america-travelcenters-petro-ev-dc-fast-chargers.
[13] https://www.racetrac.com/Fuel/Electric-Charging.

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AACE members' commitment to the implementation of EV charging infrastructure. However, the risk that such commitments would be undercut by making the FPL UEV Tariff permanent has raised significant concerns from AACE members now confronting whether to continue to invest private capital in Florida only to compete with investments subsidized by monopoly ratepayers. Remember, even if the program were to comply with Section 366.94(4) such that there would be cost recovery over the life of the asset, it still means that for many years monopoly ratepayers are subsidizing the service. This would create an insurmountable competitive disequilibrium. All owners and operators of publicly accessible fast charging stations should operate with the same competitive risks and access to electricity rates on a level playing field. Continuation of this Tariff will have a chilling effect on the Fuel Retailers and would likely force AACE members to prioritize investments in other markets.

Q. What do you believe would be a better means to accelerate EV charging accessibility within Florida?

A. I believe Florida can achieve its EV acceleration goals on a faster timeline, and more economically, by leveraging both private investments and existing sites to increase EV charger availability. AACE members currently operate more than 1,500 fueling stations within the state, and AACE members have a strong and proven interest in updating these stations to include EV charging ports to meet the needs of its changing customer base. AACE member stations are currently sited in areas known to broadly serve all customer demographics, attract customer traffic, and house infrastructure and space to facilitate refueling stops. In addition, AACE member stations are already designed with customer needs in mind in that they also offer the convenience of publicly available restrooms, free Wi-Fi, food, and other conveniences that AACE members have extensive experience in providing to the public.[14] The FPL UEV program has not helped private EV charging investment in Florida.

Q. Do you believe fuel retailers such as AACE members are better positioned than FPL to accelerate EV charging accessibility?

A. Without a doubt, for at least two reasons. First, fuel retailers are generally independent businesses operating with economic incentives to meet customer demand.[15] Although some might bear the name of a large oil

[14] *See, e.g.*, Joe Gose, "Truck Stops Upgrade to Recharge Electric Vehicles (and Their Drivers)" New York Times (Sept. 26, 2023) (explaining how highway travel centers are adding amenities like restaurants and dog parks to accommodate the expanded dwell time of electric vehicle owners), https://www.nytimes.com/2023/09/26/business/truck-stops-electric-vehicles.html?smid=nytcore-ios-share&referringSource=articleShare; Brett Dworski, *TravelCenters of America to deploy 1,000 EV charging ports by 2028*, UtilityDive (Jan. 31, 2023), https://www.utilitydive.com/news/travelcenters-of-america-deploy-1000-ev-charging-ports-electrify-america/641614/; Jessica Loder, "Kum & Go discusses its EV charging journey" (April 26, 2023) (describing Kum & Go's efforts "to be ahead of the game" when it comes to EV charging and customer amenities), https://www.cstoredive.com/news/kum-go-discusses-its-ev-charging-journey/648613/.

[15] Jessica Loder, "Kum & Go discusses its EV charging journey" (April 26, 2023) (quoting a Kum & Go employee: "We're trying to be ahead of the game, to understand how we can

company, this is not indicative of any ownership stake in the business or the real estate, but simply of a marketing relationship or announcement to passing motorists that a certain company's product is available for purchase at that location (comparable to a soft drink advertisement in a grocery store window). Incorporating alternative transportation energy, including EV charging, into their fuel offerings is entirely consistent with the business model and with the industry's history of adding new fuels to their offerings as they become available.

Second, the travel center industry – defined loosely as retail fuel outlets located within one-half mile of an interstate – is a diverse, well-capitalized, sophisticated, and evolving industry that is already strategically positioned to meet the needs of EV drivers, particularly those traveling on the Interstate System. The industry caters to the entire traveling public, including the local population's fueling and grocery staple needs. Fuel retailers are well positioned to deliver the amenities that EV charging customers need and are constantly innovating to ensure their offerings meet evolving customer needs.[16]

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retail these customers and keep them coming to us for a long time."), https://www.cstoredive.com/news/kum-go-discusses-its-ev-charging-journey/648613/.

[16] *See, e.g.*, *id*. (discussing the development of on-site canopies for customer charging, made-to-order food options, including healthier varieties such as salads and sandwiches, on-site customer service to respond to questions regarding payment and charging infrastructure, and the addition of battery resources, which mitigate demand charges and can decrease EV charging costs).

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Q. Do you believe fuel retailers such as AACE members have an important role in accelerating EV charging accessibility?

A. Yes, absolutely. The retail fuel industry is an indispensable asset for lowering the carbon footprint of transportation energy in the United States. Many retail fuel companies are capable of single-handedly eliminating range anxiety either nationally or in the regional markets where they are located. EV charging availability at existing fuel retailing locations would mean drivers do not need to change their habits if they choose not to – they can refuel on-the-go at the same convenient locations that they do today. While a use-case exists for customers to charge while running errands or staying at larger commercial complexes for extended periods, there remains a significant need for *on-the-go* refueling services, including close to major interstates and in urban environments where local residents don't have consistent access to overnight parking.

