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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI

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

VOLUME 7
PAGES 1433 - 1714

PROCEEDINGS: HEARING

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

DATE: Thursday, October 9, 2025

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

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
1529	Rebuttal Testimony of Nicholas L. Phillips	1523	1541
133-137	As identified in the CEL		1540
320-324	As identified in the CEL		1540
325-327	As identified in the CEL		1541
958	As identified in the CEL		1541
85	As identified in the CEL		1606
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505	As identified in the CEL		1712
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1026-1028	As identified in the CEL		1713
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1171-1174	As identified in the CEL		1713
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P R O C E E D I N G S

(Transcript follows in sequence from Volume 6.)

MR. CHRISTOPHER WRIGHT: Thank you.

FPL calls Tara DuBose.

CHAIRMAN LA ROSA: Ms. DuBose, when you get settled, do you mind standing and raising your right hand for me? Do you mind standing and raising your right hand?

Whereupon,

TARA DuBOSE

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.

CHAIRMAN LA ROSA: Excellent. Thank you.

EXAMINATION

BY MR. CHRISTOPHER WRIGHT:

Q Is your microphone on?

A I am sorry? Yes, it's on now.

Q Can you please state your name?

A Yes. Tara DuBose.

Q And what is your business address?

A Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida, 33408.

Q And by whom are you employed and in what capacity?

A I am employed by Florida Power & Light Company as the Director of Cost of Service and Wholesale.

Q On February 28th, 2025, did you file 28 pages of direct testimony?

A Yes.

Q Do you have any corrections to your direct testimony?

A No.

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

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would ask that her direct testimony be entered into the record as though read.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled direct testimony of Tara DuBose was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF TARA DUBOSE

Filed: February 28, 2025

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C9-1691

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tara DuBose. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Director of Cost of Service and Wholesale.

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

A. I am responsible for managing FPL's load research and cost of service activities for retail rates and wholesale sales. In this capacity, my retail cost of service responsibilities include the preparation and filing of the load research sampling plans and study results with the Florida Public Service Commission ("Commission"), the development of annual energy and demand line loss factors by rate class, and the preparation of jurisdictional separation and retail cost of service studies ("COSS").

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science in Business Administration with a concentration in Accounting from the University of South Carolina - Aiken in 1996. In 2007, I earned a Master of Business Administration with a concentration in International Business from the University of South Carolina. I am also a Certified Public Accountant in the state of South Carolina. From 1996 to 2000, I was employed as a Financial Analyst for the Comptroller General's office for the state of South Carolina and as an Auditor in public accounting firms. From 2000 to 2011, I was employed at SCANA Corporation (now Dominion Energy), where I held a variety of positions including

Auditor III in Internal Audit, Senior Regulatory Accountant for Retail Electric and Gas Distribution Rates, and Supervisor of Electric Transmission Rates and Gas Transportation Rates. I joined FPL in 2011 as a Principal Rate Analyst for Rate Design, responsible for retail tariff and rate development and progressed to my current position of Director of Cost of Service and Load Research.

I am a member of the Edison Electric Institute ("EEI") Rates and Regulatory Affairs Committee. I have completed various relevant training courses throughout my career including the New Mexico State University Center for Public Utilities Basics Course for gas rates, the EEI Advanced Rate Design Course for electric rates, the EEI and University of Wisconsin - Madison Transmission & Wholesale Markets School, and the Association of Edison Illuminating Companies ("AEIC") Fundamentals of Customer Load Data Analysis Course. I was also a past member of the Southern Gas Association, served as the Chair of the Southeastern Electric Exchange ("SEE") Rate & Regulatory Committee, and have been a guest speaker at SEE Committee meetings.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit TD-1 – List of MFRs Sponsored or Co-Sponsored by Tara DuBose
- Exhibit TD-2 – Rates of Return and Parity at Present Rates
- Exhibit TD-3 – Equalized Revenue Requirements at Proposed Rate of Return
- Exhibit TD-4 – Load Research Details
- Exhibit TD-5 – Separation Process for Stratified Contracts

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

A. Yes. Exhibit TD-1 lists the minimum filing requirements ("MFRs") that I am sponsoring and co-sponsoring.

Q. What is the purpose of your testimony?

A. First, my testimony outlines the process of developing load research, its application in jurisdictional separation studies, and retail COSS, as well as how the projected load forecasts by rate class were created. Second, I detail the methodology used to develop FPL's jurisdictional separation studies, including the calculation of line loss factors and the resulting jurisdictional separation factors. Third, I describe the preparation of the retail COSS and explain the proposed methodologies used to allocate production, transmission, and distribution plant to retail rate classes. Finally, I discuss the results of the FPL retail COSS for the for the test year ending December 31, 2026 (referred to as the "2026 Projected Test Year"), and for the test year ending December 31, 2027 (referred to as the "2027 Projected Test Year").

Q. Please summarize your testimony.

A. My testimony supports the results of the FPL COSS for the 2026 and 2027 Projected Test Years. The FPL COSS fairly presents each rate class's cost responsibility, rate of return ("ROR"), and parity position (*i.e.*, rate class ROR relative to system average ROR). The FPL load research study, which provides the basis for cost allocations, is developed from the historical FPL load research sampling plans approved by the Commission. The separation studies are conducted to allocate rate base, revenues, and expenses between retail and wholesale jurisdictions. The retail COSS allocates the retail jurisdictional rate base, revenues, and expenses to individual rate classes based on appropriate cost drivers consistent with how FPL designs and operates its system. In this proceeding, FPL is proposing a 12CP and 25% allocation method for production plant to better align cost allocations among customer classes with FPL's portfolio of generation resources.

The results of the FPL COSS show that at present rates several rate classes are above parity, while other rate classes are below parity. Exhibit TD-2 lists the ROR and related parity index for each rate class along with the revenue requirement and percent differential needed to achieve full parity at present rates before any revenue increase is applied. MFR E-1 provides the details supporting these results.

Finally, the FPL COSS provides target equalized revenue requirements by rate class and the underlying unit costs for each billing determinant (*e.g.*, demand, energy, lighting, and customer charges). This information is presented on MFR E-6b and provides the basis for designing rates to improve the parity among rate classes and better align FPL rates and charges with the costs to serve each rate class. Exhibit TD-3 provides target equalized revenue requirements for each rate class using the 12CP and 25% cost allocation method for production, the 12CP cost allocation method for transmission, and distribution allocation methods based on the specific functions of the distribution plant.

The Commission should approve the methodologies and results of the proposed jurisdictional separation and COSS presented in my testimony and exhibits. The methodologies used to allocate rate base, revenues, and expenses were applied accurately and have evolved consistent with FPL's transition to a higher percentage of renewable generation resources. The results of the COSS study are fair and reasonable, and properly allocate costs to the appropriate rate classes.

II. LOAD RESEARCH STUDIES

Q. What is a load research study, and why is it a necessary input into the jurisdictional separation and COSS?

A. A load research study provides information on customer usage characteristics, which provides the basis for allocating costs between retail and wholesale jurisdictions and for allocating costs among retail rate classes. Rule 25-6.0437, Florida Administrative Code, requires that investor-owned utilities serving more than 50,000 retail customers submit a load research sampling plan to the Commission for review and approval every three years. The rule also states that "the approved sampling plan shall be used for all load research performed for cost of service studies and other studies submitted to the Commission until a new sampling plan is approved by the Commission."[1]

[1] The Rule also requires that utilities submit a complete load research study every three years. FPL's most recent load research study was filed with the Commission on May 31, 2024, and was based on the Load Research Sampling plan approved by the Commission on February 20, 2023.

Q. Has the Commission reviewed and approved the load research sampling plans used in this filing?

A. Yes. FPL's sampling plan for the 2022 to 2024 sample deployments was submitted on November 4, 2022, and approved by the Commission on February 20, 2023, with no suggested changes. This sampling plan is the most recently deployed sampling plan that was available at the time the COSS was prepared for this proceeding.

Q. What information is provided by load research?

A. For each wholesale customer and retail rate class ("rate class"), load research provides the class contribution to the system peak (Coincident Peak or "CP"), the class peak (Group Non-Coincident Peak or "GNCP"), the customers' Non-Coincident Peak ("NCP"), and the class energy consumption or kilowatt hours ("kWh"). The CP represents the rate class demand at the time of the system peak. The GNCP represents a rate class's maximum demand as a class, regardless of the time of the system peak. The NCP is the sum of the peak demands for all customers within the rate class, regardless of when they occur. The kWh is the aggregation or sum of the class usage for the year. Load research also provides load shapes, hourly data, and load factors for each rate class. Load research data reflecting these attributes is developed monthly for each wholesale customer and retail rate class. The monthly data is analyzed and reported on an annual basis.

Q. Please explain what is meant by "rate classes."

A. In general terms, rate classes are groups of individual rate schedules with similar billing attributes (*e.g.*, such as customer type, monthly consumption, demand or load, delivery requirements, and cost causation) that are combined for rate design purposes. As a result, one or more rate schedules may be combined into a single rate class. The practice of combining rate schedules with similar load profiles is consistent with the COSS filed in FPL's last seven rate cases.[2]

Q. How is load research information developed by rate class?

A. The first step is to collect and analyze historic load data by rate class. For most of the rate classes, load data is captured by Advanced Metering Infrastructure ("AMI") meters used for billing purposes. The data from the AMI meters is validated and formatted for statistical analysis by FPL's Automated Load Research system and processed in the Oracle Utilities Load Analysis ("OULA") computer application. OULA is a statistical software that analyzes interval load data on a calendar basis to derive the average load data and usage statistics required for cost allocation studies.

Statistical samples developed in compliance with Rule 25-6.0437 are used for rate classes with large population sizes, while those with smaller population sizes are 100% studied (census classes) and do not require statistical sampling. Unmetered rate classes, such as certain street light classes, are modeled based on their equipment usage characteristics.

Following the collection and verification of data, one of the two extrapolation methodologies identified in Exhibit TD-4 is used to estimate the load research data for each metered rate class: (1) Ratio Extrapolation, or (2) Mean Per Unit Extrapolation.

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[2] *See* Docket Nos. 830465-EI, 001148-EI, 050045-EI, 080677-EI, 120015-EI, 160021-EI, and 20210015-EI.

The Ratio Extrapolation methodology is used to expand the historical load research data for sampled rate classes and larger census rate classes. This methodology estimates the total rate class demand by applying the ratio of demand to billed energy for each interval recorded multiplied by the billed energy for the rate class. The Mean Per Unit Extrapolation methodology is used for smaller census rate classes. This methodology estimates the total rate class demand by multiplying the number of customers in the rate class by the average demand for each interval recorded. Both extrapolation methodologies are used for metered rate classes, as necessary, to account for missing interval data resulting from meter, data translation, or communication issues. Non-metered lighting rate classes, such as SL-1 and OL-1, are modeled based on the estimated number of burn hours or estimated hours of operation. This modeling estimates that light fixtures are in use approximately 49% of all hours in a year. The non-metered Traffic Signal Service rate class, SL-2, is modeled based on constant usage or a 100% load factor.

The load research sampling and extrapolation methodologies described above are in accordance with the AEIC Load Research & Analysis Manual and are standard practices widely used in the utility industry. These methodologies have been applied on a consistent basis in FPL's load research filings with the Commission.

Q. Have you prepared an exhibit that lists the rate classes used for load research purposes?

A. Yes. Exhibit TD-4 lists and describes the rate classes used for load research study purposes. Exhibit TD-4 also lists the rate classes that are sampled, census, or modeled for load research purposes.

Q. Please summarize the results achieved in the historical load research studies supporting this filing.

A. The load research studies provide the CP, GNCP, and NCP demands for the 12-month period ending December 31, 2023, for all rate classes subject to reporting under Rule 25-6.0437. Also included in the reports for the historic sampled rate classes are the 90% confidence intervals around the monthly peak demands and their percent relative accuracy. FPL's load research studies meet the target level of statistical accuracy required by the Rule for the estimate of averages of the 12 monthly CP, as well as for the summer and winter peaks of the sampled rate classes.

Q. Please describe how the load research data was developed for the 2026 and 2027 Projected Test Years.

A. The historical load research information described previously provides the basis for the 2026 Projected Test Year and 2027 Projected Test Year load data shown in MFR E-11, Attachment 1. First, monthly ratios of each rate class's historical CP, GNCP, and NCP to actual kWh sales are developed for each year of actual load research data. These ratios are then applied to the sales forecast by rate class to derive the forecasted CP, GNCP, and NCP demands for each class. For the 2026 and 2027 Projected Test Years, the sales forecast by rate class is provided by FPL witness Cohen based on the load forecast by revenue class.

Q. Has this method of developing forecasted load research information been previously used in Commission proceedings?

A. Yes. The methodology for applying historical data to forecast rate class load is the same methodology used in prior Commission rate cases and cost recovery clause filings.[3]

Q. Is the forecasted load research data by rate class consistent with the system load forecast?

A. Yes. The forecasted load research data is consistent with the forecast of system monthly peak demands for the 2026 Projected Test Year and 2027 Projected Test Year presented in MFR E-18, and with the forecast of system sales for the 2026 Projected Test Year and 2027 Projected Test Year presented in MFR F-8.

Q. Which MFRs provide additional information on load research?

A. MFR E-9 and MFR E-17 provide additional information on load research.

Q. How is the forecasted load research data used in the COSS?

Costs are allocated to different customer classes using percentages developed from forecasted load research data.

[3] *See*, *e.g.*, Commission Docket Nos. 20001148-EI, 20050045-EI, 20080677-EI, 20120015-EI, 20160021-EI, and 20210015-EI.

III. JURISDICTIONAL SEPARATION STUDY

Q. What is a jurisdictional separation study, and how is it used to develop the COSS?

A. A jurisdictional separation study allocates the Company's total rate base and net operating income ("NOI") between different rate-regulated jurisdictions. FPL operates under two rate-regulated jurisdictions: (i) retail, regulated by this Commission; and (ii) wholesale, regulated by the Federal Energy Regulatory Commission ("FERC"). FPL must maintain its accounting books and records in accordance with the Uniform System of Accounts as prescribed by the FERC and this Commission. Compliance with the Uniform System of Accounts requires electric utilities to record costs incurred and investments made at original cost. Because most investments made and costs incurred by a regulated utility serve both retail and wholesale customers, it is necessary to prepare a jurisdictional separation study to allocate rate base and NOI items recorded on the Company's accounting books and records between the retail and wholesale jurisdictions. Costs that are allocated to the retail jurisdiction are then allocated to retail rate classes through the COSS.

Q. Please describe the steps in the jurisdictional separation study.

A. Costs are first functionalized, then classified, and finally separated between the retail and wholesale jurisdictions.

The term "functionalization" refers to the assignment of costs into one or more of the major functions of an electric utility (*e.g.*, production, transmission, and distribution). Production costs are associated with the production of electricity, including fuel, operation and maintenance of power plants, and capital costs. Transmission costs are related to the high-voltage transfer of electricity from power plants to distribution networks, including the maintenance of transmission lines and substations. Distribution costs involve delivering electricity from the transmission system to the end-users, including the operation and maintenance of distribution lines. Functionalized categories are assigned using the FERC Uniform System of Accounts.

The term "classification" refers to the categorization by cost driver – that is, the determination of whether a cost is driven by demand, energy, or number of customers. Demand-related costs vary with the demand requirements of the customer groups, *i.e.*, the maximum amount of electrical power that is being consumed at a given time. They include the infrastructure and operating costs of production capacity and transmission lines needed to meet peak demands and to ensure sufficient capacity and energy are available to serve customers for every hour of the year. Energy-related costs vary with the amount of energy consumed. These typically include variable operation and maintenance costs for power production. Customer-related costs are associated with serving individual customers, regardless of their demand or energy use. These generally include metering, billing, and customer service expenses.

Following functionalization and classification, account balances must be separated between jurisdictions using jurisdictional separation factors.

Q. What are jurisdictional separation factors?

A. Jurisdictional separation factors are the result of the process described previously and are used to allocate rate base and NOI items between retail and wholesale jurisdictions.

A factor of zero indicates no retail responsibility, and a factor of one indicates 100% retail responsibility. The jurisdictional separation factors are primarily based on demand or energy sales for the retail and wholesale jurisdictions. However, other factors that best represent each jurisdiction's cost responsibility are also used. MFR E-10, Attachment 1, outlines the specific methodology used to develop the separation factors by each component of cost.

Q. How are load research studies used in the development of separation factors and COSS?

A. Load research studies are used to develop the demand-related allocation factors used in separation factors and COSS. These demand-related allocation factors, namely CP, GNCP, and NCP, are adjusted to account for line losses as shown in MFR E-10. Adjusted allocation factors are used in the separation study to allocate the rate base, revenues, and expenses between retail and wholesale customers and then in the COSS to allocate the retail jurisdictional rate base, revenues, and expenses to the individual retail rate classes based on the appropriate cost drivers previously approved by this Commission.

Q. What are line losses?

A. Line losses represent the amount of energy produced that is neither sold nor used by the Company. There are two types of line losses: technical and non-technical. Technical losses are inherent to the transmission and distribution of electricity and occur on generation step-up transformers, transmission lines, distribution station step-down transformers, distribution lines, distribution transformers, and secondary service to customers. Non-technical losses include electricity theft and other unaccounted-for uses of energy.

Q. How are the adjustments for line losses determined?

A. The forecast of line losses on a total system basis are converted into loss adjustment factors ("loss factors") by voltage level and by rate class. MFRs E-19a, E-19b, and E-19c provide the details and results of this process. When these loss factors by rate class are applied to the corresponding rate class load/demand-related data, the resulting values are termed 12CP, GNCP, and NCP "adjusted for losses." Load data by rate class reflecting adjustments for line losses is summarized in MFR E-9.

Q. Why is it appropriate to adjust the demand-related allocation factors for line losses?

A. As discussed earlier, the demand-related allocation factors are developed based upon the sales forecasts by rate class, which are then multiplied by ratios, or load factors, established through load research to project CP, GNCP, and NCP. However, the forecasted sales for each rate class are measured at the customer's meter, which is net of line losses that occur in delivering electricity to customers in that class. The peak demand that is imposed upon the system by each rate class is more than the amount of energy delivered at the meter due to line losses.

If all rate classes had the same level of line losses, there would be no need to adjust for the losses because the relative relationship among the rate classes would remain the same, regardless of whether the losses were netted out. However, line losses are different for rate classes served at transmission, primary distribution, and secondary distribution voltage levels and it would not be appropriate to assume that the losses are the same for the different rate classes. Transmission lines incur lower line losses as a percent of energy delivered than customers served at lower voltage levels. Primary distribution voltage losses are higher than transmission voltage losses because they include transmission losses, as well as distribution station step-down transformers and distribution line losses. Secondary distribution voltage customers incur the highest losses per unit delivered because, in addition to losses from transmission and primary distribution voltages, their losses also include losses due to transformers and secondary services. Therefore, separate loss adjustments were developed and applied to each rate class to reflect these differences in line losses among the rate classes.

Q. What is the significance of the type of wholesale sales relative to the development of separation factors?

A. In general, wholesale sales consist of electricity sold to other electric utilities or power marketers for resale. They consist of power sales to other utilities, which are firm, long-term sales, and opportunity sales which are non-firm and shorter in duration. Transmission service between utilities also falls under the wholesale jurisdiction regulated by the FERC. Different regulatory treatments apply to the costs and revenues associated with a wholesale sale that is a "separated sale" and a wholesale sale that is a "non-separated sale." The Commission has historically made a distinction between separated versus non-separated wholesale power sales. As outlined in Commission Order No. PSC-97-0262-FOF-EI in Docket No. 970001-EI (the "Separated Sales Order"), wholesale sales that are non-firm or less than one year in duration are treated as non-separated sales, and all other wholesale sales are treated as separated sales.

Q. How are non-separated wholesale sales treated in the jurisdictional separation study?

A. Non-separated sales are not assigned cost responsibility through the separation process because a utility does not commit long-term capacity to such wholesale customers. Consequently, the revenues and costs associated with non-separated sales are shared by both retail and long-term firm wholesale customers.

Q. How are separated wholesale sales treated in the jurisdictional separation study?

A. Pursuant to the Separated Sales Order, the costs associated with separated sales are allocated on a system average basis and treated as wholesale for jurisdictional separation purposes. In essence, the wholesale sale is "separated" to remove the production plant and operating expenses (including fuel expenses) associated with the wholesale sale from the retail jurisdiction's cost responsibility.

Additionally, some separated sales are stratified production sales contracts ("stratified contracts"). Stratified contracts are power sales from a particular type of production resource, such as intermediate, or peaking resources. The jurisdictional separation factors for separated wholesale sales including stratified contracts are calculated using the wholesale customers' load forecasts. A description of the separation process for stratified contracts is provided in Exhibit TD-5.

Q. How are wholesale transmission service contracts treated in the jurisdictional separation study?

A. Consistent with Commission Order No. PSC-10-0153-FOF-EI in Docket No. 080677-EI, FPL has separated the costs and revenues associated with wholesale transmission service contracts that are firm and longer than one year. These wholesale contracts are separated to remove the transmission plant and operating expenses associated with the transmission service contracts from the retail jurisdiction's cost responsibility. The separation factor E-101 used for transmission costs is shown in MFR E-10, Attachment 2.

Revenue from short-term, non-firm wholesale transmission service contracts are credited to both retail and wholesale jurisdictions, thereby reducing the costs to serve both jurisdictions. In other words, these contracts are not assigned cost responsibility through a separation process; the retail and wholesale firm transmission customers support all of the transmission investments and costs. In exchange for supporting the investment, both the retail and wholesale firm transmission customers receive all of the revenues.

Q. Please explain how the results of the jurisdictional separation study are incorporated into the COSS.

A. The jurisdictional separation factors are applied on a COSID[4] basis to the Company's total utility rate base and NOI to compute jurisdictional or retail rate base and NOI. The jurisdictional results and associated factors are shown on MFR B-6 and MFR C-4. These jurisdictional separation factors are among the inputs used to calculate the jurisdictional or retail-adjusted rate base and NOI reported in MFRs B-1 and C-1,

[4] Cost of Service IDs ("COSIDs") are FERC accounts that are grouped together for cost allocation purposes.

respectively, sponsored by FPL witness Fuentes. The jurisdictional, or retail-adjusted, rate base and NOI are allocated to the retail rate classes in the COSS.

IV. RETAIL COST OF SERVICE STUDY

Q. Please provide an overview of a retail COSS.

A. A retail COSS is the continuation of the jurisdictional separation study but at the retail rate class level. The COSS starts with the jurisdictional-adjusted rate base and NOI. To determine costs to serve each retail rate class, the various components of the jurisdictional-adjusted rate base and NOI are functionalized, classified, and allocated to the retail rate classes.

Q. Please explain the treatment of production plant in the FPL COSS.

A. As previously described, production costs are divided into demand-related and energy-related categories based on their underlying cost drivers. Traditional ratemaking practices allocate the portion of costs classified as kW demand to individual rate classes according to their 12CP contributions, adjusted for losses, while the portion classified as energy is allocated based on kWh sales, also adjusted for losses. However, allocating all production demand costs solely based on 12CP contributions does not account for the impact of associated fuel costs in the selection and operation of generating units. Therefore, FPL is proposing to adopt a 12CP and 25% methodology for production plant costs which allocates 75% of demand-related production plant costs based on average 12CP demand and 25% based on energy to more accurately reflect how the Company currently plans and operates its generating facilities.

Q. Can you please further explain why FPL is proposing a 12CP and 25% methodology for allocation of production plant?

A. Yes. The proposed methodology offers a more suitable allocation of production plants that reflects recent and ongoing changes in FPL's generation resource portfolio. As discussed by FPL witness Whitley, FPL has installed a significant amount of solar generation and plans to continue adding additional solar and battery storage to address growing customer needs for capacity and energy in the most cost-effective manner. Solar generation is unique compared to other generating sources because it has zero fuel cost and significantly reduces overall system fuel costs as it becomes a larger percentage of the generation mix. As explained by FPL witness Whitley, the increase in solar generation added to FPL's generation portfolio since 2021 has saved customers approximately $942 million in avoided fuel expenses. These fuel savings benefit all customers, particularly the highest energy users on FPL's system.

The rise in solar generation within FPL's portfolio also impacts how FPL plans and operates its system. As outlined by FPL witness Whitley, FPL is using the "net peak load methodology" for generation planning. This approach acknowledges that increasing solar installations on the system causes the net system peak for generation planning purposes to shift to later in the evening. Consequently, although the cost of solar resources is fixed and does not vary based on energy usage, solar primarily generates energy and offers minimal firm capacity during the system's coincident peak.

Due to the savings in fuel costs from solar and the shift in the net system peak to later in the day, FPL submits that as solar costs constitute a larger share of total generation costs, it is appropriate to allocate production plant costs to rate classes using a higher energy component than what would be allocated using the 12CP and 1/13th methodology.

I note that the Commission has previously recognized the need to reflect in the COSS increasing levels of generation installed to reduce fuel costs and has approved varying levels of production plant to be classified and allocated based on energy. For example, in Commission Order No. 12348 in Docket No. 820097-EU, the Commission required that 70% of the FPL St. Lucie Unit 2 plant, equivalent to the estimated fuel savings, be classified and allocated based on energy.[5]

As FPL's generation portfolio continues to evolve, the Company will continue to evaluate the most appropriate cost allocation methodologies to be used in its future COSS.

Q. Would the adoption of the 12CP and 25% methodology impact other cost recovery mechanisms?

A. Yes. If this methodology is approved in this proceeding, production plant recovered in FPL's cost recovery clauses would also be allocated on the basis of 12CP and 25%.

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[5] *See also*, *e.g.*, Commission Order No. 15451 in Docket No. 850050-EU (requiring Tampa Electric Company ("TECO") to use the Equivalent Peaker Cost method to allocate all costs in excess of the cost of a peaking plant based on energy, which resulted in approximately 75% of TECO's production plant being allocated based on energy); and Commission Order No. PSC-09-0283-FOF-EI in Docket No. 080317-EI (approving use of 12CP and 25% for all of TECO's production plant).

Again, if approved, this methodology would be reflected in the applicable clause filings submitted after the effective date of the new base rates set in this proceeding.

Q. How are transmission costs treated in the FPL cost of service?

A. Except for transmission pull-offs that are required to connect transmission voltage customers to the grid, transmission costs have been allocated on the basis of 12CP. All transmission costs classified to demand are allocated to the individual rate classes based on their 12CP contributions, adjusted for losses. Costs associated with transmission pull-offs are classified as customer-related and allocated only to transmission voltage customers. This approach to allocate transmission plant costs is consistent with the method approved in both FPL's 2016 Rate Settlement[6] and 2021 Rate Settlement,[7] as well as for other Florida utilities.

Q. What methodology is used to allocate distribution costs in the FPL COSS?

A. Unlike production and transmission plant, which serve all retail rate classes, distribution plant is often specific to particular rate classes. Metering costs, for example, are not relevant to unmetered lighting classes. Likewise, the cost of distribution is not incurred in providing service to transmission level customers. The distribution function is a mix of several distinct sub-functions, each with its own allocation methodology as summarized below.

- Substations and primary voltage lines are allocated based on the GNCP of customers served from the distribution system.

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[6] Stipulation and Settlement approved in FPL's 2016 Rate Case in Docket No. 160021-EI, PSC Order No. PSC-16-0560-AS-EI.

[7] Stipulation and Settlement Agreement approved in FPL's 2021 Rate Case in Docket No. 20210015-EI, PSC Order Nos. PSC-2021-0446-S-EI and PSC 2021-0446A-S-EI in Docket No. 20210015-EI.

- Secondary voltage lines are allocated based on the GNCP of customers served at secondary voltage levels.
- Transformers are allocated based on the NCP of customers served at secondary voltage levels.
- The cost of metering equipment is classified as customer-related and is allocated to rate classes based on the fully loaded cost of the meters in service for each rate class.
- Service drops and primary voltage pull-offs are also classified as customer-related.
- Primary voltage customers are allocated the cost of primary pull-offs, and secondary voltage customers are allocated the cost of service drops.
- Costs specifically dedicated to lighting customers, including fixtures, poles, and conductors, are directly assigned to non-metered lighting rate classes.
- Lastly, costs related to customer Electric Vehicle ("EV") chargers are directly assigned to rate classes with EV rates.

This methodology for allocating distribution costs is consistent with the methodology proposed in FPL's prior rate cases in Docket Nos. 830465-EI, 080677-EI, 120015-EI, 160021-EI, and 20210015-EI.

Q. Is FPL's COSS provided as part of the Company's MFR Schedules?

A. Yes. FPL has provided the COSS in MFR E-1. Volume I of MFR E-1 contains FPL's proposed COSS under present and proposed rates, fully implementing FPL's proposed 12CP and 25% production cost allocation methodology described above. As required by MFR E-1, Volume II includes a COSS using the 12CP and 1/13th production cost allocation methodology, which is being provided for informational purposes only and is not the basis of FPL's proposal in this proceeding.[8]

Q. Has FPL provided details regarding the methodologies used in the retail COSS?

A. Yes. MFR E-10 provides details of the methodologies used in the COSS to allocate the various components of rate base and NOI. For this MFR, Attachments 2 and 3 depict the allocations used in FPL's separation study. Attachments 4 through 6 for Volume I of the retail COSS show the allocators based on the proposed 12CP and 25% methodology while Volume II shows the retail COSS allocators for 12CP and 1/13th.

Q. Which MFRs outline the functionalization, classification, and allocation of costs in the proposed COSS?

A. MFRs E-4a and E-4b show the functionalization and classification of rate base and expenses by FERC account. MFRs E-3a and E-3b show the allocation of rate base and expenses by FERC account to the individual rate classes.

V. RETAIL COST OF SERVICE RESULTS

Q. What results are produced in the COSS?

The COSS produces specific data for each rate class including rate base, NOI, ROR, target equalized revenue requirements, and unit costs for demand, energy, and customer charges. Target equalized revenue requirements and unit costs serve as the initial basis in the rate design process.

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[8] Consistent with Rule 25-6.043, Florida Administrative Code, and MFR Schedule E-1, FPL has provided a COSS using the 12CP and 1/13th method in Volume II of MFR E-1. However, for the reasons explained in my testimony, FPL's proposal in this proceeding is based on the proposed 12CP and 25% method.

