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**VIA ELECTRONIC FILING**

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

Re: Docket No. 20210015-EI  
Petition by FPL for Base Rate Increase and Rate Unification

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket is the Rebuttal Testimony of FPL witness Jun K. Park.

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

(Document 1 of 15)

Sincerely,

A handwritten signature in blue ink that reads "R. Wade Litchfield".

R. Wade Litchfield  
Vice President & General Counsel  
Florida Power & Light Company

RWL:ec  
Attachment  
cc: Counsel of Record

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FLORIDA POWER & LIGHT COMPANY**

**REBUTTAL TESTIMONY OF JUN K. PARK**

**DOCKET NO. 20210015-EI**

**JULY 14, 2021**

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1 **I. INTRODUCTION**

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

4 **A.** My name is Jun Park, and my business address is Florida Power & Light  
5 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

7 **A.** Yes. I submitted written direct testimony on March 12, 2021, together with  
8 Exhibits JKP-1 through JKP-5.

9 **Q. Are you sponsoring any rebuttal exhibits in this case?**

10 **A.** No.

11 **Q. What is the purpose of your rebuttal testimony?**

12 **A.** The purpose of my rebuttal testimony is to respond to certain portions of the  
13 direct testimony of Daniel Lawton submitted on behalf of the Office of Public  
14 Counsel (“OPC”). Specifically, I respond to certain questions and  
15 recommendations raised by OPC witness Lawton regarding the economic  
16 projections used in Florida Power & Light Company’s (“FPL”) forecasts and  
17 FPL’s forecasted customer and energy sales growth rates for 2021-2025.

18 **Q. Please summarize your rebuttal testimony.**

19 **A.** My rebuttal testimony demonstrates that, contrary to OPC witness Lawton’s  
20 assertion, FPL’s economic projections used in this proceeding appropriately  
21 considered and accounted for the known or reasonably expected fiscal and  
22 monetary policies and the rapid recovery from the COVID-19 pandemic that  
23 could improve economic growth. My rebuttal testimony also demonstrates that

1 FPL's forecasted growth rates are not understated as suggested by OPC witness  
2 Lawton and, in fact, are significantly stronger than the historical and forecasted  
3 growth rates relied upon by Mr. Lawton.

4  
5 As explained in my direct testimony, the forecasts presented in this rate  
6 proceeding were developed using well-established and proven methods which  
7 incorporate inputs from leading industry experts and were the best available  
8 information at the time the forecast was developed. The forecasts for years  
9 2022 through 2025 are reasonable and appropriate for rate setting purposes.

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## II. ECONOMIC PROJECTIONS

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13 **Q. OPC witness Lawton contends that the test years in this case should be**  
14 **limited to the 2022 test year because the forecasting uncertainty**  
15 **surrounding the 2020 pandemic makes estimates beyond 2022 unreliable.**  
16 **Do you agree with his recommendation?**

17 A. No. OPC witness Lawton's claims regarding forecast uncertainty are based on  
18 incorrect and misleading statements regarding the assumptions I used to  
19 develop the economic projections and the validity of those forecasts.

20 **Q. Before responding to OPC witness Lawton, do you have any general**  
21 **observations about his concerns regarding forecasting uncertainty?**

22 A. Yes. First, it is standard industry practice to rely on forecasts of customers,  
23 energy sales, and peak demands for various planning and regulatory purposes,

1 including rate proceedings such as this. It is also well known that no one can  
2 predict with absolute precision the actual number of customers, energy sales,  
3 and peak demand in the future. In other words, forecasting by definition always  
4 includes an element of uncertainty. This is precisely why FPL relies on well-  
5 established and statistically sound forecasting methods and input assumptions  
6 from industry experts. Additionally, the introduction of events, such as the  
7 pandemic, does not invalidate the need for reliable forecasts for utility planning  
8 and rate making.

9  
10 Second, although OPC witness Lawton questions FPL's economic forecast for  
11 years 2023 through 2025, he does not question the economic forecast for the  
12 2022 test year. The fundamental flaw with Mr. Lawton's logic is that the  
13 economic forecast for the 2022 test year relies on the same macroeconomic  
14 assumptions that were used to develop the 2023 through 2025 forecast, and the  
15 impacts from COVID-19 are expected to be less for 2023 through 2025 than for  
16 2022 due to the temporal proximity to the COVID-19 pandemic. Therefore, it  
17 is not reasonable to claim the forecasts for 2023 through 2025 are unreliable.

18 **Q. Does FPL's forecast account for the impacts of the monetary and fiscal**  
19 **policy benefits of the recent federal stimulus bills?**

20 A. Yes. The May 2020 and August 2020 economic forecasts from IHS Markit that  
21 were relied upon for FPL's forecasts include the impacts of fiscal stimulus  
22 policies, such as the Coronavirus Aid, Relief, and Economic Security Act or  
23 CARES Act, and the extension of emergency unemployment benefits, as well

1 as accommodative Federal Reserve monetary policies through 2026.  
2 Therefore, contrary to OPC witness Lawton's assertion, the economic  
3 projections used in FPL's forecasts do include the impacts of major fiscal and  
4 monetary policies that would enhance economic growth.