And unlike utilities, fuel retailers are effectively surrogates for the consumer in that they identify the most reliable, lowest-cost transportation energy available, and deliver that energy to every community in the country. In so doing, they compete with one another on price, speed, and quality of both facilities and service. To have any chance of being successful, the refueling experience for alternative fuels should be as similar as possible to today's refueling experience.

Perhaps most importantly, customer demands and competition drive retail fuel companies' continual innovative evolution. The most successful fuel retailers today have already embraced a changing culture, shifting profit centers to healthy food and beverage options, as well as offering Wi-Fi, convenience shopping, and security. They are prepared to continue evolving with their customers and with policy. In addition, retailers are uniquely positioned to identify maintenance problems with a charger and seek to remedy those problems. For example, EV chargers located on fuel retail stations would be staffed on a 24-hour basis, providing a customer with the opportunity to engage with a staff person to answer questions and identify issues. Furthermore, as new, faster charging technologies come to market, retailers will be forced to promptly invest in those technologies in order to compete. It is not clear that utilities, such as FPL, will have the ability to nimbly respond to changing markets, technologies, or consumer preferences regarding location and amenities since this is not their primary business.

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B. <u>The Commission Should Make Permanent the GSD-1EV AND GSLD-1EV Tariffs.</u>

Q. Please summarize what FPL proposes for the GSD-1EV and GSLD-1EV Tariffs.

A. FPL is requesting approval to make both of these tariff offerings permanent. These are the tariffed services that the Fuel Retailers utilize for their EV chargers in order to make EV charging services available to the public.

Q. Have there been any issues with use of these tariff services by the Fuel Retailers in order to offer EV charging to the public?

A. Our AACE members who currently offer EV charging services have not reported any issues with utilization of these two tariffed services. We have no objection to making these tariffs permanent, so long as the rates are fair and will ultimately help promote the deployment of EV chargers.

But while the rates our members pay are very important, as I have also discussed, reasonable rates to the Fuel Retailers are ultimately *unfair rates* if FPL is relying upon its monopoly ratepayers in order to be able to subsidize its EV charging service. The Commission now has a clear legislative mandate to protect FPL's monopoly ratepayers from this happening.

C. <u>Other EV Pilot Tariffs.</u>

Q. What other EV-related tariff offerings does FPL provide?

A. FPL has an EV Home Program in which FPL provides an EV charging device at a person's home. FPL also offers a Commercial EV charging program for businesses desiring an FPL EV charging station for the business' fleet vehicles. FPL is proposing to make adjustments to both programs, both to change rates and to make the Commercial EV program more widely available.

Q. Do you support the proposed changes?

A. We are still assessing these services. But in any case, FPL should not be offering these services if they are being subsidized in any way by the general body of ratepayers.

D. <u>EV Investments for Education and Technology and Software.</u>

Q. What is FPL seeking in the way of additional investment authorization for EV education programs as well as for EV related technology and software?

A. FPL is seeking approval of $5 million annually to invest in technology and software and $1 million for educational programs.

Q. Do you agree with these requests?

A. No. FPL is in the business of providing electricity. Providing counseling on EVs, a total cost of ownership calculator, ride and drive events, and various

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other educational programs pertaining to EV use and ownership is completely unrelated and unnecessary. The are numerous other sources for this type of information. These expenses should be rejected.

III. CONCLUSION

Q. Please summarize your recommendations for the Commission.

A. Overall, with respect to the base rate increase and the requested rate of return, I urge the Commission to set fair and reasonable rates based upon a fair rate of return. With respect to the EV issues raised by FPL in this proceeding, I recommend that the Commission:

- Reject making the UEV Tariff permanent.
- Approve continuation of the GSD-1EV and the GSLD-1EV Tariffs at affordable rates that will enable public providers of EV charging, such as the Fuel Retailers, to economically offer such services to the public.
- With respect to the EV Home Program and the Commercial EV Program, continue these programs only if the revenues associated with them recover their costs without imposing any costs on the general body of ratepayers.
- Reject the requested $5 million for technology and software and the $1 for education.

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Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Nancy H. Watkins was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY

OF NANCY H. WATKINS, C.P.A.

On Behalf of

Floridians Against Increased Rates, Inc.

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

DIRECT TESTIMONY OF NANCY H. WATKINS, C.P.A.

ON BEHALF OF FLORIDIANS AGAINST INCREASED RATES, INC.

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Nancy H. Watkins, and my address is 610 South Boulevard, Tampa, Florida 33606.

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

A. I am employed by Robert Watkins & Company, P.A., as a Certified Public Accountant. I am also a director and vice president of Robert Watkins & Company.

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

A. I am testifying on behalf of Floridians Against Increased Rates, Inc., a Florida not-for-profit corporation, and its members who are retail customers of Florida Power & Light Company ("FPL").