Q. How is the ROR by rate class determined?

A. The retail jurisdictional ROR represents the jurisdictional adjusted NOI divided by the jurisdictional adjusted rate base. The ROR for each rate class is calculated once the various components of jurisdictional adjusted rate base and jurisdictional adjusted NOI are allocated to all rate classes. ROR on a total retail and on an individual rate class level are reported in MFR E-1.

Q. What is parity and how is parity by rate class calculated?

A. Parity is a measure of how a rate class's ROR compares to the total retail ROR and is calculated by dividing the class ROR by the retail ROR. The result of the calculation is referred to as the parity index. A rate class with a parity index of 100% would be earning the same ROR as the retail average and deemed to be precisely "at parity." A rate class with a parity index of less than 100%, or below parity, would be earning a ROR that is less than the retail average ROR, while the opposite would be true for a rate class with an index above 100%.

Q. What does FPL's proposed COSS show regarding the retail average ROR and the parity indices by rate class?

A. At present rates, FPL's proposed COSS shows a projected retail jurisdictional ROR of 7.63% for the 2026 Projected Test Year and 7.64% for the 2027 Projected Test Year, which is the same earned ROR as shown on Line No. 2 of MFR A-1. Exhibit TD-2 lists the ROR and relative parity index for each rate class along with the revenue requirement differential necessary to achieve full parity at present rates for the 2026 Projected Test Year and 2027 Projected Test Year. MFR E-1 provides the details supporting these results.

Q. Please explain the other results produced in the COSS.

A. As previously mentioned, a COSS also calculates revenue requirements or target equalized revenues by rate class. Revenue requirements consist of a return on rate base plus income taxes and expenses and represent the level of revenues required to earn a particular ROR. Consistent with the Commission's filing requirements, three sets of projected revenue requirements by rate class have been developed. One set of revenue requirements, shown in MFR E-6a, Attachments 1 and 2, are based on each rate class's achieved individual ROR at present rates. The second set of revenue requirements, shown on MFR E-6a, Attachment 3 and 4, are based on FPL's equalized retail ROR at present rates. The third set of revenue requirements, shown in MFR E-6b, Attachments 1 and 2, are based on FPL's proposed retail ROR applied equally to each rate class.

Additionally, MFR E-6b provides the target equalized revenue requirements by rate class and underlying unit costs for each billing determinant (*i.e.*, demand, energy, and customer). Exhibit TD-3 shows target revenue requirements for each rate class at proposed rates on an equalized basis, that is, at the retail ROR or at 100% parity. As can be seen in this exhibit, the total revenue requirements deficiency shown in Column 4 equals the amount shown on MFR A-1, line 8. The target equalized revenue requirements shown in Column 3 are reported on MFR E-1.

The COSS in MFR E-1 also provides the impact of the proposed revenue increase on the ROR and parity index for each rate class. The proposed revenue increase by rate class used in this MFR is provided on MFR E-5 sponsored by FPL witness Cohen.

Q. Should the Commission approve FPL's proposed COSS?

A. Yes, the Commission should approve the proposed jurisdictional separation study and the COSS methodology as well as the results detailed in my testimony, exhibits, and sponsored MFRs. The methodologies utilized to allocate rate base, other operating revenues, and expenses between retail and wholesale jurisdictions, as well as among the retail rate classes, were accurately applied. These methodologies align with FPL's system planning and operations and consider the ongoing shift in FPL's generation mix toward a higher proportion of renewable resources. The use of 12CP and 25% for production plant, 12CP for transmission plant adjusted for pull-offs, and distribution plant cost of service methodologies effectively align costs and benefits across customer classes and accurately reflect the cost responsibilities of all customers.

Q. Does this conclude your direct testimony?

A. Yes.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. DuBose, do you have Exhibits TD-1 through TD-5 attached to your direct testimony?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that these are CEL Exhibits 133 through 137.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q Were these exhibits prepared by you or under your direct supervision?

A Yes.

Q Do you have any corrections to these exhibits?

A No.

Q On July 9, 2025, did you file 34 pages of rebuttal testimony?

A Yes.

Q Do you have any corrections to your rebuttal testimony?

A Yes. On page 14, line 12, the reference to Exhibit TB-8 should be changed to Exhibit TD-7.

Q Okay. And with that correction, if I asked you the questions contained in your rebuttal testimony, would your answers be the same?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would ask that Ms. DuBose's rebuttal testimony be inserted though read.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled rebuttal testimony of Tara DuBose was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF TARA DUBOSE

Filed: July 9, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. Yes.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit TD-6 – FPL's Response to FIPUG's Third Set of Interrogatories No. 39
- Exhibit TD-7 – FPL's Response to FIPUG's Seventh Set of Interrogatories No. 74
- Exhibit TD-8 – FERC Three Peak Ratio Test
- Exhibit TD-9 – Analysis of Monthly Peak Demand
- Exhibit TD-10 – Solar COSID Allocation Corrections

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the following intervenor testimonies addressing cost of service issues: Florida Industrial Power Users Group ("FIPUG") witnesses Jeffry Pollock and Jonathan Ly; Florida Retail Federation ("FRF") witness Tony Georgis; Federal Executive Agencies ("FEA") witness Matthew P. Smith; Walmart Inc. ("Walmart") witness Lisa V. Perry; and Florida Rising, Environmental Confederation of Southwest Florida, Inc., and League of United Latin American Citizens of Florida (collectively "FEL") witness Karl R. Rábago. Each of these intervenor witnesses oppose my recommended allocation methodologies included in FPL's retail cost of service studies ("COSS") for the 2026 and 2027

Projected Test Years. Additionally, I will respond to the testimony of FIPUG witness Pollock's criticisms of how FPL's COSS allocates costs and revenues to customers who have voluntarily elected to participate in FPL's optional Commercial/Industrial Demand Reduction Rider ("CDR") or Commercial/Industrial Load Control ("CILC") programs included in FPL's Demand Side Management ("DSM") Plan.[1] Please note that I am responding to specific issues. Consequently, any argument raised in the testimony presented by intervening parties to which I do not respond should not be accepted as my support or approval of the positions offered.

Q. Please summarize your rebuttal testimony.

A. In my rebuttal testimony, I assert that the FPL COSS for the 2026 and 2027 Test Years accurately represent each rate class's assigned cost responsibilities, rate of return ("ROR"), and parity position relative to the system average ROR. These studies should be approved by the Florida Public Service Commission ("Commission"). The criticisms posed by intervenors regarding FPL's cost allocation methods are grounded in flawed assumptions that fail to accurately reflect our current generation resource portfolio and planning strategies.

Within this testimony, I respond to concerns from intervenors regarding FPL's functionalization of costs, the allocation of operations and maintenance expenses, and updates to load profiles and explain why these concerns are contrary to established guidelines and historical data. I also explain why intervenors' proposals are unsuitable

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[1] FPL witnesses Cohen and Whitley further address issues raised by intervenors related to the CILC/CDR credits and revenue allocation.

for FPL's unique operational context, while emphasizing the precise balancing of cost causation principles with system-specific needs.

My testimony emphasizes the appropriateness of the 12 monthly Coincident Peak ("12CP") and 25% method for allocating production plant costs and the 12CP method for allocating transmission plant costs, highlighting its comprehensive reflection of hourly and monthly demands essential to FPL's system planning requirements. Additionally, the 25% energy allocation for production costs properly recognizes the unique characteristics of the growing amount of solar generation in FPL's generation portfolio. These methods, as opposed to the 4 monthly CP ("4CP") summer-only methods proposed by FIPUG, FRF, and FEA, are better suited to accommodate FPL's diverse generation resources and appropriately recognize that, due to this diversity, our planning process must consider each of the twelve-monthly peak days/hours. I also rebut FEL's proposal to use a 100% energy-based allocation for nuclear and solar plants as this method fails to consider the capacity value of these resources. Additionally, I affirm FPL's proper distribution asset allocation and explain why the Minimum Distribution System (MDS) method is unsuitable due to FPL's emphasis on evolving demand load requirements, maintaining reliability, and storm hardening initiatives.

Finally, my testimony supports the treatment of CILC and CDR program loads as firm loads within the COSS framework. I explain that removing non-firm loads as recommended by FRF would inaccurately double-count incentives provided to these program participants.

II. COST OF SERVICE STUDY

Q. Can you please summarize the cost allocations proposed by each of the parties in this case?

A. Yes. As explained in my direct testimony, FPL is proposing the 12CP and 25% allocation method for production plant, which allocates 75% of demand-related production plant costs based on average 12CP demand and 25% based on energy to more accurately reflect FPL's existing and proposed generation portfolio. Except for transmission pull-offs that are required to connect transmission voltage customers to the grid, FPL is proposing to allocate transmission costs on the basis of 12CP. The distribution function is a mix of several distinct sub-functions, each with its own allocation method. For the purpose of the COSS, FPL is proposing to allocate distribution costs consistent with the allocation methods proposed for decades in FPL's prior rate cases as summarized on pages 23-24 of my direct testimony.

FIPUG and FRF propose that production and transmission plant be allocated using the summer-only 4CP method. FIPUG and FRF do not propose a specific allocation method for distribution plant, but FIPUG recommends that FPL should be required to submit a MDS in its next rate case.

FEA proposes a 4CP and 1/13th energy allocator for production plant and a 4CP allocator for transmission plant. FEA does not propose a specific allocation method for distribution plant.

Walmart proposes a 12CP and 1/13th energy allocator for production plant. Walmart does not propose specific allocation methods for transmission or distribution plant.

FEL proposes a 12CP and Energy/Capacity allocator for production plant that, according to their witness, would allocate the costs of all nuclear and solar plants based on energy and the costs of all gas plants and batteries based on demand. FEL does not propose specific allocation methods for transmission or distribution plant.

The table below summarizes each parties' cost of service proposals in this case.

Party	Production Allocator	Transmission Allocator	Distribution Allocator
FPL	12CP and 25%	12CP	Primarily demand based on prior COSS
FIPUG	4CP	4CP	N/A
FRF	4CP	4CP	N/A
FEA	4CP and 1/13th	4CP	N/A
Walmart	12CP and 1/13th	N/A	N/A
FEL	12CP and Energy/Capacity	N/A	N/A

Below, I will respond to the intervenors' criticisms of FPL's proposed production and transmission cost allocators, as well as explain why the intervenor's proposed allocators are not the best fit for FPL's system. Although none of the intervenors have a specific distribution allocator proposal, I will address the issues raised by certain intervenors regarding FPL's prosed methodology.

Q. Before addressing their specific cost allocation issues and proposals, do you have any general observations regarding the intervenors' cost of service proposals?

A. Yes. Based on my review of the intervenors' testimony, it appears that each intervenor witness proposes a cost allocation methodology to secure the lowest cost allocations for their respective clients. In contrast to the intervenors' results driven approach to cost allocation, I did not recommend cost allocation methodologies for the COSS to achieve a certain or pre-determined cost allocation result. Rather, my recommended cost allocation methodologies for the COSS were based on FPL's current and proposed generation portfolio, how FPL plans and operates its system, and how each customer group utilizes and benefits from these resources as explained in my direct testimony. FPL's recommended cost allocation methodology is an unbiased and balanced approach that does not favor any particular customer group over another.

Q. Is there a single correct method for allocating costs in a COSS?

A. No. The purpose of a COSS is to allocate costs to rate classes in a manner that reflects the costs of providing service to each rate class. While the National Association of Regulatory Utility Commissioners Electric Utility Cost Allocation Manual ("NARUC Manual") provides guidelines and principles for cost allocations in electric utility cost of service studies, it does not offer specific cost allocation methods for every type of cost. Instead, it provides broad recommendations and approaches to allocate various types of costs, recognizing that electric utilities have unique characteristics and may need to tailor methods to their specific circumstances. In developing a COSS, the developer must determine the cost allocation methodology that best reflects the utility system and how it is planned and operated. The choice of allocation methods for

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different types of costs primarily relies on the concept of cost causation to choose the most appropriate method that best reflects how the costs are incurred. However, other characteristics of specific accounts may influence the allocation method selection. For instance, when a deferred asset or liability has an associated amortization account, the allocation method for the deferred rate base item should align with the method used for its corresponding amortization expense account to ensure consistent treatment of both the asset/liability and its related amortization expense. Thus, there is not necessarily one "correct" cost allocation method. There may be one or more cost allocation methods that are reasonable for a specific utility system or set of circumstances, and the goal is to select the methodology for the COSS that best fits how the utility incurs its costs and operates its system. As I explain in my direct testimony and below, the cost allocation methodologies chosen by FPL best reflect how the company plans its system and how costs are recorded and accounted for in its books and records.

A. <u>Cost of Service Process</u>

Q. Do the intervenors question the process FPL used to develop its COSS?

A. Yes. FRF witness Georgis questions whether FPL properly functionalized the costs and updated the load profiles, monthly peak demands, and each class's expected contribution to monthly peaks used in the COSS. He also questions whether FPL has properly allocated certain production O&M expenses. FIPUG witness Ly questions whether FPL has properly allocated certain rate base and net operating income ("NOI") costs. As explained below, criticisms of the processes used by FPL to develop the COSS are misplaced and should be rejected.

Q. FRF witness Georgis claims that FPL is not functionalizing costs in its COSS. What does it mean to functionalize costs for the purposes of a COSS?

A. The term "functionalization" refers to the assignment of costs to one or more of the major functions of an electric utility (*e.g.*, production, transmission, and distribution). Production costs are associated with the production of electricity, including operation and maintenance of power plants, and capital costs. Transmission costs are related to the high-voltage transfer of electricity from power plants to distribution networks, including the maintenance of transmission lines and substations. Distribution costs involve delivering electricity from the transmission system to the end-users, including the operation and maintenance of distribution lines. Functionalized categories are assigned using the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts.

Q. Did FPL functionalize the costs in its COSS?

A. Yes. As I explained in my direct testimony, to determine costs to serve each retail rate class, the various components of the jurisdictional-adjusted rate base and NOI are functionalized, classified, and then allocated to the retail rate classes.

Q. Please explain how the costs were functionalized in FPL's COSS.

A. FPL employs Cost of Service IDs ("COSIDs") within its COSS to systematically organize and functionalize costs. These unique accounts may integrate one or more balances from FERC accounts, aiding in the functionalization of costs using FERC function descriptions. COSIDs with costs directly assigned to specific functions are named according to the related FERC functions, such as Nuclear Production, Other Production, Steam Production, Solar Production, Storage, Renewables, Transmission, Distribution, and Lighting. For COSIDs allocated across multiple functions, balances are functionalized using allocators derived from the COSIDs that were directly assigned to specific functions. This approach to functionalize costs using COSIDs is reflected in FPL's electronic (Excel) COSS Roadmaps for the 2026 Projected Test Year and 2027 Projected Test Year that were provided in response to OPC's First Set of Interrogatories No. 14 and FIPUG's First Set of Interrogatories No. 11. Thus, contrary to the assertion of FRF witness Georgis, FPL did functionalize the costs in its COSS. FPL's fully functionalized revenue requirements by rate class are comprehensively outlined in MFR E-6.

Q. FRF witness Georgis claims that the system peak and customer class contributions to the monthly peak demands were not updated by FPL to reflect known and measurable changes for 2026 through 2029. Do you have a response?

A. Yes. First, FPL has only proposed a COSS for the 2026 and 2027 Test Years. As such, there are no updates to be made to the COSS for calendar years 2028 or 2029.

Second, the assertion that FPL failed to update the test year system peak and customer class contributions to monthly peak demands is incorrect. Commission Rule 25-6.0437, Florida Administrative Code, requires that COSS used in ratemaking proceedings be based on historical load research studies, developed using approved sampling plans. As explained in my direct testimony, the load research used to develop the COSS was based on the most recent sampling plan that was available at the time the COSS was prepared as required by Rule 25-6.0437. The use of these historical load research profiles to develop load factors for the COSS was illustrated in files provided with FPL's response to FEA's Request for Production of Documents No. 27. These historical load factors were averaged and applied to energy forecasts for the 2026 and 2027 Projected Test Years to calculate demands by rate class. To ensure the forecasted CPs by rate class align with the aggregate forecasted system peak, the variance between total historical and forecasted CP was distributed to rate classes based on their historical demand distribution according to the load research from the most recently approved sampling plan. Thus, I disagree that FPL failed to update the test year system peak and customer class contributions to monthly peak demands.

Q. FRF witness Georgis also claims that FPL failed to update the load profiles, monthly peak demands, and each class's expected contribution to monthly peaks to account for the shifting of net monthly peak demand to later in the evening in the summer months. Do you have a response?

A. Yes. FPL does not have an approved sampling plan or filed load research study results based on net system peak. Meaning, the update requested by FRF witness Georgis would be contrary to the requirement in Rule 25-6.0437 that COSS used in ratemaking proceedings be based on historical load research studies developed using the approved sampling plans.

Moreover, the net system peak differs from the total system coincident peak. The net system peak represents the peak resource that planners must meet after subtracting solar generation capacity. Thus, allocating all system production costs, including solar generation costs, on net system peak would be inappropriate and disregard the significant amount of solar generation that FPL has on its system.

Q. FRF witness Georgis asserts that FPL has misclassified production O&M expenses as demand- or energy-related, and claims that the costs should be considered fixed costs. Do you have a response?

A. Yes. FPL adheres to the cost allocation guidelines prescribed in the NARUC manual for all O&M expense accounts, except for certain accounts associated with Other Production O&M, where it employs a tailored approach reflecting the fact that Other Production plant is not made up of solely peaking units as was anticipated by the NARUC Manual published 30 years ago. An explanation of FPL's cost allocation methods for the production O&M expense accounts was provided in FPL's response to FIPUG's Interrogatory 39, which is attached to my testimony as Exhibit TD-6.

For FPL, the Other Production subfunction includes a large percentage of plant costs related to combined cycle plants with characteristics that are more consistent with steam units. Therefore, FPL chose to allocate the associated O&M accounts based on the guidelines for Steam units. These cost allocation practices are reasonable and suitable for FPL's system and align with FPL's historical standards, which have been consistently applied for over a decade.

Q. FRF witness Georgis asserts that FPL has incorrectly classified costs for most of the battery storage operating expense accounts to energy, which he claims should be allocated demand costs. Do you have a response?

A. Yes. Energy storage O&M accounts were allocated consistent with Other Production because they were previously included in the Other Production plant category. Beginning in 2025, FERC Order 898 required that utilities move Energy storage balances to new unique accounts. FPL acknowledges that it would not be unreasonable to allocate battery storage O&M accounts consistent with how Peaking units are allocated (demand-related). However, the amounts are not material with energy storage O&M making up only 0.014% and 0.24% of total O&M expenses in 2026 and 2027, respectively.

Q. FIPUG witness Ly states FPL incorrectly allocated certain rate base and NOI items as O&M and Labor expense. Do you have a response?

A. Yes. In FPL's response to FIPUG's Interrogatories No. 74, which is attached to my testimony as Exhibit TD-7, FPL explained the basis for the allocation methods used for each of the rate base and NOI accounts questioned by FIPUG witnesses Ly. These same allocation methods have been used in FPL's COSS for over a decade. For the reasons identified in Exhibit ~~TB-8~~ TD-7, FPL continues to believe these allocation methods are reasonable and, therefore, FPL has not proposed to change how any of these rate base or NOI components are allocated in this proceeding.

B. <u>Production Plant Allocations</u>

Q. Is FPL's use of the 12CP method to allocate demand costs for production plant appropriate?

A. Yes. FPL plans its generation and transmission capacity requirements comprehensively, considering hourly and monthly demands to meet its resource planning criteria. This planning goes beyond average coincident peak demand, accounting for the timing and specifics of each peak in relation to the distinct characteristics of FPL's generation fleet. Factors like the total system peak, scheduled maintenance, and potential unplanned outages are all integral considerations. Consequently, the 12CP method, which utilizes all 12 months to calculate production demand cost allocators, is the most reasonable and fitting methodology for FPL's system.

Q. FRF witness Georgis, FIPUG witness Pollock, and FEA witness Smith all claim FPL is a summer peaking utility and, therefore, propose that the 4CP method should be used to allocate production plant. Do you have a response?

A. Yes. I agree that FPL is a summer peaking utility with the four highest peaks in June, July, August, and September. Despite FPL's highest peaks occurring during summer months, concentrating solely on four summer peak hours overlooks other seasonal variations, particularly in winter when solar resource availability is limited due to shorter days. Therefore, FPL employs a comprehensive system planning strategy that considers a diverse range of monthly peaks rather than just the 4CPs, promoting a balanced approach to meeting actual system demands.

Furthermore, a ten-year analysis using the FERC three peak ratios test consistently identifies FPL as a 12CP system, save for one year marked by atypical weather conditions. The 12CP methodology also corresponds with FPL's methods for allocating costs to its wholesale production formula rate customers and wholesale transmission customers under FERC jurisdiction. Consequently, changing the retail production and transmission separation factor and rate class allocators from 12CP to another methodology would be unsuitable for FPL's system, creating disparities in how production and transmission costs are allocated and recovered across different jurisdictions.

Q. You mentioned the FERC three peak ratios test, can you please explain what that is?

A. Yes. FERC, which is the body that regulates the wholesale rates of electricity in interstate commerce, has primarily affirmed the use of a 12CP allocation method because it "believe[s] the majority of utilities plan their system to meet their twelve monthly peaks."[2] FERC will allow utilities to propose an alternative to 12CP, but the utility must demonstrate that such alternative is consistent with the utility's system planning and would not result in an over-collection of the utility's revenue requirement. In evaluating such determinations, FERC uses the three peak ratios test established in *Golden Spread Electric Coop., Inc.*, 123 FERC ¶ 61,047 at 61,249 (2008):

- Test No. 1 – On and Off-Peak Test: This test first compares the average of the coincident peaks in the months with the highest system peaks as a percentage of the annual system peak. Second, it compares the average of the coincident peaks in the months with the lowest system peaks as a percentage of the annual system peak. A 12 CP allocation is considered appropriate where the difference between these two percentages is 19% or less.

- Test No. 2 – Low-to-Annual Peak Test: Compares the lowest monthly peak as a percentage of the annual system peak. A range of 66% or higher is considered indicative of a 12 CP system.

- Test No. 3 – Average to Annual Peak Test: Compares the average of the twelve monthly peaks as a percentage of the annual system peak. A range of 81% or higher is considered indicative of a 12 CP system.

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[2] *Promoting Wholesale Competition through Open Access Non-discriminatory Transmission Services by Public Utilities*, 61 F.R. 21540-01 at 21599, Order No. 888 (1996).

Q. FRF witness Georgis acknowledges that FPL produced the results of the FERC three peak ratios test but claims they are outdated. Have you performed an updated analysis of the FERC three peak ratios test?

A. Yes. In FPL's response to FRF's Request for Production of Documents No. 6, served on May 7, 2025, FPL provided the results of the FERC three peak ratios test performed in 2021, which indicated that use of the 12CP allocator for production and transmission was appropriate. Since that time, FPL has performed an updated FERC three peak ratios test using the historical load data from 2015-2024 and projected load data for 2025-2027 as provided in MFR E-18. The results of this updated FERC three peak ratios test are provided in Exhibit TD-8. As shown in Exhibit TD-8, for the historical period 2015 through 2024, FPL meets all three FERC tests for utilizing the 12CP method each year except in 2020 and 2024. For 2020, two out of three tests are met, while in 2024, only one test is satisfied, with 2024 identified as an outlier due to unusual cooler weather during off-peak months. For the projected period 2025 through 2027, FPL's projected monthly load consistently meets or surpasses the criteria for all three FERC tests. Thus, considering the overall FERC three peak ratio test results, utilizing the 12CP allocation method for production and transmission demand-related costs on FPL's system continues to be appropriate under the FERC three peak ratios test.

Q. FIPUG witness Pollock claims that FPL's annual load is spikey and its non-summer months do not lie within narrow range and asserts that by giving equal weight to non-peak months under the 12CP method it dilutes the impact of demands occurring in peak months. Do you have a response?

A. Yes. Exhibit TD-9 compares FPL's highest peak demand to those in other months over a three-year monthly average, both historical and projected.[3] This analysis demonstrates that on a three-year average basis, FPL experiences relatively consistent peak demands for seven to eight months each year, primarily due to sustained high temperatures throughout the year across FPL's system. The exhibit highlights that, historically, from April to October, FPL has seen peaks that reach 80% or more of the highest system peak from 2022 to 2024. This historical and forecast data supports the continued application of the 12CP allocation method for production and transmission demand-related costs for consolidated FPL.

Q. FIPUG witness Pollock and FRF witness Georgis state the 12CP method is not consistent with cost causation principles because the summer peak demands drive the need to install capacity. Do you have a response?

A. Yes. As described by FPL witness Whitley in his direct testimony, the second reliability criterion used in FPL's resource planning process is the Loss of Load Probability ("LOLP") criterion. The LOLP approach looks at the peak hourly demand for each day of the year and not just the summer peak hours. This approach is necessary to ensure that FPL has capacity to serve customers throughout the year when individual generators may be out-of-service due to scheduled maintenance or forced outages, the

[3] It is appropriate to use a three-year monthly average to smooth the impact of abnormal weather.

variability of load, the variability of production from intermittent resources (like solar) and the availability of limited duration resources such as battery storage and demand response programs. An approach that considers only summer peak demand hours would not be sufficient to ensure the reliability of FPL's system throughout the year.

Q. FIPUG witness Pollock claims it would be appropriate for FPL to also apply 4CP because the Commission recently approved 4CP for Tampa Electric Company ("TECO") and, according to him, FPL and TECO have similar systems. Do you agree?

A. No. Just because the Commission adopted an allocator for one utility based on the facts and circumstances of that case does not justify adopting that same allocator for an entirely different utility. I also disagree with his characterization that FPL and TECO have similar systems. Other than the fact that they are both located in Florida and subject to regulation by the Commission, FIPUG has failed to provide a comparison or analysis in support of the claim that the systems and operations of FPL and TECO are similar enough that the 4CP approved for TECO can simply be used as a proxy for undertaking a full analysis of FPL's system and operations to determine the most appropriate allocation method. I also disagree that FPL and TECO's systems are similar for the following reasons:

- FPL and TECO have distinct approaches to their production resource systems, largely reflecting differences in size, technology investments, and strategic priorities. One obvious difference is that FPL, being one of the largest utilities in the nation, operates a significantly larger fleet of generation capacity compared to TECO. FPL's total nameplate system generating capacity as of December 31, 2024, was 36 GW whereas TECO's total was 6 GW. This allows FPL to have a wide array of resources to meet diverse demand profiles across a broader geographic area.

- FPL has heavily invested in a balanced mix of nuclear, natural gas, and solar installations, emphasizing sustainable energy and efficiency. FPL has been a national leader in solar energy integration, with thousands of megawatts of solar capacity across its service area. It actively promotes solar farm developments and customer-owned solar programs. Further, as of December 2024, FPL had approximately 7 GW of solar on its system, while TECO's total solar generation was 1 GW.

- FPL's resource planning is influenced by the diversity inherent in its service territory. This territory extends from the heavily urban areas of South Florida to Northwest Florida. In addition to the retail customers directly served by FPL, FPL also provides wholesale power to many other areas throughout Florida. This large amount of territory exposes FPL to a greater variety of weather risks, including potential hot weather throughout the year as well as potential winter peaks in the Northwest Florida area. This requires FPL to optimize its planning for a variety of conditions.

- FPL's large territory also requires consideration when planning where available generation and transmission can be constructed. Over 40% of FPL's load is concentrated in South Florida, which has limited land available for new generation and transmission facilities. Likewise, power flow into and out of the Northwest Florida area is also limited. These constraints present unique challenges to FPL in siting new generation to serve its varied and growing demand.

Q. Would it be appropriate for FPL to use 4CP to allocate production demand-related costs?

No. The 4CP proposal fails to recognize the following important considerations in setting production plant allocations: (1) generation capacity is needed to serve load every month, not just four months of the year, to meet all of the criteria previously described in FPL's resource planning process; and (2) energy use and the monthly peak demands projected for the entire year influence the type of generating units added, which drives the level of capital expenditures on FPL's system.

While the decision to add generation capacity is driven by load requirements, the type of generation capacity added (and thus the total cost of the unit additions) is influenced by the number of hours the units are expected to run for the entire year. As explained in the direct testimony of FPL witness Andrew Whitley, the selection of resources is "determined by the option that is projected to result in the lowest electric rates for FPL's customers while satisfying reliability standards." If megawatt capacity were the only consideration in the generation plan, the Company's generation portfolio would consist solely of peaking units that have the lowest fixed costs.

Implementing a 4CP method would not only deviate from FPL's system planning strategies but also lead to a significant misalignment in cost recovery between its retail and wholesale jurisdictions.

Q. Walmart, FRF, FEA, and FIPUG all appear to assert that your proposal to use a 25% energy allocator for production plant does not align with how FPL incurs production costs to meet the Company's peak system capacity requirements and, therefore, is not consistent with cost causation. Do you have a response?

A. Yes. As explained in my direct testimony, FPL is proposing to allocate 25% of demand-related production plant costs based on energy to reflect the significant amount of solar generation that has been added to FPL's system over the last several years, as well as FPL's plan to continue adding additional solar and battery storage to address growing customer needs for capacity and energy as discussed by FPL witness Whitley. Solar generation is unique compared to other generating sources because it has zero fuel costs and significantly reduces overall system fuel costs as it becomes a larger percentage of the generation mix. Aligning cost allocations with FPL's generation portfolio upholds the cost-causation principle by accurately reflecting the cost responsibilities of different rate classes based on their specific usage patterns and the generation resources that serve them. This approach promotes fairness, equity, and efficiency in cost allocations.

Since 2021 when FPL prepared its last cost of service study, FPL has added approximately 4 GW of solar to its system for a total of 7 GW of solar as of December 2024. By the end of 2027, solar generation is expected to total 10 GW and make up more than 31% of FPL's total generation portfolio net plant costs. However, as solar increases as a percentage of total generation, the capacity value of solar generation decreases largely due to its reliance on daylight hours and varying weather conditions. Solar production is subject to intermittent fluctuations and thus becomes less consistent for fulfilling specific demand peaks. This reduced capacity value categorizes solar mostly as an energy resource.