5 **Q. Is FPL's unemployment assumption for the 2022 test year still reliable?**

6 A. Yes. OPC witness Lawton compares the unemployment rate of 6.61 percent  
7 for year 2022 shown in MFR F-8, page 1 with the unemployment rate forecasts  
8 from other sources. However, this is not an appropriate comparison because it  
9 compares economic projections with a forecast model variable rather than  
10 comparing to the economic projection as provided by IHS Markit, which FPL  
11 relied upon for its customer, energy sales, and peak demand forecasts as  
12 explained in my direct testimony. The unemployment rate shown in MFR F-8  
13 is an annual average of the variable used in FPL's small/medium commercial  
14 customer model. As provided in MFR F-7 attachment 16 of 29, this variable is  
15 lagged six months. The unlagged monthly unemployment rates, as provided by  
16 IHS Markit's August 2020 economic projections, were produced in response to  
17 OPC's Supplemental First Request for Production of Documents No. 36. The  
18 following table summarizes the lagged monthly unemployment rate forecasts  
19 as used in the calculation of MFR F-8 and the unlagged unemployment rate  
20 forecasts as provided by IHS Markit.

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**Table JKP-15**

<b>Florida Unemployment Rates</b>		
	<b>6 Month Lag</b>	<b>IHS Forecast</b>
Jan-22	7.79	6.48
Feb-22	7.64	6.25
Mar-22	7.45	6.02
Apr-22	7.20	5.80
May-22	6.97	5.59
Jun-22	6.74	5.40
Jul-22	6.48	5.19
Aug-22	6.25	5.03
Sep-22	6.02	4.91
Oct-22	5.80	4.84
Nov-22	5.59	4.75
Dec-22	5.40	4.67
Jan-23	5.19	4.61
Feb-23	5.03	4.54
Mar-23	4.91	4.47
Apr-23	4.84	4.38
May-23	4.75	4.31
Jun-23	4.67	4.24
Jul-23	4.61	4.19
Aug-23	4.54	4.12
Sep-23	4.47	4.06
Oct-23	4.38	4.00
Nov-23	4.31	3.95
Dec-23	4.24	3.89

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When comparing economic projections of the unemployment rate to other sources, it is appropriate to use the unlagged unemployment rates from IHS Markit's economic projections. As shown in the table above, the August 2020 economic forecasts from IHS Markit reflect that the unemployment rate is projected to be 4.67 percent by the end of 2022, which is consistent with the

1 2022 projection from the Congressional Budget Office cited by OPC witness  
2 Lawton.

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### III. FORECASTED GROWTH RATES

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6 **Q. Are FPL's customer and energy growth rates over the 2021 through 2025**  
7 **period understated?**

8 A. No. OPC witness Lawton's characterization of FPL's forecasted customer and  
9 energy sales growth is misleading and not based on comparable geographic  
10 areas. Mr. Lawton is comparing FPL's sales growth against that of the South  
11 Atlantic Census division, a geographic region which encompasses eight states<sup>1</sup>  
12 and the District of Columbia. However, FPL's energy sales make up less than  
13 15 percent of the South Atlantic division.<sup>2</sup> It also is likely that the factors  
14 driving energy sales growth in FPL's service area differ significantly than those  
15 driving energy sales growth for the entirety of the South Atlantic division, as  
16 evidenced by the difference in forecasted growth rates.

17

18 OPC witness Lawton also overlooks that the U.S. Energy Information  
19 Administration's ("EIA") May 2021 Short-Term Energy Outlook includes  
20 forecasts for the Florida Regional Coordinating Council ("FRCC"), which is an

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<sup>1</sup> Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia

<sup>2</sup>  $122.1 \text{ TWh} / 835.4 \text{ TWh} = 14.6\%$

122.2 TWh = Consolidated FPL retail delivered 2022 energy sales (Park direct testimony, Table JKP-6)

835.4 TWh = EIA's May 2021 outlook (2022 South Atlantic retail energy sales, table 7b)

1 area that is comparable to FPL’s service area in terms of both geography,  
2 demographics, and composition. In fact, FPL’s Net Energy for Load (“NEL”)  
3 represents almost 60% of FRCC NEL.<sup>3</sup> For the FRCC area, EIA forecasted  
4 NEL would decline by an average annual rate of -1.3 percent per year from  
5 2020 to 2022. This corrected comparison based on comparable geographic  
6 areas clearly shows that FPL’s projected growth rates are significantly stronger  
7 than EIA’s projected growth rates.

8 **Q. Do you have any other concerns regarding OPC witness Lawton’s analysis**  
9 **of FPL’s energy sales forecast?**

10 A. Yes. On page 21, lines 5-10 of his direct testimony, OPC witness Lawton  
11 compares FPL’s energy sales growth rates against a so-called “pre-pandemic”  
12 historical growth rate. However, this historical growth rate is based on a  
13 curiously chosen starting year of 2017, which includes lower energy sales due  
14 to Hurricane Irma. When Mr. Lawton’s analysis is updated to reflect either  
15 2015 or 2016 as the starting year, the result is a pre-pandemic historical growth  
16 rate of 0.2 percent, compared to FPL’s forecasted energy sales growth rate of  
17 0.8 percent. The updated analysis is shown below.

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<sup>3</sup> 135.6 TWh / 226.9 TWh = 59.8%

135.6 TWh = Park direct testimony, table JKP-6 (Consolidated FPL NEL)

226.9 TWh = EIA’s May 6, 2021 Short-Term Energy Outlook, table 7d part 1 (FRCC NEL)

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**Table JKP-16**

<b>FPL Historical and Forecasted Sales Data - Corrected</b>				
		Compound Growth		
Year	Delivered Sales GWh's	Beginning 2017	Beginning 2016	Beginning 2015
2015	118,760			
2016	119,056			
2017	116,821			
2018	120,355			
2019	119,536			
2020	120,134	0.94%	0.23%	0.23%
2022 FORECAST	122,083	0.81%		
2023 FORECAST	122,980	0.78%		

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These results show that FPL's forecasted growth rates are in fact much stronger

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than both historical growth rates and EIA's forecasted growth rate.

5

**Q. Does this conclude your rebuttal testimony?**

6

A. Yes.