Q. Please summarize your educational background and professional experience.

A. I received a Bachelor of Arts in Business Administration degree with a major in Accounting from the University of South Florida College of Business in 1982. I have worked continuously for Robert Watkins & Company, P.A. since its founding in January, 1980. I have performed all aspects of public accounting including tax, auditing, management advisory services, and accounting and review services. My primary scope of practice at this time is compliance and control systems for tax exempt entities with a focus on 501(c)(4) public policy organizations and political organizations, which include candidates, political parties and political action committees. A copy of my résumé is provided as Exhibit NHW-1 to my testimony.

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

A. I am the Treasurer of FAIR. In that capacity, I perform the usual range of functions and services that the treasurer of a not-for-profit corporation would normally perform. Robert Watkins & Company has an engagement agreement to perform accounting services for FAIR, and it is through that engagement agreement that I am compensated for my services at our usual and customary rates. FAIR and Robert Watkins & Company have agreed that my membership verification analysis services and related testimony in this proceeding will also be provided within the scope of our existing engagement agreement.

Q. Do you hold any professional licenses or certifications that are relevant to your testimony in this proceeding?

A. Yes, I am a Certified Public Accountant in the State of Florida. I received my certification in 1983. I am also a Professional Registered Parliamentarian pursuant to the certifications of the National Association of Parliamentarians. I have been a credentialed parliamentarian since 2007.

Q. Have you previously testified in proceedings before utility regulatory commissions or other regulatory authorities?

A. Yes. In 2021, I testified on behalf of FAIR regarding FAIR's membership in Florida Public Service Commission Docket No. 20210015-EI, which was the 2021 proceeding in which the PSC considered FPL's petition filed in that year for base rate increases. I have also testified before other governmental regulatory bodies.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes. I am sponsoring the following exhibits:

Exhibit NHW-1	Résumé of Nancy H. Watkins;
Exhibit NHW-2	Articles of Incorporations of Floridians Against Increased Rates, Inc.;
Exhibit NHW-3	Membership Roster of Floridians Against Increased Rates, Inc. as of June 6, 2025;

Exhibit NHW-4 Sample Form of FAIR Membership Application (Electronic).

II. PURPOSE AND SUMMARY OF TESTIMONY

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

A. I was asked and engaged by FAIR to conduct a verification of FAIR's members as to their existence, their status as to whether they intentionally joined FAIR, and their status as customers of Florida electric utilities whose rates are regulated by the Florida Public Service Commission ("Commission" or "PSC"). Accordingly, the purpose of my testimony in this proceeding is to provide the Commission with a description of FAIR's membership composition, based on the verification that I performed of the membership, and to provide my findings regarding FAIR's membership numbers, composition, and the utilities that serve FAIR's members.

Q. Please summarize the main points of your testimony.

A. As stated in its Articles of Incorporation, FAIR is a Florida not-for-profit corporation that exists to inform the public regarding energy issues and to advocate by all lawful means for laws, rules, and government decisions – including decisions to be made by the Florida PSC – that will result in the retail electric rates charged by Florida's investor-owned electric utilities being as low as possible while ensuring that the utilities are able to provide safe and reliable electric service. Membership in FAIR is open to any

C47-5198

customer, including individuals and business customers, of any Florida electric utility whose rates are regulated by the Florida PSC; those utilities include Florida Power & Light Company ("FPL"), Duke Energy Florida ("DEF"), Tampa Electric Company, and Florida Public Utilities Company's ("FPUC") electric utility divisions.

I reviewed FAIR's membership roster and a sample of the membership application by which members joined FAIR. I also contacted a large sample of the members listed on FAIR's membership roster by email to determine whether their membership information in our roster was accurate that: (1) they are customers of an investor-owned Florida electric utility, (2) if so, of what utility they are a customer, and (3) that they intended to join FAIR. Effectively, this was a verification of the accuracy of FAIR's membership roster to confirm that the members are real people or businesses, that they intended to join FAIR, and that each is a customer of the utility indicated on the member's application.

The results of my verification analysis confirm that the members on FAIR's roster are real individuals and businesses, that they intended to join FAIR, and that FAIR's membership records accurately reflect that the members are customers of the utilities indicated in the records. The membership roster shows that the substantial majority, approximately 86 percent, of FAIR's members are customers of FPL.

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FLORIDIANS AGAINST INCREASED RATES, INC.

Q. Please describe FAIR and its purposes.

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

Q. Please explain your understanding of the term "investor-owned utility" as used in your testimony.

A. As an initial part of my verification, I looked to the PSC's website for relevant information. In that search, I observed, on page 1 of a PSC publication titled "Facts & Figures of the Florida Utility Industry 2024," which I accessed through the PSC's website at the address https://www.floridapsc.com/pscfiles/website-files/PDF/Publications/Reports/General/FactsAndFigures/April%202024.pdf , that the PSC describes its regulatory authority over investor-owned electric companies as encompassing "all aspects of operations, including rates and safety" while noting that its authority over municipal and cooperative utilities is "limited" to certain aspects that do not include those utilities' rates. At pages 4, 5, and 9 of this publication, the PSC identifies the investor-owned utilities as the four companies that I listed above as being those whose rates are regulated by the PSC.