Given the significant solar plant costs that FPL is seeking to recover in base rates, it is appropriate to adjust the production cost allocator in the COSS with a higher energy weighting. Thus, to better align cost allocations with significant solar generation on FPL system today, as well as the solar generation additions that are being made through the 2027 Projected Test Year, FPL has proposed to increase the energy weighting for fixed production cost allocations from 1/13th to 25% in its COSS. Such an allocation acknowledges the role solar has in providing steady energy output during daylight rather than serving as a reliable capacity resource during periods of peak demand.

Q. FEA witness Smith notes that increasing solar installations on the system has 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. Do you agree?

A. I acknowledge that solar integration has shifted FPL's net peak and planning risk to later evening hours when solar generation is unavailable to meet net peak demand. However, this temporal shift does not reduce the capacity value that solar provides during gross peak periods. Additionally, it underscores the substantial energy value solar resources deliver to the system when economically justified, even as their effective load carrying capability ("ELCC") diminishes over time. Both the capacity contribution during gross peak hours and the energy value are appropriately captured in the proposed 12CP methodology and 25% Production Allocator approach.

Q. FEA witness Smith states it is unreasonable to assert the solar panels will not be contributing to the system's coincident peak via the additional battery storage units because, according to him, FPL witness Whitley claimed batteries will be charged during the day as a direct product of FPL's large amounts of solar on the system. Do you have a response?

A. Yes. FEA witness Smith's assessment of battery additions misinterprets the resource planning dynamics. While substantial solar integration has shifted generation planning risk to later evening hours, solar resources continue to provide some capacity value during gross system coincident peak periods – a contribution that our proposed allocation methodology appropriately recognizes. The battery additions, however, serve a distinctly different function and cannot reasonably be expected to contribute during gross CP hours. Given their short-duration design, deploying batteries during gross peak periods would deplete their state of charge, rendering them unavailable to provide the critical capacity and energy needed during net peak hours when the solar capacity value diminishes and the system faces its greatest planning risk. This operational reality necessitates reserving battery capacity for the evening hours when solar generation is unavailable and system reliability depends on dispatchable resources.

Q. **FIPUG witness Pollock states that the 12CP and 25% methodology ignores the fuel benefits that higher load factor customers bring to the system, and Walmart witness Perry claims that the 25% energy allocator shifts cost responsibility from lower load factor classes to higher load factor classes. Do you have a response?**

A. Yes. As explained in the direct testimony of FPL witness Whitley, the increase in FPL's solar generation since 2021 has saved customers approximately $942 million in avoided fuel expenses. These fuel savings benefit all customers, particularly the highest energy users on FPL's systems, such as customers with high load factors. Increasing the energy allocation within production cost allocations assigns a greater share of solar costs to those customers who derive the most benefit from the zero fuel solar energy assets.

Q. FIPUG witness Pollock claims that, unlike baseload plants, FPL's solar plants can operate only on sunny days and, therefore, solar plants are an intermittent energy resource at best. Do you have a response?

A. Yes. While solar plants are an intermittent energy resource, they do provide some capacity value and that is recognized in FPL's proposed cost allocation method. The 12CP and 25% is roughly equivalent to allocating non-solar fixed production plant using the 12CP and 1/13th method and separating out the 23% of fixed production revenue requirements that are solar specific and classifying 85% as energy related. This results in allocating 12CP for 15% and energy for 85%, which closely aligns with the average ELCC of new solar additions during the 2026 and 2027 Projected Test Years as further explained by FPL witness Phillips.

Q. FIPUG witness Pollock claims that the combination of 12CP and average demand allocators used in FPL's proposed 12CP and 25% method causes energy usage to be double counted, once in the energy allocator and another time in determining each class's demand. Do you agree?

A. No. Florida's production cost allocation methods traditionally incorporate both a demand and energy component. However, the allocation approach is weighted to ensure that production costs are limited to 100%, meaning FPL is not double recovering any components of the production costs from customers. Specifically, the 12CP and 25% allocation method allocates 75% of production plant costs based on the 12 coincident peaks and 25% based on energy consumption. This balanced methodology effectively prevents any possibility of double counting.

Q. Walmart witness Perry and FEA witness Smith recommend that FPL continues to use the 1/13th method rather than the proposed 25% energy allocation. Do you have a response?

A. Yes. Using the 12CP and 1/13th method is the approach that FPL has applied to its COSS for decades. Although this is a generally accepted methodology for allocating production plant, it is not the best fit allocation method for FPL's system. Notably, it fails to accurately reflect the significant solar generation that FPL has installed on its system and plans to install through the 2027 Projected Test Year as explained above.

Q. FEL witness Rábago proposes that FPL use a "12 CP and Energy/Capacity" allocation method that allocates the costs of all nuclear and solar plants to energy, and the costs of all gas plants and battery facilities to demand. Please respond to his proposal.

A. First, I disagree that it is appropriate to allocate all nuclear and solar plant costs solely on energy. Nuclear plants serve as baseload demand generation resources, consistently operating to fulfill FPL's demand needs for all hours of the day. In contrast, solar plants have limited availability, functioning optimally at specific times without the ability to adjust to meet demand changes throughout the day. Solar plants also possess some capacity value, making a 100% energy allocation for their costs unsuitable. Second, FPL agrees that the costs associated with gas plants and battery storage should be demand-based. However, to achieve a balanced cost allocation approach, FPL opted to allocate all production plant costs on a 12CP basis, with 25% reflecting the increase in intermittent solar capacity as a significant and growing generation resource.

C. **Transmission Plant Allocations**

Q. Please summarize the intervenors' proposals to allocate transmission plant.

A. FIPUG, FRF, and FEA all propose that FPL's transmission production plant be allocated using the 4CP method rather than the 12CP method proposed by FPL. The only justification to allocate transmission plant using 4CP that is offered by these intervenors is their claim that transmission plant and production plant are driven by the same system peaks and because they are proposing 4CP for production plant it should likewise apply to transmission plant. The primary basis these intervenors propose for the 4CP method for allocating transmission plant is, according to them, the same system peak demand that drives production plant allocations also drives the transmission systems. Stated differently, they are proposing a 4CP for transmission plant because they are also proposing 4CP for production plant.

Q. Can you respond to their proposed allocation of transmission plant?

A. Yes. Generation and transmission plant costs are often allocated similarly for jurisdictional and class cost allocation purposes, and I would agree that if the demand allocation changes for one, it should be considered for the other. However, as I explain in detail above, the 12CP method is the most appropriate method to allocate production plant on FPL's system and the 4CP method should be rejected. It is equally not appropriate to allocate transmission demand-related costs based on 4CP as the transmission system is designed and built to provide capacity needs for all twelve months of the year and not just four months.

Q. Do you have other concerns with the intervenors' proposal to use 4CP to allocate transmission plant?

A. Yes. There are several basic ways that generation assets and transmission assets are different. Generation assets focus on producing electricity, whereas transmission systems are designed to deliver it across distances. This results in differing requirements for their construction and planning processes. Additionally, FPL's Open Access Transmission Tariff allocates transmission costs to wholesale customers using 12CP. Employing a 12CP methodology for separating generation and transmission costs aligns retail rates with the recovery of wholesale production and transmission costs regulated by FERC. Whereas shifting retail allocations to 4CP would create a mismatch in cost recovery between the wholesale and retail jurisdictions. Finally, as explained above, the results of the FERC three peak ratios test indicate that FPL's production and transmission system should continue to be allocated using the 12CP.

D. Distribution Plant Allocations

Q. Please explain the method FPL used in its proposed COSS for allocating distribution plant

A. FPL classifies meters, service drops, and primary pull-offs as customer-related because these costs are incurred to connect individual customers to the distribution system. The remaining balances of distribution plant, including poles, conductors, conduit, and transformers, are classified as demand-related because they can be shared by multiple customers depending on demand requirements. Demand-related distribution is allocated among the rate classes using various measures of peak demand.

Q. Do any of the intervenors propose an alternative method for allocating distribution plant?

A. No. However, FIPUG witness Pollock appears to take issue with the fact that FPL's distribution plant is primarily allocated as demand-related rather than based on the number of customers. On page 42 of his testimony, FIPUG witness Pollock recommends that the Commission order FPL to study the merits of classifying a portion of its distribution plant as customer-related, and to submit that study to the Commission no later than 90 days prior to FPL filing a test-year letter in its next rate case.

Q. Are you familiar with FIPUG's proposal to classify distribution plant as customer-related?

A. Yes. This is typically referred to as the MDS method.

Q. Please explain the MDS method for allocating distribution costs.

A. The MDS method recognizes both a customer and a demand component for poles, conductors, conduit, and transformers. The MDS is meant to represent a set of distribution facilities designed to serve the zero or minimum load requirements of customers. The process to develop the MDS involves determining the level of investment in poles, conductors, conduit, and transformers required solely to connect customers to the electric system without regard to demand requirements. Once this is determined, this minimum investment is allocated to customer classes based on the number of customers. The remaining distribution costs are allocated based on customer class demand requirements.

Q. Is the MDS method the only method for allocating distribution costs?

A. No. The MDS is only one method used by some utilities for allocating distribution costs.

Q. Are there drawbacks to the MDS methodology for allocating distribution costs?

A. Yes. Under the MDS method, the minimum system has intrinsic load carrying capacity, which means that the minimum cost is the cost to serve the average customer. As a result, there may be a risk of double counting the allocations to smaller customers with less demand than the average customer. These smaller customers could receive an allocation of the minimum size equipment through the customer component and an allocation of the demand-related costs, even though a large portion of their demand may be served by the minimum sized equipment.

Q. Are there other drawbacks to using the MDS method to allocate distribution costs to FPL's customers?

A. Yes. FPL's distribution planning must account for system reliability and the fact that distribution assets in Florida must be storm- hardened. Distribution system reliability and storm hardening are not based on the number of customers connected to the system. Thus, an MDS must be appropriately tailored to account for the requirements of system reliability and storm hardening in Florida.

Q. FIPUG witness Pollock cites the NARUC Manual in support of his recommendation for FPL to submit an MDS study as part of its next rate case. Does the NARUC Manual require the use of the MDS method for the allocation of distribution costs?

A. No. The NARUC Manual is to be used as a guideline and is not intended to prescribe one allocation method over another. Further, the NARUC Manual recognizes that MDS is not the only way to segregate customer- and demand-related costs. Specifically, page 95 of the NARUC Manual provides:

> Cost analysts disagree on how much of the demand costs should be allocated to customers when the minimum-size distribution method is used to classify distribution plant. When using this distribution method, the analyst must be aware that the minimum-size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost.

Q. Do you believe that the MDS method is appropriate for FPL's distribution system?

A. No, not at this time, because the central criterion used in planning and building FPL's distribution system is kW load requirements (maximum customer class demands) and storm hardening. Thus, the use of the MDS method would not appropriately reflect how distribution is planned on FPL's system.

Q. Do you have any other concerns with FIPUG witness Pollock's MDS recommendation?

A. Yes. FIPUG witness Pollock recommends that the Commission order FPL to file an MDS study 90 days prior to filing the test year letter in FPL's next case. This would be five months before FPL filed its rate case. At FPL, the COSS and rate design are the last components of the Company's rate case filing to be completed because they require all the costs, revenues, data, and inputs from the other rate case teams to be finalized and completed before they can begin to allocate the costs. Based on my experience preparing COSS for multiple rate cases, I do not think it would be realistic to prepare and file a COSS with MDS five months before FPL files its case.

III. CILC/CDR

Q. FRF witnesses Georgis and FIPUG witness Ly contend that FPL should have made an adjustment to the customer class demand allocators in its COSS to account for the non-firm load of the CILC and CDR customers. Do you agree with this proposed adjustment?

A. No. The production and transmission load assigned to the CILC and CDR rate classes is treated as firm load in FPL's COSS to avoid a double count of the incentives provided to the CILC and CDR program customers. FPL treats the CILC and CDR incentive payments as additional base revenues (or revenue credits), which directly offset the revenue requirements of customer classes that participate in these programs, because these incentive payments are collected from all customers as part of a Demand Side Management program recovered through the Energy Conservation Cost Recovery clause. Providing a revenue credit in the COSS is a more direct method of crediting the CILC and CDR rate classes for these incentive payments than adjusting demand allocators. Further, removing the non-firm load associated with CILC and CDR customers from COSS allocators, while also giving these customers revenue credits, would double count the credits and inappropriately shift costs to other customers. For these reasons, it is appropriate for the load assigned to CILC and CDR to be treated as firm load in the COSS rather than being removed from demand allocators as non-firm customer load as suggested by FRF witness Georgis.

IV. UPDATES TO THE COST OF SERVICE STUDY

Q. Please explain how FPL will update the COSS to reflect the final costs and revenues approved by the Commission.

A. Similar to prior rate cases, FPL will submit a compliance filing in this docket that will reflect the impact of the Commission's final decision on all issues. As part of that compliance filing, FPL will update the applicable COSS MFRs for the 2026 and 2027 Projected Test Years consistent with the Commission's final decision in this docket.

Q. Are there any corrections needed to the COSS?

Yes. As stated in FPL's response to FIPUG's Third Set of Interrogatories No. 37, the Solar COSIDs INC603110, INC603136, and INC603199 were inadvertently allocated on 12CP and 1/13th as opposed to 12CP and 25%. After further review an additional COSID, INC603100, was identified as using 12CP and 1/13th as opposed to using 12CP and 25%. The impact of these corrections to the equalized target revenue requirements is provided in exhibit TD-10. To address this inadvertent error, FPL will allocate these Solar COSIDs using the final allocation methodology approved by the Commission and include that allocation as part of FPL's compliance filing addressed above.

V. CONCLUSION

Q. In your opinion, would it be appropriate to implement any of the COSS changes proposed by intervenors?

A. No. Unlike the alternate cost allocation proposals offered by the intervenors, the cost allocation methods proposed by FPL are consistent with how FPL plans and builds its system and reflect the current diversity of FPL's generation resources. The results of the consolidated FPL COSS submitted by FPL for the projected 2026 and 2027 Test Years fairly present each rate class's cost responsibility, ROR, parity position, and should be approved by the Commission.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. DuBose, do you have Exhibits TD-6 through TD-10 that were attached to your rebuttal testimony?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that these are CEL Exhibit Nos. 320 through 324.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. DuBose, were these exhibits prepared by you or under your direct supervision?

A Yes.

Q Do you have any corrections to these exhibits?

A No.

Q Would you please summarize the topics addressed in your direct and rebuttal testimonies?

A Yes.

My direct and rebuttal testimonies address load research and cost of study -- cost of service study issues.

I am here to answer any questions you may have.

Q Thank you.

MR. CHRISTOPHER WRIGHT: We tender the witness for cross.

CHAIRMAN LA ROSA: Great. Thank you.

OPC, you are recognized for questioning.

MR. PONCE: Thank you.

EXAMINATION

BY MR. PONCE:

Q Good morning, Ms. DuBose.

A Good morning.

Q As you just said, the purpose of your testimony is to support the cost of service study that was performed in this case?

A Yes.

Q I don't mean to be utility 101, but if you could briefly sum up what a cost of service study is?

A Yes. A cost of service study is used to allocate the revenue requirements to the various customer groups based on their load profiles and how they use our system.

Q Okay. So it's basically a guide for assigning costs to each of the different rate classes, right?

A That's correct.

Q And that's based on the principle of cost causation?

A That's one consideration.

Q Okay. It also serves -- and as serving as a guide, that means that, for example, the Commission could look at it and understand, oh, I understand why

rate X is associated with rate class Y, right?
A I am not sure if I understand your question.
Q Sure. Basically, since it's just a way that the Commission, or I guess anybody else, could understand why costs are allocated to certain rate classes?
A Yes.
Q Okay. In that case, does that mean that if costs were associated -- were -- if costs were assigned to certain rate classes in a way that was done without a cost of service study, isn't it harder, then, for the Commission or anybody else to understand that?
MR. CHRISTOPHER WRIGHT: Chairman, I am going to object. She's here to talk about the cost of service study she performed, not about the one she did not perform.
MR. PONCE: I am not asking about one that she didn't perform. I'm asking just as a big picture general principle what happens when there is no cost of service study?
CHAIRMAN LA ROSA: Can you repeat the question?
MR. PONCE: Sure. I will ask it that way.
BY MR. PONCE:
Q What happens when there is no cost of service

study?

A I am not sure I understand the relevance of the question.

Q Well, the relevance --

CHAIRMAN LA ROSA: Can you answer the question? Do you have an answer to the question?

THE WITNESS: I prepared the cost of service study for this rate case. We had, I think, five cost of service studies that were presented as part of this filing. So I guess I am kind of not understanding the question.

BY MR. PONCE:

Q If costs are allocated to certain rate classes without a cost of service study, doesn't this mean that there is less relationship between those costs and cost causation?

A When costs are allocated -- maybe you are talking about revenue allocations, which is not the topic of my testimony. That would be for Witness Cohen.

Q The purpose of a cost of service study is to allocate costs to rate classes in a manner that reflects the cost of providing the service to those rate classes, right?

A The purpose is to allocate cost to customers based off of a cost of service methodology. Then from there, that cost of service is provided to the rate design team, and then they actually allocate the increases in the revenues based off of various criteria, not only the cost of service.

Q So if those costs are allocated without a cost of service study, doesn't that mean that those costs are being allocated without cost causation?

A Again, I did not allocate the increases in the revenues. I only provide the cost of service. It is one input in the revenue allocation.

Q Okay. This includes aligning costs with FPL's generation portfolio?

A I am sorry, could you repeat that again?

Q So this also includes aligning costs with FPL's generation portfolio?

A We do consider the generation portfolio in the cost of service analysis.

Q Okay. Are you aware that FPL is seeking approval for the purchase of the Vandolah Power Plant?

MR. CHRISTOPHER WRIGHT: Objection. She does not address Vandolah anywhere in her testimony.

MR. PONCE: Well, this is part of FPL's generation portfolio. It's a fact, and it's in the case that they are acquiring Vandolah, so I think it's relevant to ask what are the affects of that on FPL's cost portfolio.

MR. CHRISTOPHER WRIGHT: Chairman, I don't believe it is a part of our generation portfolio. That transaction has not been completed.

CHAIRMAN LA ROSA: Staff?

MS. HELTON: Let me confer with Mr. Stiller for a minute.

Mr. Chairman, it seems to me that that's outside the scope of the witness' prefiled testimony.

CHAIRMAN LA ROSA: Sustained.

BY MR. PONCE:

Q Maybe -- let me try asking it this way: It's fair to say you did not consider the Vandolah acquisition when it came time to perform your cost of service study?

A That's correct. The cost of service was based on our forecast, which did not include that unit.

Q If we can go to page 23, lines 10 through 12 of your rebuttal. Unfortunately I don't have a master page number.

A Page 23 of the rebuttal?

Q Yes.

A I am there.

Q I am just waiting for it to pop up on the

screen.

And in this portion of your testimony, you are discussing solar as it relates to -- you are discussing the energy value of solar, right?

A I am sorry, can you repeat that? I am just having a little trouble hearing because I have got a cold.

Q I apologize. Please feel free to ask me to repeat whenever you have trouble hearing.

A Okay.

Q So in this portion of your testimony, you are discussing the energy value of solar, right?

A Am I discussing the energy value of solar? Specifically which lines are you referring to?

Q I believe it's lines 10 through 12.

A Yes, this portion of my testimony discusses how solar provides energy value to the system.

Q Okay. FPL usually peaks around 5:00 to 6:00 p.m., right?

A That's correct.

Q Okay. And it's fair to say that the sun is generally not shining at that time?

A During some parts of the year, that's true.

Q Okay. So at least during part of the time, then, doesn't this mean that FPL experiences diminished

solar capacity?

A Yes.

Q Doesn't that mean that as solar becomes a larger percentage of FPL's generation, FPL is losing capacity value to the system?

A It's true that solar has less capacity value as it's added to the system.

Q So by definition, then, more solar means less capacity value?

A Yes, I think that's true.

Q Thank you. I have nothing else. Thank you, Ms. DuBose.

CHAIRMAN LA ROSA: FEL?

MR. MARSHALL: Thank you, Mr. Chairman.

EXAMINATION

BY MR. MARSHALL:

Q Good morning. I hopefully will not take too long so we can get you feeling better.

Mr. Ponce touched on the principle of cost causation. Can you explain what your understanding of that principle is?

A Basically that the customers that cause the cost pay for those costs based on their load profiles.

Q And you attempted to incorporate that principle into your proposed cost of service

methodologies presented in your direct and rebuttal testimony?

A Yes.

Q And your opinion is, then, that the 12 CP and 25 percent AD cost of service methodology reflects cost causation?

A Yes, that was my proposal.

Q And could possibly be even considered conservative in how much it allocates to energy?

A It was my proposal that it was the most reasonable method for our system.

Q And you would consider it possibly it could be even considered conservative in how much it allocates to energy?

A I think it was a step in the right direction considering the solar on our system.

Q So is that a yes?

A No, I think it was my proposal. I was comfortable with 12 CP and 25 percent.

Q Do you remember if I asked you that question in your deposition, and whether you agreed that it could possibly be considered conservative in how much it allocates to energy?

A I don't remember.

MR. MARSHALL: If you will give us a moment, we have to pass out some deposition transcripts. We are just going to hand out a couple of copies in hopes of saving time and in hopes of refreshing the witness' recollection.

CHAIRMAN LA ROSA: Great.

BY MR. MARSHALL:

Q If I could direct you to page 34, line 12 of the document?

A Yes. It looks like I said possibly.

Q Thank you.

A Okay.

Q Now, in your rebuttal testimony, you address Florida Retail Federation's Witness Georgis' testimony regarding cost of service?

A Yes, I did.

Q And Witness Georgis suggests that FPL failed to functionalize certain costs in its cost of service study, and that, therefore, no cost of service study should be used?

A Could you point me to where I responded to that in my rebuttal?

Q Georgis, give me one minute. I believe you respond to that starting on -- starting on page 11 through the top of page 14 of your rebuttal testimony.

A Yes, I see that.

Q And you do not agree with his approach, is that right?

A I am sorry, can you repeat that?

Q You do not agree with his testimony, correct?

A You are talking about my testimony?

Q Well, I am talking about -- yeah, in your testimony, you disagree with Witness Georgis' contention that FPL failed to functionalize certain costs, and that, therefore, no cost of service should be used?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I am going to object. If he -- if Mr. Marshall can point to where she addresses that specific proposal of not having a cost of service study, I think that's within her testimony. She certainly responds to Witness Georgis on some other issues. But I just want to make sure we are not mischaracterizing the testimony.

CHAIRMAN LA ROSA: Yeah, can you maybe restate the question?

MR. MARSHALL: Sure. I am certainly not trying to misstate the witness' testimony. I am just trying to get an understanding of the interplay between Witness Georgis' testimony and Witness DuBose's rebuttal testimony, so I will try to reframe it.

CHAIRMAN LA ROSA: Sure.

BY MR. MARSHALL:

Q Witness Georgis did suggest that no cost of service study be used, is that right -- or what I should say -- let me rephrase that. He suggested that FPL's cost of service study could not be used, is that right -- or should not be used?

A I don't remember that. Do you have Georgis testimony so that we could -- because I am responding to his question about fuctionalization in this section that you are -- that you have pointed me to.

MR. CHRISTOPHER WRIGHT: Chairman, while we are looking for this, I am going to renew my rejection -- or my objection. She doesn't address that in her testimony, whether he proposed to not have a cost of service study, which I don't believe that he did, but that's probably a better question for Witness Georgis, but Witness DuBose does not address that specific issue anywhere in her rebuttal testimony.

MR. MARSHALL: Okay. I think we have it, and I can ask a question regarding what she does address in her rebuttal testimony.

CHAIRMAN LA ROSA: Can you state the question before you ask the witness?

MR. MARSHALL: Okay. I think the question would be -- well, right now it would be: Well, why are you responding to -- what is the -- what is the purpose of responding to Witness Georgis' testimony in your rebuttal?

CHAIRMAN LA ROSA: Okay. And you can point to she's stating that in her testimony?

MR. MARSHALL: Well, I guess as a foundational question I could ask: Do you respond to Witness Georgis testimony in your rebuttal?

CHAIRMAN LA ROSA: Okay. That's fair.

BY MR. MARSHALL:

Q Do you respond to Witness Georgis' testimony in your rebuttal?

A Yes. I responded to certain aspects of Witness Georgis' testimony in my rebuttal.

Q And what is the purpose of your responses to his testimony in your rebuttal?

A Well, on page 10, Witness Georgis had claimed that we were not funcionalizing cost in the cost of service, and I responded to explain that we did functionalize cost based on FERC account numbers and cause IDs.

Q And at the conclusion of your rebuttal

testimony -- this would be on page 34 -- you offer an opinion as to whether it's appropriate to implement any of the cost of service changes proposed by intervenors, including FRF Witness Georgis?

A Yes. My opinion was that the results of the cost of service study that we submitted should be approved.

Q And do you mention the cost allocation proposals offered by the intervenors in that conclusion?

A Yes. I stated that they were not consistent with how FPL plans and builds its system, and the diversity of our resources, because those are the criterias that I placed importance on in choosing a cost of service methodology versus some of the criterias that were important to the other intervenors.

Q And do I take it by your prior answers that you do not recall what Witness Georgis' cost allocation proposal was?

A I can look. I actually know where that is. I think -- actually, I think it was 4 CP.

Q Would that be the cost of service methodology that he proposed?

A Yes, was he with FEA?

Q No, FRF.

A FRF, I am sorry. Yes, 4 CP.

Q All right. If I could direct your attention to master page C41-4570? This is going to be lines five through seven.

Do you see where his recommendation regarding the revenue allocation is there?

MR. CHRISTOPHER WRIGHT: Chairman, I am going to ask for a little context here. Whose testimony is this? What testimony is this?

MR. MARSHALL: Sure. This is Witness Georgis' testimony.

MR. CHRISTOPHER WRIGHT: I am sorry what testimony?

MR. MARSHALL: Georgis.

MR. CHRISTOPHER WRIGHT: Is it his direct testimony? Is it his settlement testimony?

MR. MARSHALL: Direct. He only has direct testimony.

MR. CHRISTOPHER WRIGHT: Okay. Thank you.

CHAIRMAN LA ROSA: Continue. Go ahead. Continue.

BY MR. MARSHALL:

Q Do you see his recommendation there regarding how the cost allocation of any base rate revenue increase should be applied?

A Yes. He is talking about the base rate increase, which would be the revenue allocation.

Q And his recommendation, like there, would not be based on a cost of service methodology, right?

A That's what it says. Yes.

Q FIPUG Witness Ly also stated that FPL incorrectly allocated certain rate base and NOI items and O&M and labor expense in his testimony?

A Yes. Can you repeat the question? I didn't hear the very first part.

Q FIPUG Witness Ly also stated that FPL incorrectly allocated certain rate base and NOI items as O&M and labor expense?

A Yes, he did.

Q And you attached Exhibit TD-7 to specifically respond to some of those allegations?

A Yes.

Q If we could next go to master page E82561? And this is part of CEL Exhibit 388, demonstrative.

And this is -- if you could go to tab TD-10. This document provides support for your Exhibit TD-10?

A This one is -- I am looking to see if I can compare. All right. I need a moment to get my bearings to remember what --

Q Take you are time. I know this is a big document. It's a complicated Excel, so take your time.

A Solar COS ID allocation corrections.

CHAIRMAN LA ROSA: Is the tab on the screen where you are looking?

MR. MARSHALL: Yes.

CHAIRMAN LA ROSA: And the witness also has access to this on the screen in front of her if it helps. You can scroll. You can actually control it.

THE WITNESS: Oh, okay. Yes, what I was looking at was completely different, so I was very confused. Okay. I need to scroll?

BY MR. MARSHALL:

Q Yeah. I think if you go over to tab TD-10, that hopefully will clarify.

A Yes. Okay.

MR. MARSHALL: Thank you, Mr. Chairman.

THE WITNESS: Much better, thank you.

CHAIRMAN LA ROSA: Sure.

BY MR. MARSHALL:

Q So basically, this document provides a few corrections to the cost of service study that you filed with your original testimony, is that right?

A That's right. We found that some of our solar depreciation expense accounts were using 12 CP and 1/13th, and so we changed those to 12 CP and 25 percent.

Q And tab TD-10 here on this Excel shows the impact of those changes as compared to FPL's as-filed cost of service study, original as-filed?

A Yes.

Q And it -- am I reading it correctly that the result of these corrections would lower the revenue requirement for the RS class by between 5.1 to 5.5 million dollars depending on the year?

A Yes.

Q If we can go to master number E91871?

In the past, the Commission has ordered up to 75 percent of production plant to be allocated based on energy, is that right?

A Yes, I think in this specific docket mentioned here, from 1985.

Q And so would that be the equivalent of 75 percent AD?

A Yes, it looks like it's for a particular plant.

Q And so -- and just to clarify, when you support the C 12 CP and 25 percent AD cost of service methodology, the 25 percent AD is a 25 percent weight to energy, essentially?

A Yes.

Q You also responded to testimony regarding a

possibility of implementing a minimum distribution system methodology as part of your rebuttal testimony?

A Yes. Can you point me to the pages?

Q This would be starting on page 28, but really on page 29 and 30 of your rebuttal testimony.

A Yes.

Q And you believe a minimum distribution system for FPL would be inappropriate because, in part, because in South Florida, there is a number of multi-family homes and high density population?

A Yes, I did not propose MDS in my cost of service.

Q And MDS assumes a minimum amount of distribution based on number of customers, and that's a difficult assumption when you don't have, like, one pole per customer, or a piece of line for customers?

A Yeah, minimum distribution assumes that a certain -- a portion of normally demand-related costs would be allocated based on number of customers.

Q And that's not a good assumption for customers in multi-unit dwellings as is common in much of FPL's territory?

A Yes, I think I testified to that -- or I included something like that in my rebuttal. I am looking for the specific lines. Actually, do you know the specific lines where I said that?

Q I am not sure you had that specific discussion for that specific reason in your rebuttal testimony.

A Okay.

Q An additional reason is that FPL's system is storm hardened, so some of the smallest equipment is larger than a lot of other utilities?

A Yes, I see that in my testimony.

Q Would you agree with me that one of the reasons to support the 25-percent AD part of the cost of service methodology proposed in this case is the amount of solar resources coming on to FPL's system?

A Yes, that's in my testimony.

Q And solar avoids fuel cost?

A Yeah, solar avoids fuel cost, and it provides energy source for the system.

Q And fuel has always been allocated on an energy basis?

A Yes, fuel is allocated on an energy basis.

Q And why is that?

A Because it varies with the amount of energy used.

Q And 31 percent of net plant right now is solar, is that right?

A Yes, as of '27 -- 2027, 31 percent of FPL's production costs will be solar.

Q And so you believed moving from the 1/13th AD to 25 percent AD was a move in the right direction?

A Yes.

Q And if I could direct your attention to page 25 of your rebuttal testimony, lines four to 11.

A Yes.

Q And so am I correct that the 12 CP and 25 percent AD methodology is equivalent to the 12 CP and 1/13th method but if we are separating out the solar and classifying the solar as 85 percent energy related?

A Yes, that's the analysis that we did.

Q And one of the primary values of solar that FPL is bringing on to the grid is the energy produced, not firm capacity?

A Yes, it does provide some capacity, but it provides more energy.

Q And this was further explained and explored by FPL Witness Phillips in his rebuttal testimony?

A Yes.

Q If we could go to master page D14-881?

MR. SCHULTZ: D14-881?

MR. MARSHALL: Yes. Is that a typo? I am sorry, 882.

MR. SCHULTZ: Okay.

BY MR. MARSHALL:

Q This is the prefiled rebuttal testimony of Mr. Phillips, is that right?

A Yes, it appears to be.

Q And that was -- it was on behalf of Florida Power & Light Company?

A Yes.

MR. MARSHALL: We would like to mark this as the next available exhibit on the CEL list, which I believe was 1529.

MR. STILLER: Correct.

(Whereupon, Exhibit No. 1529 was marked for identification.)

BY MR. MARSHALL:

Q And he attached three exhibits to his testimony? We can go to -- we can go to them to show them. The first of all would be Exhibit 325 on the CEL, which is master page D14-912. And this would basically be his qual -- Mr. Phillips' if you qualifications?

A Yes, that appears to be his qualifications.

Q If we could next go to master number D14-916, which is Exhibit 326 on the CEL.

MR. CHRISTOPHER WRIGHT: Chairman, if I may, FPL is not offering Mr. Phillips into evidence. We have withdrawn his testimony. We have no objection to this becoming an exhibit or having it admitted to the record. I mean, it says what it says. To the extent she can answer questions, we have no objection, I just want to make sure it's clear we don't have an issue with this coming into the record, but I -- you know, it says what it says and we are happy to stipulate and put it into the record.

MR. MARSHALL: Okay. That will help me skip a few authentication questions. And that would also true for CEL Exhibit 327 as well, that's his third exhibit to his testimony?

MR. CHRISTOPHER WRIGHT: Yes. We will stipulate to his testimony and all of his exhibits attached to Mr. Phillips' testimony.

CHAIRMAN LA ROSA: Excellent.

BY MR. MARSHALL:

Q And just broadly, it is your understanding that he also tried to apply the principle of cost causation in his testimony?

A Yes.

Q All right. If we could next go to master page D14-898? Which is within his testimony, but there is a table there I just wanted to ask a question about real quick.

Mr. Phillips did an analysis of a number of occurrences a monthly peak was within 90 percent of the system peak as part of his testimony, is that right?

A I'm sorry, what I am seeing is not what is here. Do I need to change something?

CHAIRMAN LA ROSA: I don't know what you are looking at. Do you see the same thing that's behind me?

THE WITNESS: No.

CHAIRMAN LA ROSA: Okay.

THE WITNESS: I see something different.

CHAIRMAN LA ROSA: Brian, do you --

MR. SCHULTZ: Yeah.

CHAIRMAN LA ROSA: Maybe go back to it and maybe it was scrolled off or something.

THE WITNESS: There it is. Okay. Is that it? Okay.

BY MR. MARSHALL:

Q Is that right, that he did an analysis of the number of occurrences a monthly peak was within 90 percent of the system peak for FPL?

A Yes, that appears to be his analysis.

Q And he found that for -- that every month had a monthly peak within 90 percent of the system peak except for March and November?

A Yes, that's what I see.

Q And he works for Atrium Economics?

A Yes.

Q What is Atrium Economics?

MR. BURNETT: Mr. Chairman, I am sorry, I have never looked at this before, and I could read that that says zero, that says zero, and the title says what it says. He has put his resume in the back and he has described his company. We are just reading stuff that's already stipulated.

CHAIRMAN LA ROSA: Go ahead.

MR. MARSHALL: My question was what is Atrium Economics. I don't know that that's been stipulated, or that there is an answer to that.

CHAIRMAN LA ROSA: I will allow the question. I mean. I don't disagree with what they are saying, but it did seem like you have moved on from the script or what's in front of us.

BY MR. MARSHALL:

Q What is Atrium Economics?

A They are a consulting firm.

Q And FPL hired them to -- Atrium Economics to advise FPL regarding cost of service in this case?

A Yes.

Q All right. If we could go to master page

E89622, which is part of CEL Exhibit 402?

Is this part of a PowerPoint presentation that Atrium Economics provided to FPL regarding cost of service?

A Yes, it appears to be.

Q And it shows the percent of net electric load provided by solar and nuclear for FPL's fleet?

A Yes.

Q And that's continuing to increase through the four-year period of 2026 through 2029?

A Yes.

Q If we could go to master page E89665 within this document?

And is this just showing a chart of costs allocated to the various classes using various production allocation methodologies?

A Yes, it appears to be.

Q Go to master page E89688. Do you see the slide in front of you?

A Yes.

Q And do you see that last bullet there, that high energy use customers will benefit the most from reductions in fuel cost?

A Yes.

Q Do you agree with that?

A Yes.

Q And if you could go to master page number E89689, which is just the next page on this document? Do you see that third bullet, that by the end of the rate effective period, FPL projects solar additions to be almost exclusively energy related?

A I see that, yes.

Q Do you agree with that?

A I would need to know the context. Again, I didn't produce this, so I don't think I understand the context of the bullet, so I am not sure.

Q It's fair to say you are not offering an opinion on that?

A I don't have an opinion on that.

Q Okay. All right. Switching gears from the AD side of the equation to the CP side of cost of service methodology equation. You considered the 4 CP methodology but rejected it because you decided that it doesn't fit the way FPL plans its system, is that right?

A Yes.

Q That's because FPL has to plan to meet the system need for the entire year?

A Yes. FPL plans its system for every hour of the year due to the intermittent resources on the system, and planned maintenance outages, and unplanned outages and, therefore, we chose 12 CP as our cost allocation method.

Q And also, does the 12 CP match how FPL allocates its wholesale rates?

A Yes, it does.

Q All right. If we could next go to master page number E90595, part of CEL Exhibit 418?

CHAIRMAN LA ROSA: Mr. Marshall, I am not asking this question to rush you. Plus our minus, do you think, 10 minutes?

MR. MARSHALL: Plus.

CHAIRMAN LA ROSA: Significantly plus?

MR. MARSHALL: Not -- I mean, it could be. We are definitely within a half hour, I would say. I just don't know how close to --

CHAIRMAN LA ROSA: No, and I am not trying to rush you.

Let's do this. Let's -- it's 12:15. Let's break for lunch and we will reconvene here at 1:20, so tack on a few extra minutes, so 1:20 let's reconvene.

MR. MARSHALL: Thank you.

CHAIRMAN LA ROSA: Great. Thank you.

(Lunch recess.)

CHAIRMAN LA ROSA: All right. I think we can get started, pick up where we left off. FEL, your were in questioning with the witness, just obviously remind the witness that you are still under oath. I will allow you guys to continue.

MR. MARSHALL: Thank you, Mr. Chairman.

BY MR. MARSHALL:

Q All right. If we could go down to the, just scroll down to the next page of this document?

This displays the FERC Three Peak Ratio Test results for FPL, is that right?

A Yes.

Q And what is the FERC Three Peak Ratio Test?

A It's a test that is used by FERC to determine if a utility should allocate their costs based on 12 CP or some other CP, whether it be, like, 4 CP or 1 CP. We really just kind of use it as a guideline.

Q And it's composed of three different tests, is that right?

A Yes.

Q And does the first test compare the average of the coincident peaks in the months with the lowest system peaks as a percentage of the annual system peak and looks at the difference between the two?

A Yes. It compares the average of the coincident peaks in the months with the highest system peaks and the average of the coincident peaks in the months with the lowest system peaks as a percentage of the annual system peak. And, yes, it does a comparison. And where the difference between the two is 19 percent or less, that would indicate a 12 CP system.

Q And on -- and this test result from every year from 2015 through -- I think some of these were projected years at the time, possibly?

A Yes. This was performed in the 2021 rate case, and was an exhibit to my rebuttal in that case.

Q And every year was 19 percent or less?

A Yes.

Q And the second test compares the lowest monthly peaks as a percentage of annual system peak, is that right?

A Yes.

Q And 66 percent or higher is considered indicative of a 12 CP system?

A Yes.

Q And eight out of the nine years on here were greater to or greater than or equal to 66 percent?

A I am sorry?

Q Are eight of the nine years on here --

A Yeah.

Q -- greater than or equal to 66 percent?

A Yes.

Q And then test number three compares the average of the 12 monthly peaks as a percentage of the annual system peak?

A That's correct.

Q And is 81 percent or higher considered indicative of a 12 CP system?

A Yes, according to the FERC test.

Q And every year on here was greater than or equal to 81 percent?

A Yes.

Q If we to go to master page D7-421?

And this is Exhibit TD-8 to your rebuttal testimony?

A Yes.

Q And you -- did you update the FERC Three Peak Ratios Test from that prior document we were discussing?

A Yes. I updated this for my current -- my rebuttal testimony in this case.

Q And did you find that for every year from 2015 through 2024, FPL met all three FERC tests for using the 12 CP method except 2020 and 2024?

A Yes. That's correct.

Q And it did meet two out of the three tests for 2020?

A Yes.

Q And it met one of the three for 2024?

A Yes.

Q And projected forward, FPL projects meeting all three FERC tests for 2025 through 2027?

A Yes, based on our forecast.

Q If we could next go to master page E78865 as part of CEL Exhibit 388?

Do you recognize this document?

A Yes.

Q And can you explain what it is?

A I know I had a document like this, and I know some of the intervenors had one that was similar. But it basically shows for each month of the year, I think, the percentage of the system peak at each month of the year compared to the highest system peak. And so I think what we were showing here is the number of months that are in red are the months where the system peak during that month was 80 percent or more of the system peak for the year.

Q And would you agree that in each one of these years, there is more than four months that are at 80 percent or above the system peak?

A Yes.

Q If we could next go to master number J990,

which is part of CEL Exhibit 8?

So this is MFR E-1 for the 2026 projected test year, attachment number two of three. Were you responsible for this MFR?

A Yes.

Q And it includes the proposed rate increase and revenues for each class to be at 100 percent parity, is that right, under your cost of service methodology?

A That's correct. This is equalized cost of service, so it would show all of the -- everyone at 100 percent parity, which could mean large increases for some classes and smaller increases or decreases for other classes, and it's the starting point for the rate design process but not the final cost allocation.

Q And that process that you talked about, that would be reflected in attachment 3 and is Witness Cohen's responsibility?

A Yes.

Q If we could next go to master page F10-1355? And this is part of -- this is CEL Exhibit No. 958.

In response to an interrogatory request from FIPUG, did you create a cost of service roadmap with inputs that can be changed for modeling purposes?

A Yes, we did.

Q And that mimics the functions of FPL's

internal cost of service modeling?

A Yes, at a high level.

Q Next go to master number E89289. And these questions are going to be about how the CILC/CDR incentives are treated in your cost of service study.

And so am I correct that the CILC/CDR incentives are shown on line six of MFR E-5?

A MFR E-5 would be a rate design MFR.

Q Do you know if they are --

A Subject to check, they are on line five.

Q And as part of the confidential study, is the -- well, let me ask this: How are the CILC/CDR incentives treated in your cost of service study?

A In the cost of service study, the credits are revenue credited to all the rate classes -- I am sorry, they are revenue credited to the rate classes that have load control. So the load control rate classes, which would be CILC and the CDR customers.

Q Would another way of saying that be that they are treated as if they are revenue from those classes -- from those customers receiving those credits?

A Yes. So basically those revenues are collected from the clause rates, and then they are allocated to the customers, the load control customers to lower their revenue requirements.

Q And as a result of the CILC/CDR incentive proposed change by FPL in the as-filed case, did it drop those credits by a little bit over $22 million per year?

A I really don't know.

Q Okay. If we could go to master J1112, part of CEL Exhibit 6?

I just -- basically I guess I will confirm at this point. If I have questions about this MFR E-5 and how the CILC/CDR credits are treated, should those be directed to Witness Cohen?

A Yes, they should.

Q If we could go to master page E82539, which is Exhibit 388 on the CEL? Go to the tab graph -- I am sorry, tab graph of comparisons, and maybe scroll to the right a little bit.

And looking at the second graph, does that present the various cost of service methodology proposals in this case by percent of total increase as to how those would be allocated between residential and GS classes versus, you know, the large commercial and industrial?

A Yes.

Q And the FPL proposal is 54 percent allocated to C&I and 45 percent to RS and GS?

A Yes.

Q And is the most that is allocated under any proposal from any party to RS and GS 55 percent?

A Yes.

Q Great. Thank you, Ms. DuBose. That's all my questions. I hope you feel better.

A Thank you.

CHAIRMAN LA ROSA: FIPUG?

MS. PUTNAL: No questions.

CHAIRMAN LA ROSA: Walmart?

MS. EATON: No questions.

CHAIRMAN LA ROSA: Great.

Staff?

MR. STILLER: No questions.

CHAIRMAN LA ROSA: Commissioners, do we have any questions?

COMMISSIONER CLARK: I would like to try one, Mr. Chairman.

CHAIRMAN LA ROSA: Commissioner Clark, you are recognized.

COMMISSIONER CLARK: My question is regarding the difference between the 4 CP and the 12 CP from a, not necessarily from a design rate perspective but from a user perspective.

If you are going to have a significant -- you are going to try to get significant savings using your load control using the C-4 CP versus the 12 CP, which one of these rates is going to be better designed and suited to manage from a commercial or industrial customer perspective?

THE WITNESS: You mean as far as cost allocation methods, which would allocate less costs --

COMMISSIONER CLARK: Yes.

THE WITNESS: -- to the commercial/industrial? The 4 CP would allocate less cost to the commercial/industrial customers.

COMMISSIONER CLARK: And the commercial customer, so is that because of their ability to actually take advantage of the load control as it to relates to when coincident peak is it?

THE WITNESS: Really more has to do with they are high load factor customers, and so they have more consistent usage throughout the year, and benefit from -- like, the 4 CP would be a higher demand allocation than the 12 CP, and they benefit from higher demand allocations versus allocations. When you see a higher energy allocation, that would benefit the residential and general service.

COMMISSIONER CLARK: Okay. Thank you.

CHAIRMAN LA ROSA: Any other Commissioners?

Commissioner Passidomo Smith.

COMMISSIONER LA ROSA SMITH: Thanks, Mr. Chair.

I just have a follow-up from some -- Mr. Marshall asked you about 12 CP and 25 percent what you are recommending, and changing from the current 1/13th. Did you consider other alternatives and what were those alternatives?

THE WITNESS: We looked at multiple alternatives, of course, 12 CP and 1/13th, and we were really just looking at how our system is planned and the fact that we have a lot more solar on our system, and it's more of an energy resource. And so we decided to tweak our allocation a little bit to recognize that by increasing that percentage to 25 percent for energy.

COMMISSIONER PASSIDOMO SMITH: And that's why you concluded that was the best alternative?

THE WITNESS: Yes. We thought that was the most reasonable.

COMMISSIONER LA ROSA SMITH: Thank you.

CHAIRMAN LA ROSA: Let's go back to FPL for redirect.

MR. CHRISTOPHER WRIGHT: Thank you, Chairman. We have no redirect.

We would ask that exhibits -- the CEL Exhibits 133 through 137 and 320 through 324 be entered into the record.

CHAIRMAN LA ROSA: Objections? None? So moved.

(Whereupon, Exhibit Nos. 133-137 & 320-324 were received into evidence.)

MR. CHRISTOPHER WRIGHT: And with that, we would ask that Ms. DuBose be excused.

CHAIRMAN LA ROSA: Ms. DuBose, you are excused. Thank you.

THE WITNESS: Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: Further exhibits? OPC?

MR. PONCE: Sorry, it's not an exhibit, it's more of an housecleaning thing.

CHAIRMAN LA ROSA: Okay, let's -- FEL, do you have any exhibits?

MR. MARSHALL: Yes, Mr. Chairman.

CHAIRMAN LA ROSA: We will come back to you, Mr. Ponce.

MR. MARSHALL: We would move in Exhibits 325, 326, 327, 958 and newly marked 1529.

CHAIRMAN LA ROSA: Okay. All right. Seeing none, so moved.

(Whereupon, Exhibit Nos. 325-327, 958, 1529 were received into evidence.)

CHAIRMAN LA ROSA: Staff, any exhibits? Excellent.

All right. Housekeeping?

MR. PONCE: Thank you. We discussed early in the morning the possibility of a date certain for OPC expert Wilson on the 15th. I think we decided at that time that we would reconvene at noon to see where we were at on that.

CHAIRMAN LA ROSA: I am glad you asked me that question. Where are we on that?

MR. CHRISTOPHER WRIGHT: FPL is fine with that.

CHAIRMAN LA ROSA: Staff, challenges or --

MR. STILLER: No. I think that will work out well.

CHAIRMAN LA ROSA: Okay. So you are going to tell him the 15th?

MR. PONCE: That's right.

CHAIRMAN LA ROSA: And is there a timeframe on the 15th, or are we open to the day?

MR. PONCE: Open to the day.

CHAIRMAN LA ROSA: Okay. Awesome. Then I think we are -- FPL, are you good with that or --

MR. CHRISTOPHER WRIGHT: Yes, fine with that.

CHAIRMAN LA ROSA: -- no challenges?

All right. Yeah, go ahead and inform them and I think we are good.

MR. PONCE: Well, thank you very much.

CHAIRMAN LA ROSA: Awesome.

All right. Let's go ahead and move to the next witness. FPL, you are recognized to call your next witness.

MR. CHRISTOPHER WRIGHT: Thank you. FPL calls Keith Ferguson.

CHAIRMAN LA ROSA: Awesome. Mr. Ferguson, feel free to get settled in, and when you are ready, just let me know and we will go ahead and swear you in.

Please raise your right hand.

Whereupon,

KEITH FERGUSON

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.

CHAIRMAN LA ROSA: Excellent. Thank you.

EXAMINATION

BY MR. CHRISTOPHER WRIGHT:

Q Can you please state your name?
A It's Keith Ferguson.
Q What is your business address?
A 700 Universe Boulevard, Juno Beach, Florida.
Q By whom are you employed and in what capacity?
A Florida Power & Light, I am the Vice-President of Accounting and Controller.
Q On February 28th, 2025, did you file 27 pages of direct testimony?
A Yes.
Q And on April 29, 2025, you filed an errata to correct your direct testimony. Can you please summarize those corrections?
A Yes. My errata made the following corrects to my direct testimony: On page 24, line 21, changes $154 to 158. On page 24, line 21, changed 171 to $175.
Q Do you have any additional corrections?
A No.
Q All right. And with those corrections from your errata, if I asked you the questions contained in your direct testimony here today would your answers be the same?
A Yes.
MR. CHRISTOPHER WRIGHT: Chairman, I would ask that Mr. Ferguson's direct testimony be entered

into the record.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled direct testimony of Keith Ferguson was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF KEITH FERGUSON

Filed: February 28, 2025

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Keith Ferguson, and my business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Vice President, Accounting and Controller.

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

A. I am responsible for financial accounting, as well as internal and external reporting for FPL. This includes ensuring that the Company's financial reporting complies with requirements of Generally Accepted Accounting Principles ("GAAP") and multi-jurisdictional regulatory accounting requirements.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting and earned a Master of Accounting degree from the University of Florida in 2000. Beginning in 2000, I was employed by Arthur Andersen in its energy audit practice in Atlanta, Georgia. From 2002 to 2005, I worked for Deloitte & Touche in its national energy practice. From 2005 to 2011, I worked for Mirant Corporation, which was an independent power producer in Atlanta, Georgia. During my tenure there, I held various accounting and management roles and prior to joining FPL in September 2011, I was Mirant's Director of SEC Reporting and Accounting Research. I joined FPL in 2011 as the Assistant Controller and was responsible for overseeing FPL's property and general accounting functions. I have been the Controller of FPL since 2016. I am a Certified Public Accountant ("CPA") licensed in the State of Georgia and a member of the American Institute of CPAs. I am also a member of the Society of Depreciation Professionals and have completed the Society's "Depreciation Fundamentals" training course.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit KF-1 – List of MFRs Sponsored or Co-Sponsored by Keith Ferguson
- Exhibit KF-2 – Impacts to Depreciation Expense using the 2025 Depreciation Study Rates by Year for Base vs. Clause for 2026 and 2027
- Exhibit KF-3 – Summary of Capital Recovery Schedules for 2026 and 2027 – Base Rates vs. Clause
- Exhibit KF-4 – Proposed Dismantlement Company Adjustments for Base vs. Clause
- Exhibit KF-6 – 2025 Cost Allocation Manual
- Exhibit KF-7 – Affiliate Charges Based on Billing Methodology for the 2026 Projected Test Year

I am co-sponsoring the following exhibits:

- Exhibit NWA-2 – 2025 Dismantlement Study, filed with the direct testimony of FPL witness Allis
- Exhibit KF-5 – SPPCRC Cost of Removal and Retirements

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

A. Yes. Exhibit KF-1 lists the minimum filing requirements ("MFRs") that I am sponsoring and co-sponsoring.

Q. What is the purpose of your testimony?

A. My testimony covers five topics that serve as inputs to the Company's calculation of revenue requirements:

- I provide an overview of the results of FPL's depreciation study (the "2025 Depreciation Study"), which was conducted in accordance with the rules and requirements of the Commission, and the related Company adjustment. The 2025 Depreciation Study has been prepared by FPL witness Allis of Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") and is supported in his direct testimony in this docket.
- I support the request for recovery of retired assets with unrecovered balances through capital recovery schedules.
- I present and provide an overview of the Company adjustment as a result of FPL's dismantlement study (the "2025 Dismantlement Study"), which was conducted in accordance with the rules and requirements of the Commission. The 2025 Dismantlement Study has been prepared by FPL witness Allis and is supported in his direct testimony.

- I provide an overview of the Company adjustment to move retirements and cost of removal associated with projects recovered through FPL's Storm Protection Plan Cost Recovery Clause ("SPPCRC") from base to clause.
- I provide testimony and information on various affiliate issues.

Q. Please summarize your testimony.

A. The 2025 Depreciation Study reflects a modest increase in the 2026 and 2027 depreciation accruals primarily as a result of continued investments in FPL's system and an increase in removal costs for certain assets in the distribution function since depreciation rates were approved in FPL's 2021 Rate Settlement.[1]

FPL has retired or plans to retire certain assets that are not yet fully depreciated. Consistent with Rule 25-6.0436, Florida Administrative Code ("F.A.C."), and Commission practice, FPL is proposing capital recovery schedules that seek to recover the remaining investment for those specific assets over a 10-year period.

FPL, as required by the Commission's rules, has established and maintained a dismantlement reserve for its non-nuclear generating units and related battery storage. In accordance with Rule 25-6.0436, F.A.C., FPL has updated its cost estimates and revised its annual accrual accordingly. The increase in the revised annual accrual primarily reflects new solar plants and battery storage assets that have been or will be

[1] Stipulation and Settlement Agreement approved in FPL's 2021 Rate Case in Docket No. 20210015-EI, Commission Order Nos. PSC-2021-0446-S-EI and PSC 2021-0446A-S-EI.

constructed since the 2021 Dismantlement Study was prepared and filed in FPL's 2021 Rate Case in Docket No. 20210015-EI.

In addition, I recommend removing retirements and cost of removal associated with projects recovered through FPL's SPPCRC from FPL's base rates beginning on January 1, 2026.

The impacts from the above items are included as Company adjustments in FPL's 2026 Projected Test Year and 2027 Projected Test Year.

Finally, I address FPL's practices for the provision of shared corporate services to the NextEra Energy, Inc. ("NEE") enterprise, including regulated and unregulated affiliates. The long-standing cost charging methods approved by this Commission and by the Federal Energy Regulatory Commission ("FERC") facilitate FPL's provision of these corporate services at lower costs to FPL's customers while ensuring no subsidization of affiliate activities. Those practices are unchanged since FPL's 2021 Rate Case and remain fully consistent with Commission requirements.

II. 2025 DEPRECIATION STUDY

Q. Please summarize the impact of the 2025 Depreciation Study on FPL's 2026 Projected Test Year and 2027 Projected Test Year.

A. Since its last depreciation study in 2021, FPL has worked closely with its depreciation consultant, Gannett Fleming, to incorporate updated technical data into the 2025 Depreciation Study. FPL witness Allis of Gannett Fleming presents the results of the

2025 Depreciation Study. The 2025 Depreciation Study reflects a modest increase in depreciation accruals primarily resulting from FPL's continued investments and increases in removal costs most notably for the distribution function.

The total increase in depreciation expense for the 2026 Projected Test Year as a result of the 2025 Depreciation Study is $180.4 million, which includes a $135.5 million increase related to base rate assets and a $44.9 million increase related to cost recovery clauses. The $135.5 million increase related to base rate assets is primarily a result of the following:

- $96.9 million increase in the distribution function resulting from an increase in depreciation rates from FPL's 2021 Rate Settlement and mostly driven by continued investments and increases in removal costs;
- $15.1 million increase in the nuclear function as a result of continued investments; and
- $13.5 million increase in the steam function as a result of an adjustment in the estimated retirement date for Scherer Unit 3 from 2047 to 2035 based on the date disclosed in Georgia Power's 2025 Integrated Resource Plan.[2]

For the 2027 Projected Test Year, there is an increase of $190.3 million in depreciation expense as a result of the 2025 Depreciation Study, of which $141.8 million relates to base rate assets and $48.5 million relates to cost recovery clauses. The same primary drivers for the 2026 Projected Test Year apply to the $141.8 million increase related to base rate assets in the 2027 Projected Test Year with a $99.8 million increase in the

[2] https://www.georgiapower.com/about/company/filings/irp.html

distribution function, $15.8 million increase in the nuclear function, and $13.0 million in the steam function. FPL witness Allis explains in more detail the underlying drivers for the changes in the depreciation rates that resulted in the changes in expense noted above.

Q. What is the basis for the plant and reserve balances used in FPL's 2025 Depreciation Study?

A. The parameters used in the 2025 Depreciation Study are based in part on the statistical analyses of actual plant and reserve balance activity through December 31, 2023, which incorporates data through the most recent full year of historical data (*e.g.*, retirements, net salvage, and etc.) that was available at the time the study was prepared. The results of these parameter analyses are then applied to the forecasted gross plant balances through the end of 2024, which includes actual balances as of September 30, 2024, to determine the appropriate depreciation rates. As FPL is using forecasted balances as of December 31, 2025, for the 2025 Depreciation Study, FPL appropriately included new assets that are not yet in service, such as new solar and battery storage facilities, that are expected to be in service by the end of 2025.

Q. Has the Company calculated the impact to depreciation expense in the 2026 Projected Test Year and 2027 Projected Test Year using the proposed depreciation rates from the 2025 Depreciation Study?

A. Yes. The depreciation Company adjustment reflects the impact of the difference in the application of the rates resulting from the 2025 Depreciation Study as compared to the currently approved depreciation rates. The current depreciation rates approved in FPL's 2021 Rate Settlement were used to prepare the forecast for the 2026 Projected

Test Year and 2027 Projected Test Year. Accordingly, FPL has calculated the impact to the 2026 Projected Test Year and 2027 Projected Test Year to reflect changes in base depreciation expense and accumulated depreciation based on the resulting depreciation rates in the 2025 Depreciation Study, which are included in the calculation of revenue requirements sponsored by FPL witness Fuentes and reflected on MFRs B-2 and C-3 for both the 2026 Projected Test Year and 2027 Projected Test Year. The reconciliation of total Company depreciation expense included in FPL's 2026 Projected Test Year and 2027 Projected Test Year forecasts to the calculated expense based on the 2025 Depreciation Study are reflected on Exhibit KF-2.

Q. Is the entire impact to depreciation expense associated with base rate investments? Please explain.

A. No. Because some of FPL's investments are recovered through FPL's Environmental Cost Recovery Clause ("ECRC"), Energy Conservation Cost Recovery Clause, Capacity Cost Recovery Clause, and SPPCRC, the impact to base rate revenue requirements for the 2026 Projected Test Year and 2027 Projected Test Year must exclude the amount of depreciation related to clause-recoverable investments and include only the depreciation for investments recovered through base rates. Exhibit KF-2 reflects the total depreciation expense increase using the 2025 Depreciation Study rates and delineates between base rates and clause recovery. With respect to FPL's clause filings, FPL will apply the new depreciation rates approved in this proceeding to all clause-recoverable investments beginning on January 1, 2026, which is the date when the approved depreciation rates are to become effective, and will reflect these new depreciation rates in the next applicable clause filings.

Q. Are there any other items related to FPL's 2025 Depreciation Study that you wish to elaborate on?

A. Yes. As discussed in testimonies of FPL witnesses Laney and Fuentes, FPL began complying with FERC Order 898 on January 1, 2025. As a result, FPL integrated the new prescribed functions and subaccounts for solar, battery storage, and other renewables as well as computer hardware, software, and communication equipment into its accounting structure. Therefore, the plant-in-service and accumulated depreciation reserve balances for the accounts used prior to FERC Order 898 have been reclassified into these new FERC accounts. Generally, the recommended depreciation or amortization periods are consistent with those previously adopted by the Commission for similar assets in accounts or subaccounts used prior to FERC Order 898.