Q. Who are FAIR's members?

A. Membership in FAIR is open to any customer, including both residential and business customers, of any Florida investor-owned electric utility, i.e., Florida Power & Light, Duke Energy Florida, Tampa Electric Company, and Florida Public Utilities Company. My Exhibit NHW-4 is a copy of FAIR's current electronic (on-line) membership application form.

FAIR'S MEMBERSHIP – VERIFICATION AND CONCLUSIONS

Q. Please describe the verification process that you employed to evaluate FAIR's membership.

A. Recognizing that my testimony would be filed in this case on June 9, 2025, I began by obtaining FAIR's membership roster as of June 6, 2025. A copy of this roster is provided as Exhibit NHW-3 to my testimony. I then reviewed the roster to familiarize myself with the data contained in it and to decide how to proceed. On June 6, 2025, FAIR's membership roster included 1,142 members.

I decided that, based on the total reported membership as of June 6 of 1,142 members, a sample of 288 members would be sufficient to provide acceptable accuracy to confirm that the results of my sample would fairly and accurately represent the underlying characteristics of FAIR's membership. A sample size of 288 for a population of 1,142 is calculated to determine a result with a 95% confidence interval with a 5% margin of error, which means the statistic will be within 5 percentage points of the real population value 95% of the time. A sample size of 420 increases the confidence interval to 99% with a margin of error of 5%.

In considering how large a sample to study, given the ease of technology available, I chose to sample the entire population of FAIR's members in order to verify the existence and accuracy of the information on file. Emails to 38 of the 1,142 members were ultimately not deliverable. The remaining 1,104 sample size able to be tested produces a greater than 99% confidence level that the margin of error in the entire population is less than 1%. A copy of the electronic format of the application is included as Exhibit NHW-4 to my testimony.

Q. Is this verification process similar to / the same as the verification process that you used to verify FAIR's membership in Florida PSC Docket No. 20210015-EI?

A: Yes. In all material respects, I used the same process that I used in 2021.

Q. Please provide a summary of your verification results.

A. Of the 1,104 members that I sampled, two replied that they had moved out of Florida and were no longer customers of a Florida investor-owned utility, and four others reported they did not wish to be members of FAIR. From these data, I conclude that, as of June 6, 2025, FAIR had 1,136 members who intended to join, or remain members of, FAIR and that those members are served by the utilities indicated on their membership applications.

Q. Based on your sampling and verification process, what are your conclusions regarding FAIR's total membership, its customer composition, and what proportion or percentage of that total membership are customers of FPL?

A. Based on my verification findings, it is my opinion that, as of June 6, 2025, which is the date of the roster that I verified, FAIR's membership roster fairly and with reasonable accuracy, represents FAIR's membership, with the following summary characteristics:

1. As of June 6, 2025, FAIR had 1,136 members who intended to be members of FAIR.

2. Of the total, all or nearly all of FAIR's members are residential customers.

3. Of the total on June 6, 986 members were customers of FPL, which is approximately 86% of the total membership population. Also included in FAIR's membership were 115 customers of Duke Energy, 22 customers of FPUC, and 13 customers of Tampa Electric Company.

As stated above, a copy of the roster as of June 6 and as verified is included as Exhibit NHW-3 to my testimony.

SUMMARY OF TESTIMONY

Q. Please summarize the main points of your testimony.

A. I conducted an appropriate verification, based on an appropriate sample size, of FAIR's members to determine (1) whether the members are real persons and business entities; (2) whether they intended to join FAIR; and (3) by what utilities they are served. My findings confirm that the members of FAIR are real people and businesses, that they intended to join FAIR consistent with the purposes stated on the membership application, and that the vast majority – approximately 86 percent – of FAIR's members are customers of Florida Power & Light Company.

Q. Does this conclude your direct testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Becky Ayech was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY OF

BECKY AYECH

ON BEHALF OF

ENVIRONMENTAL CONFEDERATION

OF SOUTHWEST FLORIDA, INC.

JUNE 9, 2025

C42-4668

Q. Please state your name.
A. Becky Ayech.
Q. Where do you live?
A. 421 Verna Road, Sarasota, FL 34240.
Q. What organization are you a member of?
A. The Environmental Confederation of Southwest Florida.
Q. How long have you been a member?
A. Over 40 years.
Q. What is your position in the organization?
A. President.
Q. What is your source of income?
A. Social Security income.
Q. Are you a customer of FPL? If so, for how long?
A. Unfortunately, yes. I have been a customer for about 48 years.
Q. What do you think of FPL?
A. I do not like FPL at all. Over the years, FPL has become less interested in providing quality service to its customers. In the past, meter readers would come to my house, and I would be able to ask them questions. Since the meter readers became remote, I have no longer had direct interactions with representatives from FPL. When problems arise, I usually have to reach out to FPL numerous times before it resolves the issue. For example, when my transformer was spilling coolant, I had to reach out to the Public Service Commission again and again before it cleaned up the hazardous waste. In the past, I would experience brownouts at my home every evening because there wasn't enough electricity in the area where I live. FPL has cut my power without telling me in advance,