III. CAPITAL RECOVERY SCHEDULES

Q. Please describe the capital recovery schedules for assets that have been retired or will be retired but are not fully depreciated.

A. As shown on Exhibit KF-3 and pursuant to Rule 25-6.0436, F.A.C., FPL has reflected its proposed capital recovery schedules for assets that have been retired or will be retired but are not fully depreciated, which FPL is requesting to be recovered over a 10-year period. FPL is requesting recovery of the following unrecovered investments either through base rates or clause recovery.

- <u>500 kV Transmission Rebuild Project (Years 2024 and 2025)</u>: In the 2021 Rate Settlement, the Commission approved the establishment of a regulatory asset for the estimated remaining unrecovered investment and Cost of Removal ("COR") for retirements associated with the replacement of FPL's 500 kV transmission system during years 2023 and 2024. The commencement of amortization in the subsequent year, 2024 and 2025, respectively, was approved using the depreciation rates for transmission assets based on the depreciation rates approved in FPL's 2021 Rate Settlement. As FPL explained in the 2021 Rate Case, the amortization of the remaining unrecovered regulatory asset balance is to be addressed in the Company's next general base rate proceeding, which is the instant case. Consistent with that obligation, FPL is herein requesting the recovery of the estimated remaining base rate unrecovered regulatory asset balance pertaining to retirements of FPL's 500 kV Transmission System ($33.1 million for Year 2024 and $25.4 million for Year 2025) as of December 31, 2025, to be amortized over a 10-year period;

- <u>500 kV Transmission Rebuild Project (Years 2026 and 2027)</u>: FPL's 500 kV Transmission System continues to be retired as work is performed and the remaining unrecovered investment will be transferred to a regulatory asset in tranches on an annual basis, similar to what was approved by the Commission in FPL's 2021 Rate Settlement. Therefore, FPL estimates $10.0 million of remaining base rate unrecovered investment and related COR to begin amortization in January 2026 and $3.5 million beginning in January 2027. The amount shown for year 2026 amortization relates to the remaining unrecovered investment and COR expected as a result of retirements through 2025 and the year 2027 amortization relates to COR as a result of retirements occurring in 2026;

- Plant Daniel Units 1 and 2: In the 2021 Rate Settlement, the Commission approved the Company's request to reflect the early retired investment associated with Plant Daniel Units 1 and 2 as a negative amount (debit) in FPL's accumulated depreciation reserve for the respective plant accounts and continue the depreciation for these retirements using depreciation rates as approved in the former Gulf Power Company's 2017 Rate Settlement.[3] The establishment and amortization of the regulatory asset for the unrecovered balance was to be addressed in the Company's next base rate proceeding, which is this proceeding. FPL is requesting the recovery of $427.4 million ($120.4 million related to base rate investments and $307.0 million related to cost recovery clauses) of the remaining early retired investment associated with Plant Daniel Units 1 and 2 as of December 31, 2025, to be amortized over a 10-year period; and
- Customer Information System ("CIS") and Integrated Systems: As discussed in greater detail by FPL witness Nichols, FPL plans to replace its existing CIS and integrated systems with a new customer service platform. FPL is requesting the recovery of $44.7 million of the estimated unrecovered remaining base rate investment related to the existing CIS and integrated systems as of December 31, 2026, to be amortized over a 10-year period beginning January 1, 2027.

[3] Stipulation and Settlement approved in Gulf Power Company's 2017 Rate Case in Docket No. 20160186-EI, Order No. PSC-17-0178-S-EI issued May 16, 2017.

Q. Is the Company retiring other significant capital assets outside its 2026 Projected Test Year and 2027 Projected Test Year? If so, please explain.

A. Yes. In 2027, FPL expects to retire $19.9 million of estimated remaining investment and COR related to FPL's 500 kV Transmission System assets with amortization beginning in January 2028. Once the retirements of the 2028 tranche of assets take place, the Company proposes to establish a regulatory asset for the estimated remaining investment and COR and commence its amortization through base rates in January 2028 using the depreciation rates for the transmission assets approved by the Commission in this proceeding. During its next base rate case, the Company will address amortization of the remaining unrecovered regulatory asset balance.

Q. Are the capital recovery schedules delineated between base rates and clause recovery? If so, please explain.

A. Yes. Exhibit KF-3 illustrates the capital recovery schedule totals by year and by recovery mechanism. The proposed recovery amounts for clause assets are not included in this base rate request and, instead, will be reflected in the applicable clause filings depending on the retirement date. As reflected in Exhibit KF-3, the resulting Company adjustment related to base rates for the 2026 Projected Test Year and 2027 Projected Test Year are $7.2 million and $12.0 million, respectively, and are included in the calculation of revenue requirements sponsored by FPL witness Fuentes and reflected on MFRs B-2 and C-3 for both the 2026 Projected Test Year and 2027 Projected Test Year.

IV. 2025 DISMANTLEMENT STUDY

Q. Please provide an overview of the approach FPL used for the preparation of its 2025 Dismantlement Study.

A. FPL engaged Gannett Fleming to perform the 2025 Dismantlement Study. As part of the Dismantlement Study, Gannett Fleming conducted a detailed review of the fossil, solar, and battery storage assets in FPL's fleet in order to get a more precise view of the current cost of dismantling those facilities.

Since the 2021 Dismantlement Study was filed in the 2021 Rate Case, the Company has performed dismantlement activities at several generating units, including closure activities required in accordance with the Coal Combustion Residuals Rule. FPL also added or plans to add new solar and battery storage facilities to the generation fleet as further explained by FPL witness Whitley. The 2025 Dismantlement Study is addressed in FPL witness Allis' testimony and Exhibit NWA-2, which I co-sponsor.

Q. Please describe the process used to determine the dismantlement cost estimates in the 2025 Dismantlement Study.

A. As discussed further by FPL witness Allis, Gannett Fleming obtained and reviewed plant-specific engineering drawings, performed numerous plant site visits, and interviewed Company personnel. Based on this information and their professional experience, Gannett Fleming developed labor and materials and equipment costs for each major dismantlement activity. Gannett Fleming estimated the salvage value of the materials that would be left at each site after completion of the dismantlement activities. The resulting dismantlement cost estimates developed by Gannett Fleming represent "the costs for the ultimate physical removal and disposal of plant and site restoration, minus any attendant gross salvage amount, upon final retirement of the site or unit from service" in accordance with Rule 25-6.04364, F.A.C.

In addition to the existing sites, Gannett Fleming also developed estimates for solar and battery storage facilities that will be used as a proxy estimate for generating units that will commence commercial operation during years 2025 through 2029. This is consistent with the approach that FPL employed in its 2016 and 2021 Dismantlement Studies.

Q. In addition to the dismantlement costs reflected in the 2025 Dismantlement Study, did the Company consider other factors in the calculation of the dismantlement accrual?

A. Yes. As previously noted, the Company has commenced or continued dismantlement activities at several generating units. The Company has incorporated in the calculation of the dismantlement accrual its internal forecasts for the remaining dismantlement costs at each site to be incurred.

Q. What escalation rates did FPL use in preparing the 2025 Dismantlement Study accrual calculations?

A. FPL utilized the September 2024 Global Insight escalation rates, which was the most recent vintage available at the time the study was undertaken, in developing the 2025 Dismantlement Study accrual calculations.

Q. Please describe the results of the 2025 Dismantlement Study and related accruals.

A. The 2025 Dismantlement Study calculated a current total cost of dismantlement of $2,284 million (expressed in 2025 dollars), including FPL's internal forecast estimates for dismantlement activities as reflected in Section 5.1 of Exhibit NWA-2. The resulting annual dismantlement accrual is $106.4 million, of which $96.2 million relates to base rate assets. This is a net increase of approximately $58.7 million ($59.6 million increase for the base rate portion), over the current annual accrual from the 2021 Rate Settlement included in FPL's 2026 Projected Test Year and 2027 Projected Test Year. Of the total $58.7 million increase in the dismantlement accrual, approximately $46 million is related to new solar plants and battery storage assets that have been or will be constructed since the 2021 Dismantlement Study was prepared, as reflected in Section 2 of Exhibit NWA-2.

Q. What steps did FPL take to minimize the increase in the dismantlement accrual?

A. The dismantlement study is fundamentally an aggregation of the forecasted cost of dismantling all of FPL's non-nuclear generating units and battery storage assets. The resulting annual accrual is a function of the present value of estimated future cost to dismantle each of those units or assets as compared to its forecasted reserve as of December 31, 2025. At any point in time, the reserve position of any specific unit or asset will vary based on the forecasted reserve relative to the theoretical reserve, which takes into account the remaining life over which the estimated future costs are expected to be accrued. Some units or assets will have excess reserves while others will be in a deficit position.

As reflected on Exhibit KF-4, FPL has proposed transfers of reserve balances from the units or assets that either had excess reserves or were the furthest from retirement to the units or assets that are closest to retirement or assets with dismantlement activities in progress. In doing so, FPL minimized the calculated incremental dismantlement accrual. As a result, FPL is proposing to transfer approximately $86.3 million of dismantlement reserve between the steam, other production, solar, battery storage, and other renewable production functions, and $12.5 million of dismantlement reserve between base and clause recoverable assets. The proposed transfers related to base rates are included as part of the dismantlement Company adjustment reflected on MFR B-2 for both the 2026 Projected Test Year and 2027 Projected Test Year.

Q. Is FPL proposing a Company adjustment to reflect the impact of the annual accruals from the 2025 Dismantlement Study on its 2026 Projected Test Year and 2027 Projected Test Year?

A. Yes. As with depreciation, FPL used the current Commission approved dismantlement accrual from its 2021 Rate Settlement to prepare its 2026 Projected Test Year and 2027 Projected Test Year forecasts and is proposing a Company adjustment to reflect the updated accrual contained in the 2025 Dismantlement Study. Similar to the depreciation study results, the Company adjustment for the change in dismantlement accrual must be bifurcated between base and clause recovery. Exhibit KF-4 provides an overview of the split between base and clause recovery for purposes of determining the Company adjustment for base rates for 2026 and 2027. The resulting Company adjustments related to base rates are included in the calculation of revenue requirements sponsored by FPL witness Fuentes and reflected on MFRs B-2 and C-3 for both the 2026 Projected Test Year and 2027 Projected Test Year.

V. SPPCRC COST OF REMOVAL AND RETIREMENTS

Q. Please summarize the existing recovery method for COR and retirements associated with SPP projects.

A. For Transmission and Distribution assets, FPL's asset accounting system books the associated COR and retirements based on the vintage of the assets being retired consistent with standard utility practice. In addition, FPL's asset accounting system automatically records COR and retirements for capital replacement projects based on the related cost recovery mechanism, including those recovered through FPL's SPPCRC. However, pursuant to the Settlement approved by Commission Order No. PSC-2020-0293-AS-EI in Docket No. 20200092-EI, FPL currently recovers the COR and retirements related to SPP projects through base rates. In order to do so, FPL must manually record an adjustment to move these capital costs from SPPCRC to base.

Q. Is FPL proposing a Company adjustment for the recovery of COR and retirements associated with SPP projects?

A. Yes. In order to align cost recovery of all capital costs associated with SPP projects, FPL proposes a Company adjustment as shown on Exhibit KF-5 to move the recovery of COR and retirements associated with SPP projects from base rates to the SPPCRC starting on January 1, 2026. This change, if approved in this proceeding, will be implemented in the next applicable SPPCRC filing. The resulting Company adjustments to base rates are included in the calculation of revenue requirements sponsored by FPL witness Fuentes and reflected on MFR B-2 for both the 2026 Projected Test Year and 2027 Projected Test Year.

VI. CORPORATE SERVICES AND AFFILIATE TRANSACTIONS

Q. Please describe the NEE corporate and fleet services organizational model, FPL's role in that model, and its benefits.

A. In the years both before and since the formation of NEE, FPL has remained the primary NEE subsidiary, and consistently performs the required corporate center activities for all affiliated entities.

As the functioning corporate center for NEE, FPL incurs costs in order to perform necessary shared fleet operating and corporate support functions, with the ultimate goal to efficiently and cost-effectively lever talent and resources across the enterprise, which is beneficial to FPL and its customers. Exhibit KF-6 contains FPL's 2025 Cost Allocation Manual ("CAM"), which lists the corporate support functions and the fleet services activities provided by FPL across the broader NEE operating businesses.

While the shared corporate service activities embedded in FPL today continue to be necessary to support the provision of electric service to FPL's retail customers, charging a portion of these support services to its affiliates has allowed FPL to reduce its share of these necessary fixed costs for the benefit of its retail customers. This structure has proven over the years to be efficient and effective from an operating perspective. The special skills and talents of FPL's employees and contractor resources are consistently leveraged over the largest organizational reach.

Q. Have there been any material changes in affiliate transaction processes or controls since FPL's 2021 Rate Case?

A. No. FPL's current affiliate transaction processes and controls have been in place since at least 2003 and have remained unchanged since the 2021 Rate Case. Continuing the existing shared services structure ensures proper control of shared and centralized administrative functions, including compliance with all applicable regulatory rules and regulations. This centralization enables FPL to draw on the talent and expertise of the entire organization, which has resulted in increased efficiencies and reduced costs to FPL.

Q. Have there been any changes in the accounting for affiliate transactions since FPL's 2021 Rate Case?

A. Yes. FPL has refined the accounting for credits to FPL related to the Corporate Services Charge ("CSC") and the labor overheads associated with affiliate direct charges. Prior to 2024, the credits were recorded to FERC account 922 Administrative expenses transferred – Credit, so that they effectively offset the expenses posted to various originating administrative and general ("A&G") FERC accounts. Beginning in 2024, FPL credits the originating FERC accounts for all CSC and affiliate direct charge overhead activity to more precisely reflect the balances in each of the A&G FERC accounts. In addition, FPL now records amounts charged to affiliates for their allocated share of depreciation expense and return on investment associated with shared enterprise assets to FERC account 456 Other electric revenues instead of crediting FERC account 922.

Q. Are FPL's affiliate billing practices codified?

A. Yes. FPL uses an integrated structure of billings and allocations that are codified in the CAM. Maintaining the CAM is a requirement under Rule 25-6.1351, F.A.C. ("Affiliate Rule"). In addition, FPL's CAM largely follows the published guidelines recommended by the National Association of Regulatory Utility Commissioners ("NARUC") and is consistent with our approach over at least the last 10 years, including three prior base rate reviews, with no material process changes. FPL's CAM details the types of services provided to affiliates, along with explanations of the billing methodologies. FPL's 2025 CAM is included as Exhibit KF-6.

Q. Have there been any changes to the billing methodologies for charging FPL costs to its affiliates since the 2021 Rate Case?

A. No. FPL's current billing methodologies for costs charged to its affiliates have been in place since at least 2003 and remain unchanged since the 2021 Rate Case. FPL continues to use three methods to charge costs of shared activities to its affiliates. These methods are commonly employed by other utilities and are recommended by the FERC and the NARUC:

1. Direct Charges – Costs of resources used exclusively to provide services for the benefit of one company and are directly charged to that entity. FPL fully loads all direct charges to affiliates and uses this methodology whenever possible and practical. Activity billed using the direct charge methodology is not recorded on FPL books and records and, instead, is charged on the books and records of the benefitting entity. Therefore, direct charges are not included in FPL's cost of service.

2. Operations Support Charges – Operations Support Charges are used by FPL to allocate support costs for NEE's Nuclear fleet support operations, which provide services to both the FPL and NextEra Energy Resources, LLC ("NEER") fleet of nuclear units. This allocation is based on each entity's number of operating units, with a current split of 57% to FPL and 43% to NEER. These charges are based on actual costs for the enterprise support activity and are billed using the direct charge methodology; therefore, Operations Support Charges are not included in FPL's cost of service.

3. CSC – A significant portion of corporate support services that benefit both FPL and its affiliates are billed through the CSC, which is further defined by the two distinct allocation methods below. Activity billed to affiliates via the CSC is reflected in FPL's books and records as a credit to either revenue or expense and, therefore, reduces FPL's cost of service.

   a. Specific Driver – The allocation of costs of ongoing services shared jointly to support utility and affiliate operations that have distinct cost drivers. These drivers or factors have a direct relationship to the causation of the expense and the effect this activity has on the operations of the benefiting entity. See Exhibit KF-6 for examples of the cost pools that are allocated using specific drivers.

   b. Massachusetts Formula – The costs of corporate governance and strategic activities shared jointly to support utility and affiliate operations that do not have distinct cost drivers are allocated using the Massachusetts Formula, a methodology widely accepted by utility

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regulators as a fair and reasonable way to allocate common costs among affiliates. The Massachusetts Formula has three components: (1) property, plant and equipment, (2) revenue, and (3) payroll. The annual amounts forecasted for each of these components are used as the basis in calculating the percentage to be charged to each affiliate. Averaging the percentages for property, plant and equipment, revenues, and payroll has proven to be a reasonable means of allocating corporate governance and general support services.

Continuing these existing billing methodologies will ensure that all shared services are properly charged to the benefiting entities in the NEE organization.

Q. What percent of affiliate support provided by FPL will be billed using either the direct charge methodology or specific drivers?

A. As shown on Exhibit KF-7, approximately 73% of the support FPL forecasts it will provide to its affiliates in the 2026 Projected Test Year will be billed using the direct charge method or allocated in the CSC using specific drivers. This is made up of approximately 33% using the direct charge methodology, 36% using specific drivers, and 4% related to the Nuclear Operations Support Charge. FPL forecasts similar billing levels for affiliate support for the 2027 Projected Test Year.

Q. What is the amount of CSC forecasted for the 2026 Projected Test Year and 2027 Projected Test Year?

A. FPL forecasts the CSC to affiliates to be approximately \$154 million and \$171 million in the 2026 Projected Test Year and 2027 Projected Test Year, respectively. These amounts are reflected as a credit to the originating administrative and general expense accounts or other operating revenue, in the calculation of revenue requirements in each of these years.

Q. Are most of the costs included in the CSC allocated using activity-specific drivers?

A. Yes. For the 2026 Projected Test Year, 57% of the CSC cost pool is expected to be allocated using specific drivers and 43% using the Massachusetts Formula. For the 2027 Projected Test Year, 58% of the CSC cost pool is expected to be allocated using specific drivers and 42% using the Massachusetts Formula. FPL makes a significant effort to identify causal relationships between costs and the activities that drive them in order to achieve a more precise distribution of shared costs among FPL and its affiliates.

Q. Please describe the integrated controls that FPL designs, maintains, and relies on to ensure that FPL retail customers do not subsidize the operation of an affiliate.

A. The Regulatory Accounting group within FPL is responsible for ensuring compliance with the Affiliate Rule. This group, in collaboration with the Legal and Compliance teams, is the primary control and oversight organization, whose mission is to ensure that FPL complies with affiliate transaction requirements. They monitor the affiliate billing process and work with all business units across the enterprise to ensure that each complies with the Affiliate Rule and properly charges or allocates costs as required. They also work closely with all centralized shared services teams, periodically reviewing all cost distributions to ensure charges are appropriate and that unregulated activities are not subsidized by regulated customers.

FPL has codified the required practices and procedures that each employee must adhere to in the conduct of corporate shared services and appropriate billings in the CAM, following the guidelines recommended by the NARUC. The CAM is updated annually by the FPL Regulatory Accounting group and can be readily accessed by each and every employee through the internal NEE corporate website.

The Company's Sarbanes-Oxley narratives provide FPL's required affiliate transaction controls. These narratives are reviewed on a quarterly basis and attested to by FPL management. In addition, other processes ensure proper control over affiliate allocation. For example, bi-weekly payroll reviews by each employee's supervisor are conducted to ensure that any payroll incurred in support of an affiliate is appropriately charged to that affiliate, and asset transfer requirements detail market testing procedures for sales between FPL and affiliates to ensure Affiliate Rule compliance.

Q. Does the Company perform internal reviews of its affiliate processes?

A. Yes. The Company periodically reviews its affiliate processes. Most recently, during 2024, the Internal Audit department performed a review of the processes and procedures employed by the FPL Regulatory Accounting group related to the CSC, Operations Support Charges, and direct charges. The report contained no findings of non-compliance with the Affiliate Rule. The controls in place were determined to be effective, and the policies and procedures around affiliate transactions were consistently applied throughout the Company. Additionally, FPL's Regulatory Accounting and Finance departments undertake periodic reviews of the affiliate costs as part of the budget cycle process.

Q. Is FPL subject to reporting requirements by the Commission with respect to its affiliate transactions?

A. Yes. FPL complies with affiliate accounting and reporting requirements mandated by this Commission. That reporting includes the required annual filing of the Diversification Report, which includes details of transactions with affiliates and changes in affiliate commercial contracts with FPL. The most recent Diversification Report available for FPL is provided in MFR C-31.

Q. Are affiliate costs subsidized by FPL customers?

A. No. To the contrary, FPL will continue to accomplish two important objectives for its customers with respect to corporate support and affiliate charges. First, the Company will continue to ensure that it complies with all regulatory requirements ensuring that FPL customers do not subsidize affiliates. Second, FPL will continue to lever the robust, highly specialized, commercial, and technical talents of the broader business teams that it has amassed across the NEE enterprise in performing these corporate and fleet services, which enable far greater benefits than FPL could ever deliver to customers as a standalone business.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by Florida Power & Light Company	Docket No. 20250011-EI Filed: April 29, 2025

FLORIDA POWER & LIGHT COMPANY
ERRATA SHEET OF KEITH FERGUSON

Florida Power & Light Company ("FPL") hereby submits this errata sheet to correct certain portions of the Direct Testimony of FPL witness Keith Ferguson originally filed in the above referenced docket on February 28, 2025.

Direct Testimony	**Changes/Corrections**
Pg. 24, ln. 21	Change $154 to $158
Pg. 24, ln. 21	Change $171 to $175

Respectfully submitted this 29th day of April 2025,

By: */s/ Christopher T. Wright*

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 29th day of April 2025:

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/s/ Christopher T. Wright
Christopher T. Wright
Managing Attorney
Fla. Auth. House Counsel No. 1007055

Attorney for Florida Power & Light Company

BY MR. CHRISTOPHER WRIGHT:

Q Mr. Ferguson, do you have Exhibits KF-1 through KF-4 and KF-6 and 7 attached to your direct testimony?

A Yes.

MR. CHRISTOPHER WRIGHT: Mr. Chairman, I would note that these are CEL Exhibits 88 through 91, 93 and 94.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q Mr. Ferguson, were these exhibits prepared by your or under your direct supervision?

A Yes.

Q Are you cosponsoring organize exhibits?

A Yes. I am cosponsoring Exhibit KF-5 attached to my direct testimony, and Exhibit NWA-2 attached to the direct testimony of FPL Witness Allis.

MR. CHRISTOPHER WRIGHT: I would note that these are CEL Exhibit Nos. 85 and 92.

BY MR. CHRISTOPHER WRIGHT:

Q Do you have any corrections to any of these exhibits, Mr. Ferguson?

A Yes. Exhibit KF-2 and Exhibit KF-5 were corrected through the notice of identified adjustments I cosponsor Exhibits LF-10 -- LF-11 and LF-12, which are attached to the rebuttal testimony of FPL Witness Fuentes.

Q Okay. And on July 9, 2025, did you file 14 pages of rebuttal testimony?

A Yes.

Q Do you have any recollections to your rebuttal testimony?

A No.

MR. CHRISTOPHER WRIGHT: Chairman, I would ask that Mr. Ferguson's rebuttal testimony be entered into the record.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled rebuttal testimony of Keith Ferguson was inserted.)

D8-425

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF KEITH FERGUSON

Filed: July 9, 2025

D8-425

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I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. Yes.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit KF-8 – FPL's Response to OPC's First Request for Production of Documents No. 15
- Exhibit KF-9 – FPL's Response to FEA's Third Set of Interrogatories No. 7

I am co-sponsoring the following exhibit:

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

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the following topics:

- Office of Public Counsel ("OPC") witness Dunkel's recommendation to use a higher annual discount rate in the calculation of dismantlement accruals;
- Federal Executive Agencies ("FEA") witness Andrews' recommendation to maintain the 2047 estimated retirement date for Scherer Unit 3; and
- OPC witness Schultz's proposed impacts to depreciation expense and accumulated depreciation resulting from OPC witness Dunkel's adjustments.

Please note that I am responding to specific issues. Consequently, any argument raised in the testimony presented by intervening parties to which I do not respond, should not be accepted as my support or approval of the positions offered.

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony will demonstrate that the Company's request on the items identified above is reasonable and the intervenors' recommendations are flawed and should be rejected by the Commission. Specifically, I will demonstrate that:

- OPC witness Dunkel's recommendation to change the discount rate to calculate the dismantlement accrual is unsupported, unreasonable, and out of line with accepted practice.
- FEA witness Andrews' recommendation to maintain the 2047 estimated retirement date for Scherer Unit 3 is unsupported and fails to consider critical information about the plant's projected operation as provided by the plant's majority owner and operator.
- OPC witness Schultz's calculations of the impacts to depreciation expense and accumulated depreciation resulting from OPC witness Dunkel's proposed adjustments are incorrect.

II. DISMANTLEMENT ACCRUALS

Q. What is the purpose of the dismantlement accrual?

A. The purpose of the dismantlement accrual is to accrue the estimated cost of dismantling generation facilities at the time of retirement over the life of the facility. Per Rule 25-6.04364, Florida Administrative Code (the "Dismantlement Rule"), "[t]he dismantlement annual accrual shall be calculated using the current cost estimates escalated to the expected dates of actual dismantlement. The future costs less amounts recovered to date shall then be discounted in a manner that accrues the costs over the remaining life span of the unit." Thus, under the Commission's Dismantlement Rule, future dismantlement costs, less the amount recovered to date, are escalated to the estimated date of dismantlement and then discounted over the remaining life of each generation unit or plant site to determine the fixed dismantlement accrual amounts based on a four-year average of the accruals related to the years between the dismantlement study reviews. As required under the Dismantlement Rule, dismantlement studies are conducted typically every four years to reflect the latest dismantlement cost estimates and life spans and revised annual dismantlement accruals accordingly.

Q. What is the discount rate FPL used when calculating the dismantlement accruals?

A. FPL has consistently used the compound inflation rate as the discount rate when calculating dismantlement accruals. For the 2025 Dismantlement Study, FPL used a compound inflation rate for each component of dismantlement costs (labor, materials, etc.) at each unit, which results in an overall average discount rate of 3.62%.

Q. On page 12 of his testimony, OPC witness Dunkel states that the discount rate used to calculate the dismantlement accruals should be set at the 6.26% cost of capital recommended by OPC witness Lawton because, according to him, investor monies and ratepayer monies should have the same annual cost. Do you agree with his proposal to use the cost of capital as the discount rate?

A. No. Putting aside that the cost of capital recommended by OPC witness Lawton should be rejected for the many reasons explained in the rebuttal testimonies of other FPL witnesses, OPC witness Dunkel's recommendation to use the overall cost of capital as the discount rate is inappropriate, inconsistent with Commission practice, and ignores the fact that the dismantlement reserve is an unfunded reserve. His recommendation is also inconsistent with the intent of the Dismantlement Rule cited above, which is to accrue remaining costs over the remaining life span of the unit. Using the cost of capital as the discount rate would not equitably and reasonably accrue costs over the remaining life of the unit.

Q. Please explain the Commission's policy regarding the discount rate to be utilized when calculating dismantlement accruals in a utility's dismantlement study.

A. Although the Dismantlement Rule does not explicitly state what discount rate should be applied, FPL has consistently used the compound inflation rate as the discount rate for over 30 years. Using an inflation rate as the discount rate is consistent with the Dismantlement Rule's requirement to accrue costs over the life of the unit. The compound inflation rate has also consistently been used as the discount rate by other Florida investor-owned utilities ("IOUs"). For example, the dismantlement studies filed by Tampa Electric Company and Duke Energy Florida in 2023 and 2024, respectively, both used the compound inflation rate as the discount rate when calculating dismantlement accruals. Notably, the methodology used by Tampa Electric Company in its dismantlement study was approved by the Commission in a fully litigated rate proceeding.[1] To my knowledge, the Commission has consistently approved accrual calculations that utilize the compound inflation rate. OPC witness Dunkel has failed to offer any analysis or support for why the Commission should now depart from this long-standing policy.

Q. You stated that OPC witness Dunkel fails to recognize the fact that the dismantlement reserve is an unfunded reserve. Can you please explain?

A. Yes. The amount of dismantlement costs FPL collects from its customers is not segregated or invested in a restricted account as required for a funded reserve. Instead, the amounts collected from customers are used to fund current operations, including any current dismantlement activities. The amounts collected help FPL avoid the need to raise incremental debt and equity in the period collected. The compound inflation rate is used to calculate the expected cost in future dollars needed at the time of dismantlement. Therefore, to appropriately allocate the dismantlement cost to customers over the life of the plant, the compound inflation rate should be used in the discount calculation.

[1] *See* Commission Order No. PSC-2025-0038-FOF-EI issued on February 3, 2025, in Docket Nos. 20240026-EI, *et al*.

Q. Has the Commission previously addressed the funding of a dismantlement reserve?

A. Yes. In Order No. 24741 in Docket No. 890186-EI, the Commission rejected the concept of a funded reserve for dismantlement costs and established the methodology for accruing dismantlement costs for fossil-fueled production plants. In rejecting the funded reserve approach, the Commission found "…it is in the best interest of the utility and its ratepayer to continue to provide for this dismantlement cost for the investor own[ed] utilities in this docket as an unfunded reserve."

Q. Can you please elaborate on why using an overall cost of capital to calculate dismantlement accruals is not appropriate?

A. Yes. Customers are only funding the growth in dismantlement costs over time as a result of inflation, which is why Florida IOUs have appropriately used a compound inflation rate to calculate dismantlement accruals.

Q. On page 26 of his testimony, OPC witness Dunkel recommends a reduction to FPL's proposed dismantlement accrual based on a negative 25% contingency adjustment. Do you have a response to his proposed contingency adjustment?