which risks the wellbeing of my farm animals. I rely on an electric pump to get water on my property; therefore, when FPL cuts my power without telling me, I am not able to prepare by filling containers of water for my animals in advance. FPL often does not fulfill its promises. When I expressed to FPL that it overly damaged the trees it cut when it installed its power lines, FPL told me that it would install the power lines underground. However, FPL never did this. Overall, FPL has not been adequately responsive to the issues I face relating to electricity provision. Most recently, I had to call FPL about a branch that was on the powerline to my home. It took three phone calls to even get anybody to respond. I find it disconcerting that they put commercials on television regarding the solar and nuclear they are going to use, and other potential sources that will allegedly reduce the cost of my electricity. Yet I have never seen the cost of my electricity reduced.

Q. How much does your FPL bill usually cost each month?

A. It costs around $135, and I don't even have air conditioning.

Q. How do you feel about the current price you are paying for your electric utility?

A. The current price I pay is already too much. I have taken every practice and precaution to try to keep my electric bill low—I don't even use air conditioning or central heat on my property. My base rate charge in 2012 for the first 1000 kWh was $0.03907 and over 1000 kWh was $0.04907. Now, even before the rate hike, the base energy charge is $0.07164 for the first 1000 kWh and $0.08170 for over 1000 kWh. I still have not begun any significant electricity-consuming practices on my property.

Q. Based on information provided by FPL, the base rate for electricity is projected to increase by about 22.5% by 2027. How would this rate increase impact you?

A. I am on a fixed Social Security income, which certainly would not increase by 22.5% even over the next decade or two. My electricity not only provides lights and powers my appliances, but also provides my drinking water through an electric pump on my well. My well not only provides water for myself and my husband but is also the sole source of water for my 32 sheep, 8 chickens, 2 cats, and my dog. If my rate was to increase by 22.5%, it would place an inordinate burden on me and my lifestyle and jeopardize me and my husband's health, safety and welfare as well as my animals'.

Q. As a Floridian, are you concerned about climate change?

A. Yes. I have grown crops for many years and have noticed that the climate is getting hotter and dryer. Because of this, the growing season is shorter, which means that there is less of an opportunity to grow crops. This year was the worst yet.

Q. Based on information provided by FPL, part of this rate increase includes approximately 230 million dollars for upgrades to its generating fleet, including its existing fossil fuel plants. Do you believe this will have an impact on the climate?

A. Yes. Continuing to fund gas power plants will contribute to global warming, and FPL knows that too.

Q. In light of that, how do you feel about contributing your own money to those projects through your FPL bill?

A. I feel as though I am being robbed. I do not want to pay for FPL's continued investment in power-generating plants that will significantly contribute to climate change, which adversely affects me.

Q. What organization are you speaking on behalf of?

A. The Environmental Confederation of Southwest Florida.

Q. How would FPL's proposed rate increase impact the members of your organization? How do you know?

A. Many members of ECOSWF are customers of FPL. Some of the individual members, like me, would not be able to afford the rate increase. I know ECOSWF members will be affected because I talk to them.

Q. Is your organization concerned about climate change?

A. Yes. ECOSWF is concerned about protecting Southwest Florida's natural resources, like water, soil, and flora and fauna, which climate change significantly harms.

Q. Based on information provided by FPL, part of this rate increase will pay upgrades to FPL's fossil fleet. Does your organization believe this will have an impact on the climate?

A. Yes. ECOSWF believes that such power plants will contribute to climate change.

Q. What is the mission of your organization?

A. The mission of ECOSWF is to conserve, maintain, and protect the air, water, soil, wildlife, historic and architecturally significant structures, flora and fauna, and other natural resources of Southwest Florida, the State of Florida and of the United States of America.

Q. How is the purpose of your organization being served by participating in this proceeding?

A. By participating in this proceeding, ECOSWF can help combat investments in fossil-fuel generation, which contributes to climate change. Climate change alters the very nature of Florida, starting with the soil, where microbes and fungi have adapted over millennia to certain climate patterns. The adverse effects on these organisms then impact living things up the food chain, all of which form part of Florida's natural resources. This is just one example of how climate change is negatively affecting Southwest Florida's natural resources, which ECOSWF seeks to protect. Given the adverse impacts on Florida's natural resources, the members of ECOSWF do not want to pay for continued fossil-fuel generation because it runs counter to the purpose of our organization.

Q. What does ECOSWF's membership consist of?

A. We have member organizations and individual members.

Q. How many of those would you estimate are FPL customers?

A. Probably about 70% of members are FPL customers.

Q. How do you know that most of your members are FPL customers?

A. I ask members from different counties if they are FPL customers, which tells me whether other members in those particular counties are FPL customers.

Q. Will a substantial number of your organization's members be substantially affected by the Commission's decision in this proceeding? How do you know?

A. Yes. Many members of ECOSWF are customers of FPL and will have to pay much more for their electricity if the base rate is increased. If the Commission approves FPL's rate increase, it will allow FPL to increase its contribution to greenhouse gas emissions, which will worsen the impacts of climate change that ECOSWF members are already experiencing.

Q. How is the subject matter of this proceeding within your organization's general scope of interest and activity?

A. ECOSWF does not support investments in fossil-fuel generation because it contributes to climate change, which adversely affects Southwest Florida's natural resources by changing the ecosystem starting with the micro-organisms and fungi in the soil. This causes effects throughout the food chain, as many species rely on the food chain, including humans and their ability to produce food. Climate change affects rainfall and heat patterns, storm surges, the strength of hurricanes, and occurrences of flooding by elevating the temperatures. Our organization tries to prevent harm to these resources, and the greenhouse gases that will come from the gas plants FPL continues to invest in—using our money—constitute such a harm. The mission of our organization, as stated in Exhibit BA-1 below, is "to conserve, maintain, and protect the air, water, soil, wildlife, historic and architecturally significant structures, flora and fauna, and other natural resources of Southwest Florida, the State of Florida and of the United States of America."

Q. Why is the relief requested in this proceeding appropriate for your organization to receive on behalf of its members?

A. ECOSWF does not want its members to pay a much higher rate for electricity when electricity is already expensive and when the increase in their payments continues to fund fossil-fuel generation.

Q. How has your organization engaged with utility matters in the past?

A. ECOSWF has intervened or participated in numerous proceedings at the Public Service Commission in order to try to stop unnecessary investments in fossil-fuel generation and unnecessary rate increases. These include *In re: Petition for* *determination of need for Glades Power Park Units 1 and 2 electrical power plants in Glades County, by Florida Power & Light Company*, Docket No. 070098-EI; and *In re: Petition for determination of need for Okeechobee Clean Energy Center Unit 1, by Florida Power & Light Company*, Docket No. 150196-EI as full parties, in both cases trying to stop unnecessary investments in fossil-fuel generation. ECOSWF also intervened in the 2021 FPL Rate Case: *In re: Petition for Rate Increase, by Florida Power & Light*, Docket No. 20210015-EI. ECOSWF has also participated in *In re: Petition for approval of demand-side management plan and request to modify residential and business on call tariff sheets, by Florida Power & Light Co.*, Docket No. 20200056-EG and *In re: Proposed amendment of Rule 25-17.0021, F.A.C., Goals for Electric Utilities*, Docket No. 20200181-EU, and intervened in *In re: Commission Review of Numeric Conservation Goals (Florida Power & Light Company)*, Docket No. 20240012-EG, to advocate for expanded energy efficiency options in the State and specifically in FPL's service territory in order to lessen our dependence on fossil fuels and to decrease any need to invest in new fossil-fueled power plants, thereby helping to save the planet from climate change.

Q. Why has it done so?

A. Because we live here and love it. ECOSWF has done so to fight unnecessary investments in fossil-fuel generation because climate change is negatively affecting its members and the environment it aims to protect.

Q. Does that conclude your testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Mari Corugedo was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY OF

MARI CORUGEDO

ON BEHALF OF

LEAGUE OF UNITED LATIN AMERICAN CITIZENS

JUNE 9, 2025

C43-4691

Q. Please state your name.
A. Mari Corugedo.
Q. Where do you live?
A. 6041 SW 159th Court, Miami, FL 33193.
Q. What organization are you a member of?
A. League of United Latin American Citizens.
Q. How long have you been a member?
A. I have been a member for about 14 years.
Q. What is your position in the organization?
A. I am a member of LULAC Florida and was previously the State Director for LULAC Florida. For LULAC's national board of directors, I am also the current National Vice President for the Southeast.
Q. What is your source of income?
A. I am an elementary school teacher.
Q. Are you a customer of FPL? If so, for how long?
A. Yes. I've been a customer for about 34 years.
Q. What do you think of FPL?
A. FPL's prices have been increasing at an unreasonable rate over the years, and the wages in Florida haven't kept up with the price of electricity. Paying FPL for electricity is expensive. The price of utilities keeps increasing when wages haven't and when affordable health care isn't an option for most people.
Q. How much does your FPL bill usually cost each month?
A. It costs about $300.
Q. How do you feel about the current price you are paying for your utilities?
A. The price I pay for electricity is expensive.

Q. Based on information provided by FPL, the base rate for electricity is projected to increase by about 30% over the next 4 years. How would this rate increase impact you?

A. My FPL bill is already expensive as is. I wouldn't be able to afford it increasing without having to spend less on other necessary goods and services.

Q. As a Floridian, are you concerned about climate change?

A. Yes. Florida is one of the areas in our country that will be most negatively affected by climate change due to hurricane risk and extremely hot temperatures. Our nation and state have not adequately prioritized how to combat climate change. Our government leaders need to base their policies on what the science clearly shows: climate change is a danger to our future in South Florida. That means we need all of our public agencies to be making decisions with the climate in mind, including when it comes to the electricity system.