A. Yes. As discussed in the rebuttal testimony of FPL witness Allis, OPC witness Dunkel's contingency adjustment of negative 25% is arbitrary and unsupported. This adjustment, combined with his inappropriate discount rate recommendation, would reduce the dismantlement accrual by over 50%, creating a significant shortfall that would unfairly burden future customers.

FPL's proposed annual accrual of $106.4 million is based on detailed, site-specific cost analyses performed by outside consultants. As discussed in my direct testimony and reflected in Section 2 of Exhibit NWA-2, the increase from FPL's current accrual is primarily driven by the addition of new solar plants and battery storage assets that have been or will be constructed since the 2021 Dismantlement Study was prepared. Specifically, about $46 million of the $58.7 million increase is attributable to these new assets, with the majority of the remainder attributable to cost escalation.

Q. On page 95 of his testimony and on Schedule C-15 of Exhibit HWS-2, OPC witness Schultz proposes an adjustment to remove $810,454 from the dismantlement accrual related to the Environmental Cost Recovery Clause ("ECRC"). Do you agree with this adjustment?

A. No. OPC witness Schultz appears to misunderstand the relationship between the base rate and clause portions of FPL's dismantlement accrual. As shown in Exhibit KF-4 of my direct testimony and the table below, the total increase in FPL's annual dismantlement accrual is $58.7 million, which consists of a $59.6 million increase in the base rate dismantlement accrual partially offset by a $0.8 million decrease in the ECRC dismantlement accrual.

$ in Millions	**Current Approved** Dismantlement Accrual	**Proposed** Dismantlement Accrual	**Change** in Dismantlement Accrual
Base	$36.6	$96.2	$59.6
Clause (ECRC)	$11.0	$10.2	($0.8)
Total	**$47.7**	**$106.4**	**$58.7**

OPC witness Schultz seems to misunderstand that the proposed ECRC dismantlement accrual adjustment represents a decrease rather than an increase. This apparent misunderstanding is reflected on Line 12 of Schedule C-15 of his Exhibit HWS-2 where OPC witness Schultz incorrectly shows $107.2 million as FPL's total annual dismantlement accrual, which is overstated by a $0.8 million decrease in the ECRC dismantlement accrual and does not align with the proposed total annual dismantlement accrual of $106.4 million presented in FPL's 2025 Dismantlement Study. Therefore, OPC witness Schultz's proposed adjustments to FPL's total annual dismantlement accrual on Schedule C-15 are not correct and should be rejected.

III. SCHERER UNIT 3 RETIREMENT DATE

Q. On pages 14-15 of his testimony, FEA witness Andrews disputes the 2035 retirement date used for Scherer Unit 3 in FPL's 2025 Depreciation Study and recommends the previous retirement date of 2047 be maintained. Do you have a response?

A. Yes, I disagree with FEA witness Andrews' recommendation. His recommendation fails to consider critical information about the plant's projected operation available from Georgia Power, the primary owner and operator of the plant.

Q. What is the basis for FPL's decision to propose the 2035 retirement date for Scherer Unit 3?

A. FPL's proposed 2035 retirement date is based on specific information provided directly by Georgia Power, the primary owner and operator of Scherer Unit 3. In preparation for FPL's 2025 Depreciation Study, Georgia Power informed FPL that the most current expected retirement date for Scherer Unit 3 is December 31, 2035. This communication was provided as part of FPL's response to OPC's First Request for Production of Documents No. 15, which is provided in Exhibit KF-8 to my rebuttal testimony. As the majority owner and operator responsible for operating the plant and making decisions regarding retirement, Georgia Power is the entity best positioned to determine the operational timeline for this facility.

Q. On page 14 of his testimony, FEA witness Andrews cites to Georgia Power's 2025 Integrated Resource Plan ("IRP") in support of his proposed recommendation. Can you please respond?

A. Yes. Georgia Power's 2025 IRP presents two planning scenarios for the expected retirement date of Scherer Unit 3, either 2035 or 2038. On page 59 of the 2025 IRP, Georgia Power specifically states:

> "With the 2025 IRP, the Company is seeking approval of the following actions to serve customers, as detailed further in this Chapter.
>
> - Preserve 1,007 MW of reliable existing operating capacity, beginning in the winter of 2028/2029 through extending the operation of six generating units:
>   - Extend Plant Scherer Unit 3 beyond December 31, 2028, assuming operation of this unit through 2035 or 2038, depending on the planning scenario. A request for return of 187 MW of wholesale capacity from Plant Scherer Unit 3 to retail service."

Thus, the Georgia Power 2025 IRP is consistent with the information provided by Georgia Power when FPL prepared its 2025 Depreciation Study, *i.e.*, that Scherer Unit 3 may be retired in 2035. Although the Georgia Power 2025 IRP indicates that there is a possibility the retirement of Scherer Unit 3 could be extended by three years, there is nothing in the 2025 IRP to suggest that the retirement date will be 2047 as proposed by FEA witness Andrews.

Q. Please elaborate on why FPL believes the 2035 retirement date is more appropriate than the previously estimated 2047 retirement date for Scherer Unit 3.

A. The 2035 retirement date for Scherer Unit 3 represents the most prudent approach based on the information provided by Georgia Power. Using this date aligns with FPL's responsibility to properly match cost recovery with the expected useful life of this asset. FPL's responsibility is to use the best available information when setting depreciation parameters. Therefore, it would not be proper for FPL to maintain a 2047 retirement date that is no longer supported by Georgia Power's own planning.

Q. On page 16 of his testimony, FEA witness Andrews cites to recent executive orders to further support his proposed retirement timeline for Scherer Unit 3. Do you have a response?

A. Yes. FEA witness Andrews' claim that recent executive orders may require maintaining the 2047 retirement date for Scherer Unit 3 is incorrect. As FPL stated in its response to FEA's Third Set of Interrogatories No. 7, which is attached to my rebuttal testimony as Exhibit KF-9, these executive orders "will have no immediate or prospective impact on FPL's power plants" and specifically would not affect plans related to Scherer Unit 3 for the reasons I previously explained. Further, to the extent that Georgia Power makes a future change to the estimated retirement date of Scherer Unit 3, FPL would incorporate the change into a subsequent depreciation study.

IV. DEPRECIATION ADJUSTMENTS

Q. Do you agree with OPC witness Schultz's proposed impacts to depreciation expense and accumulated depreciation resulting from OPC witness Dunkel's proposed adjustments to depreciation rates in FPL's 2025 Depreciation Study?

A. No. FPL disagrees with the adjustments proposed by OPC witness Dunkel to its 2025 Depreciation Study for reasons outlined in the rebuttal testimony of FPL witness Allis. Furthermore, FPL disagrees with the impacts calculated by OPC witness Schultz on depreciation expense and accumulated depreciation.

OPC witness Schultz's calculations, which utilize plant in service and depreciation reserve balances from MFR B-7 and MFR B-9, include amounts to be recovered through FPL's cost recovery clauses. This results in an overstatement of his proposed depreciation expense adjustment to base rates by approximately $45 million in 2026 and $49 million in 2027, as shown on Exhibit KF-2 to my direct testimony. OPC witness Schultz's suggestion for reducing depreciation expense by $164.5 million in 2026 and $174.3 million in 2027 is excessively high and inaccurate due to these miscalculations.

A more accurate approach would be to calculate the adjustment using monthly forecasted balances at a plant account level rather than applying a top-down composite rate to a 13-month average plant balance at a functional level. This approach also ensures appropriate allocation of depreciation expense between base and clause. In addition, this more accurate and detailed methodology is employed by FPL and aligns with the calculation presented on Exhibit KF-2 attached to my direct testimony, which details the impacts on depreciation expense utilizing the rates in the 2025 Depreciation Study by year for base vs. clause in 2026 and 2027.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MR. CHRISTOPHER WRIGHT:

Q Mr. Ferguson, do you have Exhibits KF-8 through KF-9 attached to your rebuttal testimony?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that these are CEL Exhibit Nos. 301 and 302.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q And, Mr. Ferguson, are you co-sponsoring Exhibit LF-11 attached to the rebuttal testimony of FPL Witness Fuentes?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that this is CEL Exhibit 307.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q Were these exhibits prepared by you or under your direct supervision?

A Yes.

Q Do you have any corrections?

A No.

Q Mr. Ferguson, could can you please summarize the topics addressed in your direct and rebuttal testimonies?

A Yes.

My direct and rebuttal testimonies address depreciation and dismantlement studies, capital recovery schedules, reclass of storm protection plan costs from base to clause and affiliate issues.

I am here to answer any questions that you may have.

Q Thank you.

MR. CHRISTOPHER WRIGHT: We tender the witness for cross.

CHAIRMAN LA ROSA: OPC, you are recognized for questioning.

MR. WATROUS: Thank you, Mr. Chairman.

EXAMINATION

BY MR. WATROUS:

Q Good afternoon, Mr. Ferguson.

A Good afternoon.

Q Were you able to listen to Mr. Jarro's questioning?

A Yes, some of it I was.

Q Well, he had punted a couple of questions to you, and I would like to start with those, and these are all about land from an accounting standpoint.

A Okay.

Q So from an accounting standpoint, does land held for future use appreciate in value?

A Appreciate?

Q Uh-huh.

A Not on our books and records. It's held at historical cost.

Q Okay. And for any property that was bought for utility purposes and then reclassified as nonutility, how does FPL treat that land?

A Any of that land that's reclassified to nonutility property is removed from rate base and not charged to customers at all.

Q Thank you. I would like to move to your dismantlement study that you sponsored.

So the dismantlement net accrual increase is $58.7 million, is that correct?

A Hang on one sec. Yes.

Q And that results in a $106.4 million annual accrual, is that correct as well?

A Yes.

Q And that's nearly double the current level?

A That's the math, yes.

Q And you would agree that this commission is being asked to approve a dismantlement study and the related dismantlement accrual as part of the revenue requirement in this case?

A Yeah. The dismantlement accrual specifically is part of the revenue requirements. The studies are supporting that accrual calculation.

Q And so when rates are set, and when rates go into effect, there is an amount of cash that will be collected from customers that is associated with the dismantlement portion of the revenue requirement?

A Yes, as part of the dismantlement accrual, that includes revenue requirements that we will collect in rates.

Q And that cash does not have to be segregated into a restricted use fund, is that correct?

A Yes. The Commission decided, I believe in 1991, that dismantlement reserves don't need to have a separate segregated fund associated with it.

Q And the cash collected that is associated with the dismantlement cost revenue requirement can be used for any valid corporate purpose, is that correct?

A Yes. It's just like any other revenue requirements that you get, and I will analogize it to removal costs that we collect as part of depreciation expense, where we may incur the costs sometime in the future, we collect that through normal depreciation expense, and it's available for, you know, use in the company.

Q And for the SPPCRC costs, you want to move the

cost of removal and retirements from base rates into the storm protection clause, is that correct?

A Yes, a portion of it, and maybe let me explain that.

Most of what we are removing and retiring as part of the SPP, especially in the earlier years, was all assets that were installed as part of base rates. As we move through time, there are certain assets that were installed as part of the SPP clause that are going to start to get retired and removed. It's very small at the beginning of time, but over time, that will start to increase. And what we are asking for is the ability to move that portion of the assets into clause because they were installed as part of clause.

Q And when they are moved into the clause, this allows dollar for dollar recovery, is that correct?

A I think it allows for the recovery as part of the clause. I don't know if it's dollar for dollar, because we are, you know, these are estimates based on the curves that they apply and the depreciation aspects.

Q And moving onto your affiliate transactions part. If affiliate transactions are understated, or affiliate charges are understated, FPL customers will still pay for this, correct?

A What do you mean by affiliate charges?

Q You typically use the Massachusetts formula, correct?

A No. Massachusetts formula is actually a small subset of our affiliate, the way we allocate affiliate charges, and so that's only about 20 -- 20 something percent of how we allocate affiliate charges.

Q And then the rest is based on time?

A It's either direct charging, so if an employee works specifically on an FPL project, as an example, they will directly charge their time; or it might be based on specific drivers. For instance, the IT department might allocate based on numbers of work stations, as an example.

Q And if the charged time is understated, FPL customers will pay for this, is that correct?

A So these are affiliate charges coming into FPL, is that your question?

Q Out of FPL.

A Out of FPL. So if FPL customer -- FPL employees don't charge out all their time, I assume that could be the case, but we have numerous controls in place to ensure that time charging is appropriate.

Q Such as performing internal audits?

A That's one of them, but we also, every two weeks, the supervisors are required to sign off on the accuracy and completeness of employees' time. And we also do, you know, training with all of our business units to ensure that they are appropriately charging their time.

Q Okay. And FPL did an internal audit in 2024 regarding affiliate charges?

A Yes.

Q And that had no findings?

A That's correct.

Q All right. And that audit was done at the direction of the board of directors?

A I don't know. I think my recollection is we asked for the audit because we had just implemented a new general ledger system, and we wanted to ensure that we continued to have the robust controls in place on the new system that we have always had in place.

Q Okay. And was this audit done independent of management?

A Yes.

Q And for the discount rate, you used the 2024 Global Insights rate, is that correct?

A I am sorry, are you -- are we now talking about the dismantlement study?

Q Yes. I am sorry.

A Okay. So, yes, for the dismantlement study, we used the, I believe it was September 2024 Global Insight factors.

Q And you would agree that there is no specific discount rate that should be applied?

A The Commission rule does not specifically outline the rate that should be applied. However, what the Commission rule and the concept of dismantlement is to ensure that we are collecting the proportional costs over time from customers related to the dismantlement systems estimates that we come up with.

Q Thank you, Mr. Ferguson. OPC has no more questions.

CHAIRMAN LA ROSA: Thank you.

FEL?

MR. LUEBKEMANN: Thank you, Mr. Chairman.

EXAMINATION

BY MR. LUEBKEMANN:

Q Good afternoon, Mr. Ferguson.

A Good afternoon.

Q Your testimony includes a discussion of FPL's capital recovery schedules?

A Yes.

Q Would it be fair to say, in general, that -- let me rephrase that.

The longer an item stays in the capital

recovery schedule, the longer FPL's ratepayers are paying for that asset?

A I would say, in general, that's the case, but I would also acknowledge that in every one of the cases where we have asked for a capital recovery schedule, we are generally replacing it with other assets as well.

Q And maybe I can ask that better. As you extend the schedule for the capital asset and the recovery of that asset, do FPL's customers pay more money over time as a function of that staying in longer?

A Maybe in terms of real dollars because the unrecovered cost remains in rate base. But on a present value basis, it's -- we have always looked at it as the same regardless, so...

Q I have a few questions for you on the RSAM that have been collectively funneled in your direction.

The 2021 Settlement Agreement included a hypothetical reserve for depreciation?

A Yes.

Q And that was one $1.45 billion?

A That was the reserve imbalance that was in the case, yes.

Q Thank you. Yes. And that has now been largely extended?

A Yes. That has been amortized, I believe, around 1.2 billion or so at this point.

Q Do you recall what the depreciation reserve imbalance was calculated for in this case?

A I believe it's a deficit of around 1.9 billion.

Q Would it be fair to say that had the RSAM surplus that was identified in the calculation for the 2021 rate case, if it had not been used to fund the RSAM mechanism and, instead, had been kept for depreciation expense, would that total amount have been available to offset the part of the current depreciation deficit?

A I don't know the answer to that question, but maybe let me provide a little bit of perspective.

The 1.45 billion that was in the 2021 settlement, 1.4 billion of that, so 96 percent of that 1.45 billion was related to one single change, and that was the extension of our -- the lives on our nuclear facilities going from 60 years to 80 years.

At the time, we had an estimate that we thought we would get those license extensions. We now have the license extension for Turkey Point, and we fully expect to get the license extension for St. Lucie. So that estimate ended up being a very valid estimate for us, and has now been incorporated in our filed study this time, so...

Q And just a quick follow-up there. The recert on St. Lucie is expected next year?

A I believe next year. Yes. Correct.

Q As part of the 2021 rate case, FPL recommended using one of two sets of parameters for the RSAM -- or one of two sets of parameters for the depreciation study, one of which would have resulted in a surplus and one of which would have resulted in a deficit?

A Yes. I think we filed a study, and then we filed an alternative to support the four-year plan that we were proposing in the last case.

Q And the difference -- I mean, we have talked about this some, and it's mostly in the extension of the nuclear lives, but fair to say that the entire difference in the two calculated hypothetical reserve imbalances was based on the service lives of the assets in the study?

A I am sorry, can repeat that question?

Q Sure. The -- going from the deficit under one set of parameters to the surplus calculated under the other set of parameters, the changes in the parameters all had to do with extending the lives of different types of assets, be those CCs, solar plants, the nuclear generating units?

A That was a component of it. As I said, 96 percent was that one change. There were also some changes in what we call the net salvage percentages as well.

Q Did FPL consider alternate depreciation lives as part of -- well, let me put it this way: I know Mr. Allis does the depreciation study. He incorporates recommendations from the company on things like using alternate parameters?

A Yes. I mean, he does his study, and then essentially he asks our subject matter experts in the company whether what he is coming up with from a study perspective somewhat aligns with our expectations, and so he will incorporate feedback from the company as well in his study.

Q And just to round that out. In 2021, he incorporated the feedback of the company to use these alternate depreciation parameters?

A No. He actually -- the study that he sponsored did not have these alternate -- that was actually an exhibit to my testimony, the alternate depreciation parameters.

As an example, he relied on the 60-year life for the nuclear facilities, because he -- at the time, we did not have the license in place. And he kind of said, historically, that's what he had done. We felt very good about getting those license extensions, and so we incorporated those into the alternate that we proposed.

Q And I do recall that was your exhibit. Maybe would a better way of stating that be that you used the groundwork of his study and then, in your exhibit, changed the parameters which resulted in a different conclusion calculation?

A Maybe that's one way to think about it. You know, he then performed the calculations for us to come up with the depreciation expense and the theoretical reserve imbalance, but we did have input on those alternative parameters.

Q And all of this is really a predicate for my wanting to know, did the company look at any alternate parameters in preparation of the depreciation study in this case to evaluate whether it would be possible to continue the RSAM into the future?

A No, not necessarily, and let me explain why.

As I explained before, the alternative parameters that we proposed in the last study, there were three big ones from a life perspective. I had already talked about the nuclear one. We also extended the combined cycle plants from 40 years to 50 years, or 45 years to 50 years, and the solar facilities from 30 years to 35 years.

All three of those, the 80-year life on the nuclear, the 50-year life on the combined cycle and the 35-year life on solar are what Witness Allis is now putting into the 2025 depreciation study. So he has already incorporated those alternative parameters that we proposed in the settlement agreement in 2021.

Q And it would be fair to say that if you indefinitely extended lives, it would create a surplus, but it has been the company's determination that there is no more reasonable extension for the lives than what Mr. Allis is using in his study?

A Yeah, the study what we filed in this case is our -- represents our best estimate of those lives.

Q And then I just had a couple of quick follow-ups on plant held for future use.

I believe Mr. Watrous asked you if plant held for out use would appreciate. I think -- well, let me put it this way: Would plant held in those accounts ever depreciate?

A No.

Q So the -- and it would be held for the historical purchase price in those accounts?

A Yes.

Q So if a property was purchased and stayed in

plant held for future use for 50 years, it would earn a return on that original purchase price?

A Yes, for whatever it was bought 50 years ago.

Q And it would continue to earn that return year after year as long as it remained in account 105?

A Yes, but I think as explained by Witness Jarro, we have a pretty rigorous control process around ensuring that there is still a plan for that land.

Q But if there were land or lands that did have an identified purpose, but for whatever reason did not enter utility service and remained in that account for the length of the time that it was in that account, it would continue to earn that return?

A Yes, because it's appropriately in that account because it still has a defined plan for it.

Q Thank you. That's -- thank you very much, Mr. Ferguson. That's all my questions.

CHAIRMAN LA ROSA: Thank you.

FIPUG?

MS. PUTNAL: No questions.

CHAIRMAN LA ROSA: Walmart?

MS. EATON: No questions.

CHAIRMAN LA ROSA: FEIA?

MR. MAY: No questions.

CHAIRMAN LA ROSA: Staff?

MR. STILLER: Staff has no questions.
CHAIRMAN LA ROSA: Commissioners, any questions?
Seeing none, back to you, FPL, for redirect.
MR. CHRISTOPHER WRIGHT: Thank you, Chairman. We have no redirect.
We would ask that the exhibits identified as CEL Exhibits 88 through 91, 93 through 94, 301 and 302 be moved into the record.
I would also ask that the Exhibits 85 and 92, which Mr. Ferguson cosponsored with Mr. Allis, who has already been here to sponsor those exhibits, be moved into the record.
And finally I note that Mr. Ferguson cosponsors CEL Exhibit 307, which is attached to Ms. Fuentes' testimony. She will be up later today. We will move it in at that time.
CHAIRMAN LA ROSA: Any objections to those? No objections. Okay. Seeing none, so moved.
(Whereupon, Exhibit Nos. 85, 88-91, 92-94, 301-302 were received into evidence.)
CHAIRMAN LA ROSA: OPC, FEL, any --
MR. LUEBKEMANN: No, Chairman.
CHAIRMAN LA ROSA: Great. Thank you.
All right. I will go ahead and excuse the

witness. So thank you, Mr. Ferguson.

(Witness excused.)

CHAIRMAN LA ROSA: And throw it back to you, FPL, you may call your next witness.

MR. CHRISTOPHER WRIGHT: Thank you. FPL calls Liz Fuentes.

CHAIRMAN LA ROSA: Ms. Fuentes, do you mind standing and raising your right hand?

Whereupon,

LIZ FUENTES

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

CHAIRMAN LA ROSA: Excellent. Thank you.

She's been sworn in, FPL, she is there to introduce the witness.

MR. CHRISTOPHER WRIGHT: Thank you.

EXAMINATION

BY MR. CHRISTOPHER WRIGHT:

Q Can you please state your name?

A Liz Fuentes.

Q What's your business address?

A 4200 West Flagler Street, Miami, Florida, 33134.

Q By whom are you employed and in what capacity?

A I am employed by Florida Power & Light Company as Executive Director of Regulatory Accounting.

Q On February 2025 -- I am sorry on February 28th, 2025, did you file 19 pages of direct testimony?

A Yes.

Q Do you have any corrections to your direct testimony?

A Yes.

FPL's proposed company adjustment to change the recovery of net metering payments discussed on page 15 and 16 of my direct testimony from base rates to FPL's Fuel and Purchase Power Cost Recovery Clause should be replaced with FPL's Capacity Cost Recovery Clause.

Q Okay. With those corrections, if I asked you the questions contained in your direct testimony, would your answers be the same?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would ask Ms. Fuentes' direct testimony be entered into the record.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled direct testimony of Liz Fuentes was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF LIZ FUENTES

Filed: February 28, 2025

C11-1790

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company, 4200 West Flagler Street, Miami, Florida 33134.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Executive Director of Regulatory Accounting.

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

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL. In this role, I ensure that financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. I began my employment with FPL that same year. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with most of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have filed testimony or provided accounting support in multiple FPL retail base rate filings, clause filings, and other regulatory dockets filed at the Florida Public Service Commission ("Commission") as well as the Federal Energy Regulatory Commission ("FERC"). My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review, and filing of FPL's monthly Earnings Surveillance Reports

("ESR") at the Commission. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and member of the American Institute of CPAs.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit LF-1 – List of MFRs Sponsored or Co-Sponsored by Liz Fuentes
- Exhibit LF-2 – MFR A-1 for the 2026 and 2027 Projected Test Year
- Exhibit LF-3 – List of Proposed Company Adjustments for the 2026 and 2027 Projected Test Year
- Exhibit LF-4 – 2026 and 2027 ROE Calculation Without Rate Adjustment
- Exhibit LF-5 – ADIT Proration Adjustment to Capital Structure for 2026 and 2027 Projected Test Year
- Exhibit LF-6 – 2026 and 2027 Plant Daniel Costs and Expenses

I am co-sponsoring the following exhibit:

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

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

A. Yes. Exhibit LF-1 lists the minimum filing requirements ("MFR") that I am sponsoring and co-sponsoring.

Q. What time periods are presented in the MFRs?

A. The MFRs and associated schedules reflect information for the 2024 Historical Test Year, 2025 Prior Year, 2026 Projected Test Year, and 2027 Projected Test Year.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the calculation of the proposed revenue requirements and appropriateness of certain ratemaking adjustments. My testimony supports accounting and ratemaking practices that affect the determination of rate base, working capital, rate of return, capital structure, and net operating income. Specifically, this includes:

- The calculation of the revenue requirement requested for the 2026 Projected Test Year;
- The calculation of the revenue requirement requested for the 2027 Projected Test Year; and
- FPL's proposed adjustments to rate base, net operating income, and capital structure for the 2026 Projected Test Year and 2027 Projected Test Year.

In addition, I support the calculation of the revenue requirements for FPL's proposed Solar and Battery Base Rate Adjustment ("SoBRA") mechanism as summarized in Exhibit SRB-7 attached to the direct testimony of FPL witness Bores.

Q. Please summarize your testimony.

A. I sponsor and co-sponsor many MFRs and provide the calculation of net operating income, working capital, rate base, capital structure, and revenue requirements for the 2026 Projected Test Year and 2027 Projected Test Year. Based on these supporting calculations, FPL's requested base rate increase for the 2026 Projected Test Year and 2027 Projected Test Year is $1,545 million and $927 million, respectively. Finally, I support the methodology for the revenue requirement and true-up calculations for the proposed SoBRA mechanism reflected in Exhibit SRB-7 attached to the direct testimony of FPL witness Bores.

II. 2026 PROJECTED TEST YEAR REVENUE REQUIREMENT

Q. What is the amount of FPL's requested base rate increase for the 2026 Projected Test Year?

A. FPL's requested base revenue increase for the 2026 Projected Test Year is $1,545 million.

Q. Which MFRs directly support the 2026 Projected Test Year revenue increase calculation?

A. Page 1 of Exhibit LF-2 reflects the MFRs that directly support FPL's proposed jurisdictional revenue requirement increase for the 2026 Projected Test Year. Those MFRs include schedules that support jurisdictional adjusted rate base of $75,130 million, jurisdictional adjusted net operating income of $4,580 million, and the calculation of the jurisdictional revenue expansion factor of 1.34115 used to derive the requested revenue increase. Additionally, page 1 of Exhibit LF-2 references MFR D-1a that supports the jurisdictional adjusted capital structure and the overall rate of return ("ROR") of 7.63% and reflects FPL's requested return on equity ("ROE") of 11.9%.

Q. Did FPL apply any proposed Company adjustments in its calculation of the jurisdictional revenue requirements for the 2026 Projected Test Year?

A. Yes. Each of the proposed rate base and net operating income Company adjustments for the 2026 Projected Test Year and their amounts are reflected on Exhibit LF-3 and explained in more detail below.

Q. Has FPL reflected the flow-through of battery storage Investment Tax Credits ("ITC") in its 2026 Projected Test Year revenue requirements?

A. Yes. As described in FPL witness Laney's testimony, FPL proposes to reflect the flow-through of battery storage ITC in the year in which the assets are placed into service. This flow-through approach will provide an immediate benefit to customers by reducing revenue requirements for the first year of operations. Under this methodology, the ITC associated with battery storage assets will conclude at the end of the first calendar year of operations. Consistent with this approach, FPL's revenue requirement for the 2026 Projected Test Year reflects the full amount of ITCs associated with the battery storage assets to be installed in 2026.

Q. Are there any other items you would like to address regarding the calculation of the revenue requirements for the 2026 Projected Test Year?

A. Yes. On June 29, 2023, the FERC issued Order 898, Accounting and Reporting Treatment of Certain Renewable Energy Assets in Docket No. RM21-11-000, which, among other things, amended the Uniform System of Accounts for public utilities by creating new plant and Operating and Maintenance ("O&M") accounts for wind, solar, energy storage, and other renewable generating assets. The new accounts under FERC Order 898 became effective January 1, 2025. As a result, FPL's forecast for the 2026 Projected Test Year and 2027 Projected Test Year was prepared using the new accounts, which is further discussed by FPL witness Laney.

Q. What would FPL's ROE for the 2026 Projected Test Year be without the requested base rate adjustment?

A. As shown on page 1 of Exhibit LF-4, FPL's jurisdictional adjusted ROE for the 2026 Projected Test Year is projected to be 8.84% absent the rate relief requested for the 2026 Projected Test Year. This is well below the bottom end of the current authorized ROE range, as well as the ROE range supported by FPL witness Coyne.

III. 2027 PROJECTED TEST YEAR REVENUE REQUIREMENT

Q. What is the amount of FPL's requested base rate increase for the 2027 Projected Test Year?

A. The 2027 Projected Test Year requested by FPL yields a base revenue increase of $927 million.

Q. Which MFRs directly support the 2027 Projected Test Year calculation?

A. Page 2 of Exhibit LF-2 reflects the MFRs that directly support the 2027 Projected Test Year. Those MFRs include schedules that support FPL's jurisdictional adjusted rate base of $80,752 million, jurisdictional adjusted net operating income of $4,326 million, and the calculation of the jurisdictional revenue expansion factor of 1.34113 to arrive at the requested revenue increase. Additionally, page 2 of Exhibit LF-2 also references MFR D-1a that supports the jurisdictional adjusted capital structure and an overall ROR of 7.64% and reflects FPL's requested ROE of 11.9%.

Q. What Company adjustments did FPL apply to the 2027 Projected Test Year?

A. FPL applied the same Company adjustments proposed for the 2026 Projected Test Year to the 2027 Projected Test Year and reflected the amount of those adjustments in the calculation of jurisdictional revenue requirements for the 2027 Projected Test Year. Each of the proposed rate base and net operating income Company adjustments for the 2027 Projected Test Year and their amounts are reflected on Exhibit LF-3 and explained in more detail below.

Q. Has FPL reflected the flow-through of battery storage ITC in its 2027 Projected Test Year revenue requirements?

A. Yes. Consistent with the one-year ITC flow back methodology described above and further explained by FPL witness Laney, FPL's revenue requirement for the 2027 Projected Test Year reflects the conclusion of the 2026 ITCs and the addition of the full amount of ITCs associated with the battery storage assets to be installed in 2027.