Q. Based on information provided by FPL, part of this rate increase will pay for upgrades or capitalized maintenance on methane gas fueled power plants. Do you believe this will have an impact on the climate?

A. FPL should be investing only in renewable energy because that is the way of the future. Investing in gas plants that significantly emit greenhouse gases will hurt communities of color in the end, who are most harmed by environmental hazards, such as climate change impacts.

Q. In light of that, how do you feel about contributing your own money to those projects, through your FPL bill?

A. I don't want to pay more so that FPL can invest in gas plants, which contribute to climate change. I don't want to pay more so that climate change can further harm the communities I represent, especially since this is a company that is forced upon us.

Q. Are you aware that the majority of FPL's capital investments in this case are for solar generation and battery storage? Does that change your answer about utility spending decisions and climate change?

A. Yes I am aware, but that does not change my answer. It is true that we need to transition to a clean energy system and reduce the carbon emissions that are driving climate change. But it is also true that the transition to clean power needs to happen fairly, in a way that doesn't hammer the people who are already struggling to get by. It's my understanding that FPL doesn't even need all the solar and batteries it's proposing in this case because it already has so many extra power plants. It seems like FPL could make its system cleaner just by relying more on the solar plants it already has and burning less fossil fuels, without making our bills go up so much to pay for extra new solar plants that it doesn't actually need.

Q. What organization are you speaking on behalf of?

A. The Florida chapter of the League of United Latin American Citizens.

Q. Where is your organization located?

A. LULAC Florida's business address is 100 South Belcher Road, #4752 Clearwater, FL 33765.

Q. How many members does your organization have?

A. LULAC Florida has over 140 members.

Q. Approximately how many members are FPL customers? How do you know?

A. About one-third of our members are FPL customers. All of our south and southwest Florida members, including all members of our chapters in Sarasota and in the metro Miami area, have FPL for their electricity provider. We know this because FPL is the power company for this area.

Q. How does your organization view FPL?

A. We don't necessarily have a negative view of their service, but we feel that the trend has been that FPL has the power to make decisions and, overall, these decisions hurt their customers. This is especially true for those customers that don't have the means to advocate for themselves. For that reason, and for the disproportionate effects from energy burden and pollution from power plants, LULAC's mission has required our organization to grow more involved in energy advocacy on behalf of our membership, as we have by providing comments or formally intervening in numerous energy dockets over several years. The energy system affects our members deeply, from their health to their checkbooks to their futures. As an organization working to advance the well-being of the Hispanic community, LULAC must protect our community by pushing back against power companies like FPL that continue to make decisions that put our community in a disadvantage economically and health wise.

Q. How would FPL's proposed rate increase impact your organization?

A. LULAC always looks to advance economic conditions for our members, and this would really put our members in an economic disadvantage. We need to bring equity to the decisions they make for communities of color, particularly our Hispanic communities. Instead, FPL is seeking to raise rates by 30%, even though this will particularly harm the Hispanic community and other communities of color that already suffer disproportionate energy burdens in Florida. Therefore, FPL's rate increase would impact LULAC Florida because the organization will have to spend extra time advocating for better energy policy

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and economic conditions for our members, taking away time and resources from other important LULAC campaigns, such as improving education and bilingual access.

Q. How would FPL's proposed rate increase impact the members of your organization? How do you know?

A. I live and work in FPL's territory, so I experience the effects of their bills first hand and know what's happening with other LULAC members in my area. The high cost of living, especially in South Florida, is already affecting our members a lot. Rent, insurance, groceries, healthcare, and medication costs leave many LULAC members without much or any extra money as it is. Many people, including our members, are struggling just to keep the lights on in their homes, and keep the food on their tables. They don't have money to put up their own solar panels or buy expensive new appliances to save energy. Increasing rates is not the way to help them.

Q. Is your organization concerned about climate change?

A. Yes, very concerned. We see that communities of color and specifically our members are underrepresented when it comes to decision-making regarding climate issues. There are no positive effects of climate change and lots of places where you see these negative issues, such as air pollution, are in communities of color. This is not a partisan-issue, this is a time for us to understand the crisis we are in.

Q. Does your organization believe that FPL's plan to keep burning methane gas for most of its power generation and to spend hundreds of millions of dollars for maintaining and upgrading gas plants will have an impact on the climate?

A. Yes, this will definitely have a very negative effect on our communities and cities. It is not the way to move forward because increased emissions will lead to more air pollution and contribute to climate change, the impacts of which disproportionately harm communities of color. FPL may say gas is clean burning, but only solar panels have zero harmful emissions for the people living around them. FPL needs to understand that we need to start looking at science. FPL should not be relying so much on gas plants and should be working to phase them out. At the same time, they have so much extra power they shouldn't be making us pay for solar plants that they don't really need either.