Q. What would FPL's ROE be for the 2027 Projected Test Year without the requested base rate adjustment?

A. Page 1 of Exhibit LF-4 shows that FPL's jurisdictional adjusted ROE for the 2027 Projected Test Year is projected to be 7.34% absent the requested rate relief for both the 2026 Projected Test Year and 2027 Projected Test Year. This is well below the bottom end of the current authorized ROE range, as well as the ROE range supported by FPL witness Coyne. Exhibit LF-4 also shows that, even with FPL's requested base adjustment for the 2026 Projected Test Year, FPL's jurisdictional adjusted ROE for the 2027 Projected Test Year is projected to be 10.19% without the requested rate adjustment for the 2027 Projected Test Year. This is below the bottom end of the ROE range supported by FPL witness Coyne.

IV. ADJUSTMENTS TO 2026 PROJECTED TEST YEAR AND 2027 PROJECTED TEST YEAR

Q. Has FPL included the Commission's adjustments to rate base and net operating income for the 2026 Projected Test Year and 2027 Projected Test Year?

A. Yes. Consistent with prior Commission orders, FPL has reflected Commission rate base and net operating income adjustments in the calculation of the 2026 Projected Test Year and 2027 Projected Test Year revenue requirement calculations. These adjustments are detailed in MFRs B-2 and C-3 for their respective periods and are the same Commission adjustments reflected in FPL's monthly ESR.

Q. Has FPL proposed any Company adjustments in its calculation of rate base and net operating income for the 2026 Projected Test Year and 2027 Projected Test Year?

A. Yes. FPL is proposing various Company adjustments to its rate base and net operating income calculations for both the 2026 Projected Test Year and 2027 Projected Test Year. Each of FPL's proposed Company adjustments, their impact on rate base and/or net operating income, and the FPL witness supporting each one are provided in Exhibit LF-3.

Q. Would you like to elaborate on any of FPL's proposed Company adjustments?

A. Yes. Please see a summary of certain FPL proposed Company adjustments below, which I sponsor or co-sponsor:

- Rate Case Expense Amortization – Consistent with FPL's 2021 Rate Settlement,[1] 2016 Rate Settlement,[2] and 2012 Rate Settlement,[3] FPL is requesting a four-year amortization period for the estimated, incremental rate case expenses totaling $5.0 million. The amortization of the rate case expenses over a four-year period result in an increase to operating expenses of $1.3 million in 2026 and 2027, and a reduction to rate base of ($0.6) million and ($1.9) million in 2026 and 2027, respectively. In addition, FPL is requesting that the unamortized balance remain in rate base in the 2026 Projected Test Year and 2027 Projected Test Year as currently forecasted in order to avoid an implicit disallowance of reasonable and necessary costs required by the Company to present its evidence, respond to discovery, and litigate this case. FPL's proposed multi-year rate plan reduces the amount of rate case expenses FPL would otherwise incur for multiple, back-to-back base rate case proceedings. Full recovery of necessary rate case expenses is appropriate but will not occur unless FPL is afforded the opportunity to earn a return on the unamortized balance of those expenses.
- Capital Recovery Schedule Income Tax Adjustments – Under the Tax Cuts and Jobs Act of 2017 (the "TCJA"), FPL is required to follow the Internal Revenue Service ("IRS") normalization requirements for excess accumulated deferred income taxes ("EADIT") attributable to the book and tax differences related to

[1] Stipulation and Settlement Agreement approved in FPL's 2021 Rate Case in Docket No. 20210015-EI, Commission Order Nos. PSC-2021-0446-S-EI and PSC 2021-0446A-S-EI.

[2] Stipulation and Settlement Agreement approved in FPL's 2016 Rate Case in Docket No. 160021-EI, Commission Order No. PSC-16-0560-AS-EI.

[3] Revised Stipulation and Settlement Agreement approved in FPL's 2012 Rate Case in Docket No. 120015-EI, Commission Order No. PSC-13-0023-S-EI.

depreciation of public utility property as protected and to employ the Average Rate Assumption Method ("ARAM"). The ARAM ensures that the amortization occurs no sooner than would occur as the book and tax differences turnaround. Per Commission Order No. PSC-2019-0225-FOF-EI in Docket No. 20180046-EI, FPL is employing the ARAM for the turnaround of all protected EADIT and reflecting the amortization via base revenue requirements regardless of whether they relate to base or clause assets. However, when a major depreciable asset is retired early, it is proper to align any remaining EADIT amortization associated with the retired asset with the recovery of any unrecovered investment remaining at the time of retirement.[4] Therefore, FPL proposes to accelerate the amortization of the remaining EADIT associated with the total unrecovered investment reflected in the capital recovery schedules proposed and discussed in detail by FPL witness Ferguson over the same 10-year recovery period. In addition, FPL also proposes an adjustment to deferred income tax expense to account for permanent timing differences resulting from the capital recovery schedule amortization. The net reduction to operating expenses in 2026 and 2027 for these items is ($1.1) million and ($1.0) million, respectively.

- <u>Depreciation Income Tax Adjustments</u> – As discussed in the testimony of FPL witness Ferguson, FPL is proposing the use of new depreciation rates and asset lives beginning on January 1, 2026. Because this proposal changes the calculation of book depreciation and impacts the calculation of ARAM, FPL

[4] Rev. Proc. 2020-39, 2020-36 IRB 546, 08/14/2020, IRC Sec(s). 168

proposes to adjust EADIT amortization similar to the capital recovery schedule EADIT adjustment above in order to properly align depreciation expense and the turnaround of EADIT. In addition, FPL also proposes to increase the amount of ITC amortization due to a decrease in lives of certain solar equipment reflected in FPL's 2025 Depreciation Study and increase deferred income tax expense to consider permanent timing differences resulting from changes in forecasted book depreciation expense. The net reduction to operating expenses in both 2026 and 2027 for these items is ($5.3) million.

- <u>Storm Protection Plan ("SPP") Costs</u> – FPL is proposing to move certain costs and expenses from base rates to the Storm Protection Plan Cost Recovery Clause ("SPPCRC") starting in 2026 to better align the recovery of these costs with how they are incurred consistent with the ratemaking principle of cost causation, while ensuring there is no double-recovery. The realignment of these SPP costs from base to the SPPCRC will result in a net decrease in operating expenses and rate base in 2026 of ($86.0) million and ($66.6) million, respectively, and in 2027 of ($104.5) million and ($85.5) million, respectively. If these proposed reclassifications are approved, each of these costs will be subject to review and true-up as part of FPL's annual SPPCRC filings. Below is a summary of each proposed reclassification from base to the SPPCRC:
    - <u>SPP Projects</u> – As discussed by FPL witness De Varona, FPL is requesting authority to move the recovery of SPP related costs associated with FPL's transmission visual patrols and wire and cable

materials associated specifically with FPL's SPP projects from base to the SPPCRC.

- Retirements and Cost of Removal – As described by FPL witness Ferguson, FPL is requesting to discontinue the recovery of cost of removal and retirements associated with SPP projects in base rates.
- Inventory – FPL is requesting to move all the inventory associated with the SPP from base to the SPPCRC.
- Property Taxes – FPL is proposing to recover the property taxes associated with SPP investments through the SPPCRC, reducing the base recoverable property tax expenses. The calculation was computed by multiplying the beginning balance in the 2026 Projected Test Year and 2027 Projected Test Year times the average millage rates for each respective year reflected on MFR F-8.

- Environmental Cost Recovery Clause ("ECRC") Costs – FPL is proposing to move certain expenses related to existing environmental projects from base rates to the ECRC beginning in 2026 to better align with the ratemaking principles of cost causation, while ensuring there is no double-recovery. The costs associated with these projects have already been approved by the Commission for recovery from customers; however, a portion of these costs have continued to be recovered in FPL's base rates rather than through the ECRC. Therefore, the Company is proposing to reclassify costs for certain environmental projects from base to the ECRC. The realignment of these costs from base to the ECRC will result in a net decrease in operating expenses and rate base in 2026 of ($4.4) million and ($0.5) million, respectively, and in 2027 of ($4.5) million and ($0.5) million, respectively. If these proposed reclassifications are approved, each of these costs will be subject to review and true-up as part of FPL's annual ECRC filings. Below is a summary of each proposed reclassification from base to the ECRC:

- Project 1 - ECRC Air Emission Fees: Currently, certain air emission fees for some generation sites are being recovered by FPL in base rates while other fees are recovered in the ECRC. This adjustment will align the recovery of all applicable air emission fees to the ECRC.
- Project 19 - Oil filled Equipment and Hazardous Substance Remediation: Currently, FPL recovers only the spill response expense related to substations in its ECRC. This adjustment aligns the recovery of all O&M expenses for spill response activities related to distribution assets to FPL's ECRC.
- Project 21 - St. Lucie Turtle Nets: Currently, FPL recovers capital and O&M costs in base rates for certain but not all turtle nets at the St. Lucie nuclear site. This adjustment aligns the recovery of all turtle net capital and O&M expenses in FPL's ECRC.

• Net Energy Metering Payments – Per Rule 25-6.065, Florida Administrative Code, the Company is required to pay net metering customers for any unused energy credits at the end of each calendar year. Since these payments are the functional equivalent to payments made to other qualifying facilities for the purchase of power and recovered through FPL's ~~Fuel and Purchased Power Cost~~ Capacity Cost Recovery Clause

~~Recovery Clause~~ ("FCR"), FPL proposes to recover the annual payments to net metering customers for 2026 and 2027 of $0.7 million each period through the FCR instead of base rates. If approved, these payments will be subject to review and true-up as part of FPL's annual FCR filings.

Q. Have all of FPL's proposed Company adjustments reflected on Exhibit LF-3 been incorporated into the calculation of the jurisdictional rate base and net operating income for the 2026 Projected Test Year and 2027 Projected Test Year?

A. Yes. As reflected on MFRs B-2 and C-3 for their respective periods, FPL has included all proposed Company adjustments reflected on Exhibit LF-3 in its calculation of the jurisdictional rate base and net operating income for the 2026 Projected Test Year and 2027 Projected Test Year.

Q. Has FPL incorporated any adjustments other than Commission or Company adjustments in its calculation of the revenue requirements for the 2026 Projected Test Year or 2027 Projected Test Year?

A. Yes. As reflected on MFR D-1a for their respective periods and consistent with Section 1.167(l)-1(h)(6) of the Internal Revenue Service Treasury Regulations,[5] FPL has incorporated an adjustment to decrease the amount of Accumulated Deferred Income Tax ("ADIT") included in the calculation of FPL's weighted average cost of capital. ADIT that is treated as zero cost capital or a component of rate base in determining a utility's cost of service must be calculated based on the same period used in determining the income tax expense for ratemaking purposes. The Treasury Regulations go on to state that a utility may use either historical data or projected data

[5] *See* 26 C.F.R. § 1.167(l)-1(h)(6).

in calculating these two amounts, but the periods used must be consistent. If the amounts are computed using projected data, in whole or in part, and the rates go into effect during the projected period, then the utility must use the formula provided in Section 1.167(l)-1(h)(6)(ii) of the Internal Revenue Service Treasury Regulations to calculate the amount of ADIT to be included for ratemaking purposes.[6] Because FPL is presenting a change in base rates at the beginning of both the 2026 Projected Test Year and 2027 Projected Test Year, the Company is required to comply with these Treasury Regulations.

Q. Please describe the required formula FPL must follow to adjust ADIT in the 2026 Projected Test Year and 2027 Projected Test Year.

A. Section 1.167(l)-1(h)(6)(ii) of the Internal Revenue Service Treasury Regulations contain a precise formula ("Proration Requirement") for computing the amount of depreciation-related ADIT to be treated as zero cost capital when a future test period is used. The Proration Requirement is as follows:

> The pro rata portion of any increase to be credited or decrease to be charged during a future period…shall be determined by multiplying any such increase or decrease by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period.[7]

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[6] *See* 26 C.F.R. § 1.167(l)-1(h)(6)(ii).

[7] *Id.*

Q. Please explain the calculation of the Proration Requirement and its impact to FPL's capital structure for the 2026 Projected Test Year and 2027 Projected Test Year.

A. As reflected on page 1 of Exhibit LF-5, the calculations of the Proration Requirement for ADIT for the 2026 Projected Test Year and 2027 Projected Test Year begin with prorated average balances of ($256) million and ($291) million, respectively. FPL then compared the prorated average balances to the per-book 13-month average ADIT balances for 2026 and 2027 of ($275) million and ($313) million, respectively. The difference results in an adjustment to ADIT of $19 million for the 2026 Projected Test Year and $22 million for the 2027 Projected Test Year, which are reflected as decreases to ADIT on MFR D-1a for their respective periods.

V. PLANT DANIEL UNITS 1 AND 2

Q. Please summarize FPL's request related to the Plant Daniel Units 1 and 2 currently pending before the Commission.

A. On November 8, 2024, FPL filed a Petition in Docket No. 20240155-EI seeking approval from the Commission to establish a regulatory asset associated with the transfer of FPL interests in Plant Daniel Units 1 and 2 ("Plant Daniel Petition"). As explained in that Petition, FPL entered into a purchase and sale agreement with Mississippi Power Company ("MPC") that provides FPL will pay up to $45 million to MPC and relinquish its 50% ownership interest in Units 1 and 2 to MPC. FPL has requested the establishment of a regulatory asset for up to $45 million, of which $39.3 million would be base rate recoverable and $5.7 million would be ECRC recoverable.

Q. Has the Commission approved FPL's request to establish a regulatory asset in Docket No. 20240155-EI?

A. No. As of the time I prepared and filed my testimony, FPL's Plant Daniel Petition remains pending before the Commission.

Q. Has FPL included the impact associated with the Plant Daniel transaction in this proceeding?

A. No, it has not because the Plant Daniel Petition has not yet been approved by the Commission.

Q. If the Plant Daniel Petition is approved by the Commission, how does FPL propose to incorporate that approval in this proceeding?

A. If the Plant Daniel Petition is approved prior to the record being closed in this proceeding, FPL proposes that it be allowed to appropriately reflect the impact associated with the Plant Daniel transaction in this proceeding. As reflected on Exhibit LF-6, FPL would need to make the following changes to the 2026 Projected Test Year and 2027 Projected Test Year: (i) add the unamortized balance of the Plant Daniel regulatory asset to rate base and related amortization to total amortization expense; and (ii) remove O&M expenses, property taxes, and insurance associated with Plant Daniel that FPL will no longer incur. If necessary, FPL will provide an adjustment to its revenue requirement calculations for 2026 and 2027 either in rebuttal testimony or promptly after the Commission renders a decision on the Plant Daniel Petition.

Q. Does this conclude your direct testimony?

A. Yes.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. Fuentes, do you have Exhibits LF-1 through LF-6 attached to your direct testimony?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that these are CEL Exhibit Nos. 95 through 100?

CHAIRMAN LA ROSA: All right.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. Fuentes, were these exhibits prepared by you or under your direct supervision?

A Yes.

Q And are you co-sponsoring any exhibits?

A Yes. I am co-sponsoring SRB-7, attached to the direct testimony of Witness Bores.

MR. CHRISTOPHER WRIGHT: Chairman, I will note that is Comprehensive Exhibit No. 131, and we will move that into the record once Mr. Bores appears before you.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q Do you have any corrections to any of your exhibits?

A No.

Q Okay. On July 9, 2025, did you file 29 pages

of rebuttal testimony?

A Yes.

Q Do you have any corrections to your rebuttal testimony?

A Yes. On page 17, lines 15 to 16, the following words should be struck: As reflected on MFR C-15 for the 2024 Historical Year.

Q Okay. And with that correction, if I asked you the questions contained in your rebuttal testimony, would your answers be the same?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would ask that Ms. Fuentes' rebuttal testimony be entered into the record.

CHAIRMAN LA ROSA: So moved.

(Whereupon, prefiled rebuttal testimony of Liz Fuentes was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF LIZ FUENTES

Filed: July 9, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company ("FPL" or "the Company"), 4200 West Flagler Street, Miami, Florida 33134.

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

A. Yes.

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

A. Yes. I am sponsoring the following exhibits:

- Exhibit LF-7 – Rate Case Expenses
- Exhibit LF-8 – FPL's Response to OPC's Twelfth Set of Interrogatories No. 334
- Exhibit LF-9 – FPL's Response to OPC's Twelfth Set of Interrogatories No. 335
- Exhibit LF-10 – FPL's response to OPC's Twelfth Set of Interrogatories No. 333
- Exhibit LF-12 – Recalculated Revenue Requirements for 2026 and 2027 Projected Test Years

I am co-sponsoring the following exhibit:

- Exhibit LF-11 – FPL's Notice of Identified Adjustments filed May 23, 2025, and Witness Sponsorship

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain assertions and recommendations in the testimony of Office of Public Counsel ("OPC") witness Schultz. Specifically, I will respond to OPC witness Schultz's proposed adjustments to FPL's rate case expenses, industry dues, non-industry dues, and injuries and damages expense. I will explain why each of these proposed adjustments are not appropriate and should be rejected. In addition, I present FPL's recalculated base revenue increases for the 2026 and 2027 Projected Test Years to incorporate (i) the adjustments included in FPL's Notice of Identified Adjustments filed on May 23, 2025 ("NOIA"), and (ii) the impact associated with five additional adjustments identified since that time. Please note that I am responding to specific issues. Consequently, any argument raised in the testimony presented by intervening parties to which I do not respond, should not be accepted as my support or approval of the positions offered.

Q. Please summarize your rebuttal testimony.

A. OPC witness Schultz's proposed adjustments to FPL's rate case expense should be rejected. FPL should be allowed the opportunity to include both unamortized rate case expenses in its rate base and the recovery of all prudently incurred rate case expenses in its base rates. The disallowance of all rate case expenses would impose an unwarranted penalty on the Company for following the mandatory formal process required to request a change in base rates.

OPC witness Schultz's proposed adjustments to FPL's industry and non-industry dues should be rejected. FPL has properly calculated the amount of industry and non-industry dues to be recovered in the 2026 and 2027 Projected Test Years, which is consistent with prior FPL rate cases and the Economic Development Rule 25-6.0426, Florida Administrative Code (the "Economic Development Rule"). FPL has also properly calculated the amounts for injuries and damages reserve accruals for the 2026 and 2027 Projected Test Years in compliance with the Rule No. 25-6.0143, Florida

Administrative Code (the "Damages Rule"), and Generally Accepted Accounting Principles ("GAAP").

Finally, I calculated the revenue requirement impacts to the 2026 and 2027 Projected Test Years resulting from FPL's previously filed identified adjustments to rate base, net operating income ("NOI"), capital structure, and the five additional adjustments. Based on these adjustments, FPL's recalculated base revenue increases for the 2026 and 2027 Projected Test Years are $1,550.6 million and $931.5 million, respectively. The recalculated base revenue increases for 2026 and 2027 are higher than the amounts reflected in my direct testimony and on MFR A-1 by approximately $5.8 million and $4.1 million, respectively. However, FPL is not proposing the Commission utilize these adjustments to establish a base revenue increase higher than what is reflected in FPL February 28, 2025, petition of $1,544.8 million for 2026 and $927.4 million for 2027.

II. RATE CASE EXPENSES

Q. On page 89 of OPC witness Schultz's testimony, he recommends the entire amount of FPL's proposed rate case expenses be excluded for recovery in the 2026 and 2027 Test Years. Do you agree with his recommendation?

A. No, I do not. OPC witness Schultz's proposal for a complete disallowance of all rate case expenses is not common or sound regulatory practice. Complete removal of rate case expenses as recommended by OPC witness Schultz results in an implicit disallowance of otherwise prudently incurred incremental costs required by the

Company to litigate its case and present evidence effectively. If the Commission were to accept his recommendation, it would impose an unwarranted penalty on the Company for seeking a change in base rates.

Q. Does OPC witness Schultz explain why he recommends a complete disallowance of rate case expenses in this proceeding?

A. Yes. On page 89 of his testimony, OPC witness Shultz provides two reasons for his recommendation for a complete disallowance of FPL's rate case expenses. First, he states "[the] purpose of the filing is to increase rates so shareholders can earn a reasonable return." This statement is false. The purpose of FPL's filing is to request an increase in base rates sufficient to allow the Company to recover the prudently incurred costs to provide safe and reliable service to its customers, invest for the benefit of its customers, and provide the Company with the opportunity to earn a reasonable return on its investments. In addition, OPC witness Schultz ignores that FPL is unable to unilaterally change its base rates and, instead, must follow the formalized petition and hearing process required by the Commission to request a change in base rates. This mandatory process requires FPL to incur additional costs that it otherwise would not incur in the normal course of business.

Second, OPC witness Schultz states that "the results of OPC's analysis demonstrate that FPL is not entitled to any rate increase for the year 2026," and therefore, customers should not pay for any rate case expenses. Putting aside that OPC witness Schultz's proposed adjustments to FPL's requested revenue requirements should be rejected for the many reasons explained in the collective rebuttal testimonies of the FPL witnesses, OPC witness Schultz's position completely ignores that FPL must incur additional costs to follow the process required to request a change in base rates as explained above. The fact that the Commission may or may not approve the full base rate increase requested by FPL does not mean (i) that the incremental costs to request and litigate a base rate change were not incurred or (ii) that the rate case expenses were not prudent. The rate case expense that a utility is permitted to recover in base rates should be based on whether the underlying costs and activities are reasonable and prudent, and not on whether the Commission granted the utility the full requested base rate increase.

Q. Are you aware of any Commission orders requiring the complete disallowance of rate case expenses as OPC is proposing?

A. No, I am not. I note that in each of the last four fully litigated rate cases, the Commission allowed rate case expense to be recovered in rates.[1]

Q. On pages 87-88 of his testimony, OPC witness Schultz contends that the Commission should disallow the inclusion of unamortized rate case expense in rate base. Do you have a response?

A. Yes. I am aware that in the 2011 Gulf Power Company rate case in Docket No. 20110138-EI, the Commission decided against inclusion of unamortized rate case expenses in rate base. I am also aware that there are electric and gas cases where the Commission has allowed the utility to include one-half of the unamortized rate case

[1] *See* Commission Order No. PSC-2025-0038-FOF-EI in Docket No. 20240026-EI (Tampa Electric Company); Commission Order No. PSC-2023-0388-FOF-GU in Docket NO. 20230023-GU (Peoples Gas System); Commission Order No. PSC-2023-0177-FOF-GU in Docket No. 20220069 (Florida City Gas); and Commission Order No. PSC-2023-0103-FOF-GU in Docket No. 20220067-GU (Florida Public Utilities Company).

expense in rate base,[2] as well as at least one electric case where the Commission allowed the utility to include the full unamortized balance of the reasonable and prudent rate case expense in rate base.[3]

The inclusion of unamortized rate case expenses in rate base is consistent with FPL's approach in its last three base rate cases, and properly ensures that carrying costs incurred on the unamortized balance are recovered. Rate case expense is a necessary expense of doing business as a regulated utility, not unlike other costs required to provide regulated service. FPL's proposed treatment is no different than other deferred costs that are prudently incurred by FPL and similar to how FPL finances its capital investments.

Not including the unamortized portion of the rate case expense in rate base as proposed by OPC witness Schultz is a partial disallowance of the rate case expense. It is analogous to allowing recovery of the amortization of prepaid expenses, but not allowing a return on the balance of prepaid expenses remaining to be amortized in rate base. This practice imposes an unwarranted penalty on the Company for seeking rates

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[2] *See, e.g., In re: Petition for rate increase by Florida Public Utilities Company,* Order No. PSC-08-0327-FOF-EI at page 33, Docket Nos. 20070300-EI and 20070304-EI (FPSC May 19, 2008) ("Our practice in prior rate cases, including FPUC's, is to allow one-half of the rate case expense in Working Capital…. Based on the above, we find that the appropriate balance of deferred debit rate case expense to be included in Working Capital is $303,400."); and *In Re: Application for a rate increase by Florida Public Utilities Company,* Order No. PSC-95-0518-FOF-GU at page 4, Docket No. 940620-GU (FPSC Apr. 26, 1995) ("We also reduced Working Capital $70,213, which reflects the allowance of one-half of the unamortized rate case expense").

[3] *See In Re: Application for a Rate Increase for Marianna electric operations by Florida Public Utilities Company,* Order No. PSC-94-0170-FOF-EI, Docket No. 19930400-EI (FPSC Feb. 10, 1994) ("We believe, that if it is determined that rate case expense is prudent and reasonable, the company should be allowed to earn a return on the unamortized balance").

that will allow an opportunity to recover its costs to provide service, invest for the benefit of customers, and earn a reasonable return on its investments. Full recovery of necessary rate case expense is not limited to only recovering the expense and should also include affording the Company the opportunity to earn a return on the unamortized balance of those expenses. Therefore, if it is determined that FPL's rate case expense is prudent and reasonable, the Company should be allowed to earn a return on the unamortized balance by including it in rate base.

Q. Do you agree with the characterization used by OPC witness Schultz on page 88 of his testimony that FPL's estimated rate case expenses in this docket are "excessive"?

A. No. OPC witness Schultz claims "the amount of costs appears excessive based on my years of reviewing costs" but he provides no data, analysis, or comparison of these alleged rate case expenses. Further, OPC witness Schutlz fails to consider the fact that utilities have different resource needs and requirements to litigate their specific case.

The primary driver of a rate case expense is the amount of work involved to litigate a case, and each rate case docket has its own set of unique issues and circumstances. As with prior rate cases, FPL used a bottom-up approach to estimate the work involved to fully litigate this rate case, which in turn drives the estimated rate case expense. However, it is important to remember the actual amount of work involved and the associated rate case expense is a product of factors that are to some extent beyond the Company's control, including, but not limited to: the number of intervenors, the number of issues raised by intervenors and Staff, whether any issues are stipulated or settled, the volume and types of discovery propounded by intervenors and Staff, whether Company witnesses are deposed, extent of hearing preparation required, the amount of cross-examination and time required for hearings, the number of issues to be briefed, and whether the case is appealed.

Most of FPL's rate case expense is for outside expert witnesses, consultants, and legal counsel that are necessary for FPL to prepare, file, and litigate this rate case, with a smaller amount for outside support services. Despite the fact that costs have increased since FPL filed its 2021 rate case, FPL has negotiated with these vendors and, as a result, the total estimated amount of rate case expenses of $5.0 million for this docket is consistent with and, in fact, slightly lower than the estimated amount of $5.1 million for FPL's 2021 rate case as shown on Exhibit LF-7. Given the significant impacts of inflation experienced since FPL filed its 2021 rate case, FPL's 2025 rate case expense is reasonable.

Q. OPC witness Schultz singles out rate case expenses for FPL's 2025 depreciation study, dismantlement study, and return on equity ("ROE") expert testimony in this docket and compares the amounts to the same types of expenses in FPL's 2021 rate case to support his claim that FPL's estimated rate case expenses are excessive. Do you agree this is appropriate?

A. No. First, it is important to note that the Commission requires electric utilities to file depreciation and dismantlement studies to change depreciation rates and dismantlement accruals, respectively, which involve a significant amount of work by outside experts to produce.[4]

Second, OPC witness Schultz provides no analysis or support for why he thinks these three specific types of rate case expenses (depreciation, dismantlement, and ROE) are excessive other than they are different from the amounts in FPL's prior rate case docket. Indeed, there is nothing in OPC witness Schultz's testimony to suggest that these necessary rate case expenses are unreasonable or higher than the market costs for similarly qualified depreciation, dismantlement, and ROE experts.

Third, OPC witness Schultz disregards the fact that overall costs have increased since FPL filed its 2021 rate case due to significant increase in inflation and other economic factors that are beyond FPL's control. It is not realistic to presume that costs would remain flat or decrease over five years.

Lastly, OPC witness Schultz has cherry-picked certain rate case expenses which have increased when compared to FPL's 2021 rate case expense and ignored other cost categories that have decreased. As explained above and shown on Exhibit LF-7, the total amount of FPL's estimated 2025 rate case expenses is lower than the amount estimated for its 2021 rate case and, therefore, is reasonable. For all these reasons,

[4] FPL notes that OPC witness Schultz has incorrectly quoted the amount of FPL's depreciation and dismantlement rate case expenses by improperly transposing the amounts between the two studies. As reflected on Exhibit LF-7, the dismantlement study costs were estimated at $550 thousand, not $500 thousand as he states, and the depreciation study costs were estimated at $500 thousand, not $550 thousand.

OPC witness Schultz's unsupported recommendation to disallow 100% of rate case expense (*i.e.*, treat it as an imprudent and unrecoverable expense), should be denied and FPL's proposed rate case expense should be approved for recovery in this docket.

III. INDUSTRY DUES

Q. Please explain how FPL accounts for industry association dues.

A. As stated in FPL's response to OPC's Twelfth Set of Interrogatories No. 334, attached to my rebuttal testimony as Exhibit LF-8, invoices received from external organizations for dues and/or memberships indicate the portion of dues associated with lobbying activities, if any. Utilizing unique master data in its accounting system, FPL records the portion of the invoices related to lobbying activities to the appropriate below-the-line FERC account and all other applicable expenses to the appropriate above-the-line FERC account. Exhibit LF-8 reflects the total amount paid to each industry association reported on MFR C-15 for the 2024 Historical Test Year, and the portions recorded above and below-the-line on FPL's books and records based on the invoices paid in 2024.

Q. OPC witness Schultz states on page 103 of his testimony that FPL has removed some lobbying expenses associated with industry dues from its base rate request, however his "concern is that not enough has been removed." Do you agree with his assertion?