Q. What is the mission of your organization?

A. The mission of LULAC is to advance the economic condition, educational attainment, political influence, housing, health and civil rights of the Hispanic population of the United States.

Q. How is the purpose of your organization being served by participating in this proceeding?

A. We are interested in community advocacy. LULAC understands that we must not stay silent during this proceeding. We must take a stand and make our companies understand that they are putting profit before people LULAC's intention is to create a pause, to have them understand how vital it is to make the correct decisions, especially where we find ourselves economically and with our climate. Unfortunately, we won't get to have a voice at the table unless we participate in this proceeding. FPL's decision to increase rates and invest in fossil-fuel generation will have a very negative effect on our communities and our state.

Q. Will a substantial number of your organization's members be substantially affected by the Commission's decision in this proceeding? How do you know?

A. Yes, our members in South Florida and Sarasota certainly will be affected by the rising rates. However, whether they are FPL members or not, all of our members will be affected because other companies may emulate what FPL is doing. We are a grassroots organization; people volunteer their time to make sure we have these conversations. The communities we advocate for will be affected and they are our mission.

Q. How is the subject matter of this proceeding within your organization's general scope of interest and activity?

A. It is in the interest of the community and anything that has an ill effect on the community is in our interest. This will put our communities at a disadvantage. The implications of this proceeding are relevant to LULAC's mission. Because it seeks to improve the economic condition of its members, LULAC wants to decrease members' energy burdens. Because it aims to improve the health of its members, LULAC wants to prevent excess greenhouse gas emissions from gas power plants. In advancing the housing conditions of its members, LULAC seeks to prevent further climate change, which is causing more destructive hurricanes and sea level rise, both of which pose risks to members' homes. Because it aims to protect its members' civil rights, LULAC intends to give its members a voice in the decision-making process of the energy system, which directly affects members in the ways listed above. Ultimately it is the mission of LULAC to advance the condition of the Hispanic community, and we have frequently fulfilled this mission by advocating at the Public Service Commission for the

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well-being of our members and the broader Hispanic community. Our involvement in this rate case, to seek equitable rates and a transition away from harmful fossil-fuel powered generation, is no different.

Q. Why is the relief requested in this proceeding appropriate for your organization to receive on behalf of its members?

A. Everybody is just struggling right now with everything else, but here the Commission actually has the ability to do something for our members and other Floridians to help during the affordability crisis we're having, instead of just piling on more costs. By rejecting FPL's unneeded rate increase, the Commission can deliver real relief to our members and all Floridians. The Hispanic community is disproportionately energy burdened and keeping their bills from going up even more directly aligns with LULAC's mission to advance the well-being of this community.

Q. How has your organization engaged with utility matters in the past?

A. We have been involved in other cases surrounding electricity, including FPL's 2021 rate case and in setting its energy efficiency goals in 2019 and 2024 in the FEECA proceeding. In total, we have intervened or been involved in the following PSC matters: *In re: Petition for rate increase by Tampa Electric Company*, Docket No. 20240026-EI, (2024); *In re: Petition for rate increase by Duke Energy Florida, LLC*, Docket No. 20240025-EI (2024); *In re: Commission review of numeric conservation goals*, Docket Nos. 20240012-EG, 20240013-EG, 20240014-EG, 20240012-EG (2024); *In re: Petition for rate increase by Florida Power & Light Company*, Docket No. 20210015-EI (2021); *In re: Proposed amendment of Rule 25-17.0021, F.A.C., Goals for Electric Utilities*, Docket No. 202000181-EU (2020); *In re: Petition to initiate emergency*

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rulemaking to prevent electric utility shutoffs, by League of United Latin American Citizens, Zoraida Santana, and Jesse Moody Docket No. 20200219-EI (2020); *In re: Petition for approval of demand-side management plan*, Docket Nos. 20200053-EG, 20200054-EG, 20200055-EG, 20200056-EG (2020); and *In re: Commission review of numeric conservation goals* Docket Nos. 20190015-EG, 20190016-EG, 20190018-EG, 20190020-EG, 20190021-EG (2019). LULAC is also an appellant in three cases pending before the Florida Supreme Court related to Commission orders on electric regulation, including the order approving the settlement agreement in FPL's 2021 rate case.

Q. Why has LULAC engaged in these cases?

A. We want to make sure that we advocate in the community and ensure that we don't put people at a disadvantage for profit. Decisions made at the Public Service Commission have huge impacts on our membership and the Hispanic community. In order to fulfill our mission to advance the condition of our community, we have at times determined it was important to participate in utility or energy matters at the Commission and beyond.

Q. Does this conclude your testimony?

A. Yes, it does.

CEL Exhibit 262, associated with FEL Witness Ayech. And finally CEL Exhibits 269 through 272, associated with the testimony of FEL Witness Watkins.

(Whereupon, Exhibit Nos. 195-216, 262 & 269-272 were received into evidence.)

MR. STILLER: Okay.

(Transcript continues in sequence in Volume 19.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 30th day of October, 2025.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028