A. No, I do not agree. First, OPC witness Schultz attempts to cast doubt on the amount of FPL's forecasted industry association dues for the 2026 and 2027 Projected Test Years based on his review of Form 990s for the industry associations FPL included on MFR

C-15. Specifically, he states that some of the vendors listed on MFR C-15 provide grants and lobbying activities however, "only six of the vendors had costs recorded below the line." The conclusion he is trying to draw is flawed for the following reasons: (i) it incorrectly assumes that these organizations only provide lobbying activities, sponsorships, or donations; (ii) it ignores the fact that the invoices provided by the organization themselves reflect an accurate representation of what portion of the dues and other charges relate to lobbying activities, sponsorships, or donations; and (iii) it ignores FPL has already made appropriate adjustments to remove the portion of the dues associated with lobbying activities, sponsorships, or donations. Second, FPL does not recover or plan to recover lobbying expenses associated with industry dues from its customers and has properly reflected all forecasted lobbying expenses below-the-line. OPC witness Schultz has failed to provide any analysis or identification of any invoices that FPL has failed to remove the portion of the dues associated with lobbying activities, sponsorships, or donations. For this reason, OPC witness Schultz's unsupported attempt to make a top-down adjustment to FPL's adjusted industry dues should be rejected.

Q. Doesn't OPC witness Schultz question whether FPL has removed all of the lobbying expenses from the industry dues based on the fact that FPL had to reclass lobbying expenses from above-the-line to below-the-line for 2024, 2026, and 2027?

A. Yes, but I disagree that the reclass supports the conclusion that FPL has failed to remove the portion of the dues associated with lobbying activities, sponsorships, or donations from the rest of the industry invoices. As noted on Exhibit LF-8, during the preparation of MFR C-15 for the 2024 Historical Test Year, FPL self-identified

$170 thousand of lobbying expenses included in FPL's industry association dues that were inadvertently recorded to above-the-line expense instead of below-the-line and, therefore, promptly recorded a correction to reclass those expenses from above-the-line to below-the-line during the first quarter of 2025. The $170 thousand constitutes less than 1% of the total amount of industry association dues recorded by FPL in 2024, which is strong indication of the robustness of FPL's processes and controls in ensuring accurate accounting and reporting. Based on this finding, FPL noted an adjustment to the amount forecasted for industry association dues included in the 2026 and 2027 Projected Test Years was required and included an adjustment to remove $25 thousand of expense included in each test year in its NOIA, which is reflected on Exhibit LF-11. Other than the $25 thousand adjustment noted above, FPL disagrees with OPC witness Schultz's assertion that not enough lobbying expenses have been removed from its rate request in this proceeding.

In addition, the organizations to which FPL pays industry association dues are consistent with what has been approved in FPL's prior rate cases and included in FPL's base rates. Therefore, as adjusted, FPL has properly forecasted the appropriate amounts above and below-the-line for organizations for the 2026 and 2027 Projected Test Years. Indeed, OPC witness Schultz has failed to provide any analysis or identification of any lobbying expenses that have not been properly removed from the industry dues for the 2026 and 2027 Projected Test Years.

Q. Did Commission Staff review FPL's industry dues during their audit of FPL's 2024 Historical Test Year?

A. Yes. Commission Staff requested a list of dues paid to third parties during 2024 as reflected on MFR C-15 for the 2024 Historical Test Year, which included industry dues. Staff sampled transactions from this list and requested copies of all invoices supporting each sampled transaction. Based on the final audit report attached as Exhibit KG-1 to Staff witness Guan's testimony, no exceptions were noted regarding the amounts FPL recorded on its books and records or the FERC accounts utilized for industry dues recorded during 2024.

Q. On page 104 of his testimony, OPC witness Schultz recommends a reduction in FPL's projected amount of industry association dues included in the 2026 and 2027 Projected Test Years of approximately $4.0 million each year. Do you agree with his recommendation?

A. No. OPC witness Schultz's recommendation is inappropriate for a few reasons. First, instead of adjusting FPL's forecasted industry due expenses reflected on MFR C-15 for the 2026 and 2027 Projected Test Years, OPC witness Schultz proposes a top-down adjustment to FPL's proposed economic development expenses based on the faulty premise that FPL's industry dues are comprised only of economic development expenses. Based on this assumption, he asserts the economic development adjustment required by the Economic Development Rule 25-6.0426, should be applied to all industry dues. However, OPC witness Schultz disregards the fact that industry association dues and economic development expenses are completely different categories of expenses, except for an immaterial amount of industry dues included in

FPL's forecasted economic development expense of approximately $15 thousand.[5] OPC witness Schultz has provided no analysis or identification of industry dues that include economic development expenses that are subject to the adjustment under the Economic Development Rule. Therefore, his proposal to apply the Economic Development Rule to all industry dues is unsupported and should be rejected.

Second, even assuming that that all industry dues are subject to the Economic Development Rule, which they are not for the reasons I just explained, OPC witness Shultz's recommended economic development adjustment of expenses eligible for recovery in base rates from 95% to 50% is not consistent with the Economic Development Rule. FPL has properly calculated the amount of economic development expenses recoverable in base rates in compliance with Economic Development Rule. OPC witness Schultz has failed to offer any basis or justification to depart from how FPL's economic development expenses were calculated under the Economic Development Rule, assuming it was even applicable to FPL's industry dues, which it is not except for the $15 thousand described above.

[5] Florida Delegation, Line 13, on MFR C-15 for 2026 and 2027 Projected Test Years. This amount was included in the total amount of dues in FPL's economic development Commission adjustment calculation, which was provided in FPL's response to OPC's First Request for Production of Documents No. 14.

IV. NON-INDUSTRY DUES

Q. Please explain how FPL accounts for non-industry dues.

A. Non-industry dues relate to payments made by FPL to chambers of commerce, economic development organizations, homebuilder and manufacturer organizations, league of cities organizations, and other organizations. Similar to industry association dues, FPL reviews invoices received by each organization, and identifies amounts related to sponsorships or donations, which are recorded to below-the-line FERC accounts. The remainder of the invoice is properly recorded in the appropriate above-the-line FERC accounts. Exhibit LF-9 reflects the total amount paid to each non-industry organization for the 2024 Historical Test Year, and the portions recorded above and below-the-line on FPL's books and records based on the invoices paid in 2024.

Q. Did Commission Staff review FPL's non-industry dues during their audit of FPL's 2024 Historical Test Year?

A. Yes. Commission Staff requested a list of dues paid to third parties during 2024 ~~as reflected on MFR C-15 for the 2024 Historical Test Year~~, which included non-industry dues. Staff sampled transactions from this list and requested copies of all invoices supporting each sampled transaction. Based on the final audit report attached as Exhibit KG-1 to Staff witness Guan's testimony, no exceptions were noted regarding the amounts FPL recorded on its books and records or the FERC accounts utilized for non-industry dues recorded during 2024.

Q. On page 100 of his testimony, OPC witness Schultz recommends 100% disallowance of FPL's non-industry dues for the 2026 and 2027 Projected Test Years. Do you agree with his recommendation?

A. No. In support of his proposed 100% disallowance of non-industry dues, OPC witness Schultz claims on page 98 of his testimony that the services provided by these organizations are associated with economic development that, according to him, FPL and its shareholders are the primary beneficiaries. I agree that most of these non-industry dues are primarily associated with economic development. However, FPL provided an explanation of the customer benefits provided by each organization included in FPL's non-industry dues in its response to OPC's Twelfth Set of Interrogatories, No. 333, which is provided as Exhibit LF-10.

Q. Do you have any additional concerns or observations with his proposal to disallow all FPL's non-industry dues for the 2026 and 2027 Projected Test Years?

A. Yes. OPC witness Schultz disregards that most of the expenses forecasted for non-industry dues for the 2026 and 2027 Projected Test Years relate to economic development expenses that are recoverable under the Economic Development Rule. He also ignores that these economic development expenses are shared by customers and shareholders pursuant to the Economic Development Rule. FPL has properly calculated the amount of economic development expenses recoverable in base rates in compliance with Economic Development Rule and, therefore, his proposal to disallow all non-industry dues should be rejected.[6]

V. INJURIES AND DAMAGES EXPENSE

Q. Please explain how FPL accounts for its injuries and damages reserve.

A. FPL's injuries and damages reserve is recorded in FERC Account 228.2, Accumulated Provision for Injuries and Damages, which is increased by annual accruals and reduced by claim payments pursuant with the requirements set forth in the Damages Rule. FPL's annual accrual for injuries and damages is currently set at $15.3 million and recorded as a debit to FERC account 925, Injuries and Damages, and a credit to FERC account 228.2. Claims are recorded as a debit to FERC account 228.2 and a credit to cash. FPL evaluates the level of its injuries and damages reserve balance on a quarterly basis to ensure it recognizes all probable and estimable injury and damage claims against FPL on its books and records. As explained in MFR B-21 sponsored by FPL witness Laney, FPL is proposing to increase its injuries and damages accrual from $15.3 million to $21.2 million based on historical averages of the monthly reserve. For purposes of the 2026 Projected Test Year, FPL is requesting recovery of a total accrual amount of $46.1 million, which includes the proposed $21.2 million annual accrual and $24.9 million of incremental deferred injuries and damages claims as set forth in MFR B-21 for the 2026 Projected Test Year. The annual accrual amount for the 2027

[6] On page 104 of his testimony, OPC witness Schultz states that the industry dues include economic development costs and applies a 50% sharing factor to these costs. His adjustment to the industry dues should be rejected for the reasons explained above. To the extent his proposed 50% sharing is interpreted to apply to the economic development costs included in the non-industry dues, that proposal should likewise be rejected as contrary to the calculation required by the Economic Development Rule.

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Projected Test Year only incudes the proposed $21.2 million annual accrual as set forth in MFR B-21 for the 2027 Projected Test Year.

Q. Can you please elaborate on the $24.9 million of incremental deferred injuries and damages expenses?

A. Yes. In late 2024, FPL determined the reserve balance needed to recognize all injury and damage claims was insufficient due to higher than usual activity; however, FPL was unable to increase its annual accrual since subpart (4)(a) of the Damages Rule does not allow FPL to change its annual accrual absent filing a petition with and obtaining approval from the Commission. Importantly, FPL is required under GAAP to recognize all probable and estimable liabilities on its books and records. Therefore, in order to comply with both the limitation on the accrual amount in subpart (4)(a) of the Damages Rule and GAAP, FPL recorded the deferral of incremental injuries and damages expenses of $19.0 million in 2024 by debiting FERC account 186, Miscellaneous deferred debits, and recognized the additional liability by crediting FERC Account 253, Other deferred credits. In addition, FPL has forecasted $5.9 million of incremental injuries and damages expenses above its current annual accrual of $15.3 million in 2025, again to comply with both subpart (4)(a) of the Damages Rule and GAAP. The total amount of forecasted deferred of injuries and damages expenses as of December 31, 2025, is $24.9 million.

Q. On page 82 of his testimony, OPC witness Schultz states that "[a]llowing recovery of costs associated with an event from a prior year would be the equivalent of retroactive ratemaking." Do you agree with his statement?

A. No, I do not. First, OPC witness Schultz assumes that the $24.9 million of forecasted incremental injuries and damages expenses are costs specific to 2024 and 2025. This assumption is unsupported and incorrect. Instead, the $24.9 million represents incremental injuries and damages claims above FPL's current annual accrual that may be awarded or settled in the current year or in a future period. Under GAAP, FPL must properly account for and reflect a liability on its books and records when a claim becomes probable and estimable. For example, in some instances, it may take multiple years for these claims to be settled or fully litigated. Second, his assertion that the recovery of the $24.9 million would be retroactive ratemaking is misleading. Again, FPL followed the requirements of both subpart (4)(a) of the Damages Rule and GAAP, and the instant proceeding is the first reasonable opportunity for FPL to request recovery of the deferred injuries and damages expenses after these claims were made. The fact that subpart (4)(a) of the Damages Rule expressly contemplates that a utility may petition the Commission to increase the accrual amount is an acknowledgement that actual claims may exceed the existing accrual amount and, as a result, the accrual amount may need to be reset from time to time. It does not mean, as suggested by OPC witness Schultz, that claims that exceed the annual accrual are unrecoverable or otherwise prohibited from being included in a request to increase the annual accrual under subpart (4)(a) of the Damages Rule. For these reasons, OPC witness Schultz's proposal to disallow the $24.9 million of incremental injuries and damages claims, which were properly deferred consistent with subpart (4)(a) of the Damages Rule and GAAP, should be rejected.

Q. On page 83 of his testimony, OPC witness Schultz claims that FPL could have theoretically accounted for these deferred injuries and damages costs by use of the Reserve Surplus Amortization Mechanism ("RSAM"). Do you have a response?

A. Yes. As I explained above, the accounting treatment of these claims is fully consistent with subpart (4)(a) of the Damages Rule and GAAP as previously explained. Therefore, FPL did not, nor was it required to, offset these deferred injuries and damages costs with the RSAM.

Q. Does OPC witness Schultz propose an adjustment to FPL's requested annual accrual for injuries and damages for the 2026 and 2027 Projected Test Years?

A. Yes. On page 84 of his testimony, OPC witness Schultz proposes that FPL's annual accrual be increased from the current $15.3 million to $17.9 million based on historical averages, which is $28.2 million and $3.3 million less than the accruals requested by FPL for the 2026 and 2027 Projected Test Years, respectively, as reflected on MFR B-21.

Q. Do you have concerns with OPC witness Schultz's calculation of the accrual amount using historical averages?

A. Yes. OPC witness Schultz's recommendation disregards the fact that FPL recognized and deferred $19.0 million of injuries and damages expenses in 2024 and forecasts $5.9 million of deferred expenses in 2025. If the Commission were to utilize actual historical averages as the basis for the annual injuries and damages reserve accrual for the 2026 and 2027 Projected Test Years, the proper historical average amount for injuries and damages expense is $22.7 million as shown below:

	$ in millions		
Year	Actual Expense	Deferred Expense	Total
2021	$ 13.9	$ -	$ 13.9
2022	14.7	-	14.7
2023	27.9	-	27.9
2024	15.3	19.0	34.3
Avg	**$ 17.9**	**$ 4.7**	**$ 22.7**

This average amount based on actuals for the most recent four years[7] is slightly higher than the $21.2 million accrual requested by FPL, which supports the reasonableness of FPL's request.

VI. OTHER ADJUSTMENTS

Q. Do you have any additional concerns or observations regarding the adjustments proposed by OPC witness Schultz to FPL's 2026 and 2027 Projected Test Years?

A. Yes. OPC witness Schultz reconciles his recommended rate base to capital structure on Schedule D of Exhibit HWS-2 by first applying a specific adjustment to deferred income taxes and then, for the remainder of his rate base adjustments, allocates it only to common equity, long-term debt, and short-term debt for both the 2026 and 2027 Projected Test Years. This method of reconciling rate base to capital structure is flawed. Unless there is a Commission requirement to adjust specific classes of capital when reconciling rate base to capital structure, adjustments to capital structure are typically allocated pro-rata over all sources of capital to reflect the fact that all sources

[7] Actual expense amounts for the period 2021-2024 were provided in FPL's response to OPC's Twelfth Set of Interrogatories No. 331.

are utilized in the provision of electricity. Such pro-rata treatment of adjustments to capital structure is consistent with the Commission's recent decision in the fully litigated base rate proceeding for Tampa Electric Company.[8] Had OPC witness Schultz adjusted capital structure pro-rata over all sources of capital, his resulting weighted average cost of capital would have been 6.26% for 2026 and 6.28% for 2027, instead of the 6.24% he recommends on Schedule D. This correction alone would lower OPC witness Schultz's claimed revenue sufficiency on Schedule A by approximately $18.4 million in 2026 and increase his claimed revenue deficiency by $36.1 million in 2027. For this reason, should the Commission determine adjustments to FPL's proposed rate base for the 2026 or 2027 Projected Test Years are appropriate and necessary, FPL recommends that the adjustments to capital structure be allocated pro-rata over all sources of capital.

Q. Did FPL receive workpapers for the adjustments proposed by OPC witness Schultz to FPL's 2026 and 2027 Projected Test Years?

A. Yes. In FPL's First Request for Production of Documents No. 3, FPL requested all workpapers, in electronic format with formulas and calculations attached, used by OPC witnesses to develop all testimony and exhibits. In response, OPC produced various files that they claimed included the workpapers for OPC witness Schultz's Exhibit HWS-2 on June 18, 2025. Although OPC produced a summary file for Exhibit HWS-2 labeled as "Various WP (000392).xlsx," it did not include all the underlying supporting data and calculations for Exhibit HSW-2. On July 8, 2025 (*i.e.*, the day

[8] *See* Commission Order No. PSC-2025-0038-FOF-EI issued February 3, 2025, in Docket No. 20240026-EI.

before FPL's rebuttal testimony was due), OPC provided additional workpapers for Exhibit HWS-2.

Q. Were you able to validate all of the calculations and data included in OPC witness Schultz's Exhibit HWS-2?

A. No. Because OPC did not provide all workpapers supporting Exhibit HWS-2 until July 8, 2025, a thorough review and validation of Exhibit HWS-2 was not possible. Notwithstanding, multiple FPL witnesses have provided rebuttal testimony explaining why specific adjustments proposed by OPC witness Schultz should be rejected, including the adjustments I rebut above.

In addition, I note the following concerns with the calculations reflected on Exhibit HWS-2: incorrect calculation and formula error for the interest synchronization adjustment (2026 and 2027); unsupported operating income adjustments used in the calculation of income tax expense (2026 and 2027); incomplete support for jurisdictional separation factors to be applied to Per Book adjustments (2026 and 2027); subtotal formula error for Other O&M adjustments (2026); and rate base and amortization expense adjustments associated with the Plant Daniel transaction are not based on the settlement approved as described below (2026 and 2027). Because the complete supporting workpapers for Exhibit HSW-2 were not produced timely in electronic format with all formulas intact, FPL was unable to verify and quantify the net impact of these issues with the calculations reflected on Exhibit HWS-2 prior to the submittal of FPL's rebuttal testimony.

VII. REVENUE REQUIREMENT ADJUSTMENTS IDENTIFIED BY FPL

Q. Has FPL identified adjustments that should be made to the revenue requirement calculations for the 2026 and 2027 Projected Test Years?

A. Yes. The identified adjustments to the calculation of revenue requirements for the 2026 and 2027 Projected Test Years are reflected in the NOIA filed on May 23, 2025, which is attached as Exhibit LF-11 to my rebuttal testimony. Since the filing of the referenced notice, FPL has identified five additional adjustments:

- Plant Daniel – removal of operating expenses and inclusion of regulatory asset recovery associated with the impact of the Commission's approval of the Plant Daniel transaction in Docket No. 20240155-EI;
- Nuclear Fuel Expense – addition of labor expenses associated with the disassembly and reassembly for nuclear refueling during major outages, which were inadvertently forecasted as fuel clause recoverable expenses instead of base rate recoverable (the "nuclear fuel expense adjustment");
- Customer Service Platform – removal of construction work in progress ("CWIP") associated with FPL's new customer service platform earning allowance for funds used during construction ("AFUDC"), which was inadvertently included in rate base;
- Perdido Depreciation – revise depreciation expense and accumulated depreciation for FPL's Perdido renewable natural gas facility being placed into service in December 2027, which inadvertently utilized proposed landfill gas depreciation rates instead of the proposed renewable natural gas depreciation rates reflected in the footnote on Page 71 of Exhibit NWA-1; and

- Okefenokee Substation – revise adjustments reflected on Exhibit LF-11 for both the 2026 and 2027 Projected Test Years for the following: 1) correct presentation of the net book value decrease, which incorrectly reflected the decrease as plant-in-service only instead of reflecting the decreases in plant-in-service and accumulated depreciation separately; and 2) revise adjustment to depreciation expense, which reflected a $4 thousand increase to depreciation expense each year instead of a decrease.

Q. Please explain the impact of the Plant Daniel transaction to FPL's revenue requirements in this proceeding.

A. In my direct testimony, I indicated that FPL would provide an adjustment to its revenue requirement calculations for the 2026 and 2027 Projected Test Years if its request to approve the Plant Daniel transaction was approved by the Commission prior to the record being closed in this base rate proceeding. On June 3, 2025, the Commission unanimously approved the Joint Motion for Approval of Stipulation and Settlement Agreement for the transfer of Plant Daniel Units 1 & 2 between FPL and OPC resolving all issues in that docket.[9] Since the Plant Daniel transaction has been approved by the Commission, FPL has removed all operating expenses associated with Plant Daniel from the 2026 and 2027 Projected Test Years totaling $7.9 million and $7.8 million, respectively, and added recovery of the $31.0 million base rate recoverable regulatory

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[9] *See* Commission Order No. PSC-2025-0222-S-EI issued June 19, 2025, in Docket No. 20240155 (authorizing FPL to establish regulatory assets totaling $36 million to recover the transfer price of the Plant Daniel transaction, with allocations of $31.022 million for base rates and $4.978 million for environmental costs and approving the amortization of these regulatory assets for a 10-year recovery period, beginning January 1, 2026).

asset consistent with the explanation in my direct testimony of the adjustments required to reflect this transaction.

Q. Please explain the impact of the nuclear fuel expense adjustment to FPL's revenue requirements in this proceeding.

A. The nuclear fuel expense adjustment, which is sponsored by FPL witness DeBoer, increases FPL's fuel expense recoverable in base rates by $7.6 million in 2026 and $8.5 million in 2027.

Q. Please explain the impact of the Customer Service Platform adjustment to FPL's revenue requirements in this proceeding.

A. The Customer Service Platform adjustment, which is sponsored by FPL witness Laney, reduces FPL's CWIP included in rate base by $13.7 million in 2026 and $2.1 million in 2027. This adjustment is in addition to the adjustment FPL included for this project in the NOIA filed in May 2025.

Q. Please explain the impact of the Perdido Depreciation adjustment to FPL's revenue requirements in this proceeding.

A. The Perdido Depreciation adjustment, which is sponsored by FPL witness Ferguson, reduces FPL's accumulated depreciation included in rate base by $19 thousand in 2027 and reduces depreciation expense by $242 thousand in 2027.

Q. What is the amount of FPL's recalculated base revenue increase for the 2026 and 2027 Projected Test Years?

A. As shown on Page 1 of Exhibit LF-12, the amounts of FPL's recalculated base revenue increases for 2026 and 2027 are $1,550.6 million and $931.5 million, respectively. The recalculated amounts are based on MFR A-1 and include all adjustments reflected on

Exhibit LF-11, and the five additional adjustments discussed above. Pages 2 through 5 of Exhibit LF-12 present the impact of each adjustment to rate base, NOI and capital structure. The recalculated base revenue increases for 2026 and 2027 are higher than the amounts reflected on MFR A-1 by approximately $5.8 million and $4.1 million, respectively.

Q. How does FPL propose that the Commission use the adjustments reflected on Exhibit LF-12 in this proceeding?

A. The Commission should include the effect of all adjustments reflected on Exhibit LF-12 in determining FPL's revenue requirements for the base revenue increases for the 2026 and 2027 Projected Test Years. Some of those adjustments will result in increases to revenue requirements while others will result in decreases. The net impact of all adjustments reflected on Exhibit LF-12 result in an increase to revenue requirements for both the 2026 and 2027 Projected Test Years. However, FPL is not proposing the Commission utilize these adjustments to establish a base revenue increase higher than what is reflected in FPL February 28, 2025, petition of $1,544.8 million for 2026 and $927.4 million for 2027.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MR. CHRISTOPHER WRIGHT:

Q Ms. Fuentes, do you have exhibits LF-1 through LF-12 that were attached to your rebuttal testimony?

A I am sorry, it was LF-7 to LF-12.

Q I am sorry, LF-7 and -- through LF-12?

A Yes.

MR. CHRISTOPHER WRIGHT: Chairman, I would note that these have been identified as CEL Exhibits 303 through 308.

CHAIRMAN LA ROSA: Okay.

BY MR. CHRISTOPHER WRIGHT:

Q Are you co-sponsoring Exhibit LF-11 with Mr. Ferguson?

A Yes, as well as Witness Laney and Oliver.

Q Okay. And I would note that that's CEL Exhibit 307.

Were these exhibits prepared by you or under your supervision?

A Yes.

Q Do you have any corrections?

A No.

Q Could you please summarize the topics addressed in your direct and rebuttal testimonies?

A Yes.

My direct and rebuttal testimonies address the calculation of the revenue requirements for the 2026 and 2027 projected test years and the Commission and company adjustments to the proposed test years, as well as respond to certain adjustments proposed by intervenors.

I am here to answer any questions you may have.

Q Thank you.

MR. CHRISTOPHER WRIGHT: We tender the witness for cross.

CHAIRMAN LA ROSA: Great.

OPC, you are recognized.

MS. CHRISTENSEN: Thank you.

EXAMINATION

BY MS. CHRISTENSEN:

Q And good mor -- or good afternoon, Ms. Fuentes?

A Good afternoon.

Q Can I direct your attention to page three of your direct testimony? That's C111792.

A I am sorry, which lines?

Q Page three, just in general. This is your introduction to your direct testimony, correct?

A Correct.

Q And in that general introduction, you give a description of your job responsibilities, correct?

A Correct.
Q And part of that is planning, guidance and management of most of the regulatory accounting activities for FPL, is that correct?
A That's correct.
Q Okay. And then you also go on to say that you are a CPA in Virginia but not in Florida, correct?
A Correct.
Q And is that still the case?
A Yes.
Q Okay. If we flip over to page four of your testimony, this lists the exhibits that you are sponsoring in this docket, correct?
A Correct.
Q And you are co-sponsoring the majority of the MFR calculations since you are the Executive Director of Regulatory Accounting, is that right?
A Can you be more specific with which calculations?
Q Well, you are essentially sponsoring or co-sponsoring the MFRs, specifically those that have to do with the '26-'27 projected test year, the ROE calculation for '26 and '27 without the rate adjustment, et cetera. So you are essentially co-sponsoring the calculations that went into the MFRs, correct?

A I would say that's correct for the most part. It might depend on exactly which calculation. I mainly am responsible for calculating revenue requirements and the major inputs into that, so for net operating income, rate base and the weighted average cost of capital.

Q Okay. So then it would be fair to say you support the accounting and ratemaking calculations in the MFR?

A At a high level, yes.

Q Okay. Would you agree that the majority of the MFRs that you are solely sponsoring are the summary schedules where the individual adjustments are rolled up into, correct?

A Well, which adjustments are you referring to?

Q Well, in general, the MFR schedules, which are the high level summaries, you sponsored those high level summary schedules, correct?

A That's correct.

Q Okay. And LF-3 is your exhibit where you list the specific adjustments that you are sponsoring, and that's C111815.

And if you turn to that exhibit, those are all of the cosponsored exhibits, as well as the individual MFR pages that you are sponsoring, correct?

A I am sorry, did you say LF-3?

Q It I am sorry, LF-1. I apologize. LF-1.

A Yes. LF-1 is a listing of all the MFRs that I either sponsor or cosponsor.

Q Okay. And one of the adjustments you support is the flow-through of the ITC credits reflected in 2026, and that reflects the full amount of the ITCs associated with battery storage assets to be installed in 2026, is that correct?

A Can you point me to where that is in my testimony, please?

Q I believe that is on page seven, lines eight and 10. And it says: Consistent with this approach, FPL's revenue requirement for the 2026 projected test year reflects the full amount of ITCs associated with battery storage assets to be installed in 2026, correct?

A Correct.

Q And then you claim later on that FPL will only be earning a 8.84-percent ROE for 2026, which includes all FPL's adjustments to rate base and NOI and using Mr. Coyne's proposed 11.9 percent ROE, correct?

A That's somewhat correct. The 8.84 percent that you are referring to would be our earned ROE absent any revenue increase in 2026.

Q Okay. With that clarification, but it is, in part, based on the ROE that is recommended by Mr. Coyne,

correct?

A No, it's not.

Q No?

A What I am trying to say is that that's the resulting earned ROE that would result absent a revenue increase. It doesn't have anything to do with Mr. Coyne's proposed ROE.

Q Okay. But that includes all of the proposed increases, the adjustments you guys are making to solar, batteries, that kind of adjustments?

A It includes everything that we have in our forecast, plus the adjustments that I sponsor.

Q Okay. And what ROE did you use to calculate the 8.84 percent?

A There is no ROE in that calculation. That is the resulting earned ROE absent a revenue increase in 2026.

Q Right. So in other words, that would be -- but it would include profit, correct, I mean, that's what your -- you would include that as part of that calculation, correct?

A No, that's not what I am saying.

Q Okay. Then please explain to me -- you said the jurisdictional return on common equity, right, in LF-4?

A Correct.

Q Okay. And estimated rate of return, you have that is 6.10, and then you go through the calculation, and you -- and I am assuming the jurisdictional return on common equity is what you would be achieving based on the current parameters that are set for the approved ROE that's in place now, right?

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

Q I am looking at line 10 --

A Okay.

Q -- of LF-4. And you say: If we do all the adjustments and improvements in 2026 without any revenue increase, you will have achieved an 8.84 percent ROE, right?

A Correct.

Q Okay. And you are claiming that that is below what you need to achieve based on the current granted ROE, or what you are expecting -- what you are requesting in the case, I guess that's what I am asking, or you just have no comment on that?

A I have no comment on that. I am just pointing out what the calculation is.

Q Okay. Now you also support the adjustment of the flow-through of the ITCs in 2027, and those reflect the full amount of the ITCs associated with the battery

storage assets to be installed in 2027, correct?

A I don't sponsor it. I am just staying the fact that it's included in my calculations support.

Q Your claim that FPL would earn only a 7.34 percent ROE for 2027 as shown in LF-4, which includes all of the adjustments to rate base and NOI in 2026 and 2027, correct, without any additional rate relief?

A Correct. It does not include a revenue increase for '26. So it would be absent a revenue increase this '26 and '27.

Q Okay. And if you turn to page nine of your direct testimony. That's C111817. Starting at line 19, you would agree that with FPL's requested base adjustments for the '26 test year, even if no adjustments were granted for '27, FPL would be earning at 19.19 percent?

A Yes, I would agree with that, but I would like to point out that that calculation is based on a revenue increase in 2026 that has an 11.9 percent ROE embedded in it. And when you go from '26 to '27, a drop from 11.9 percent ROE to 10.19 percent ROE is 170 basis points, which is quite a lot.

Q Okay. But that -- as you just said, your statement is that the 10.19 is below the bottom end of 100-basis-point range based on the 11.9 percent ROE

proposed by Mr. Coyne, correct?

A I am sorry, can you state your question again, please?

Q Sure. Your statement here is that the 10.19 percent is below the bottom end of the hundred-basis-point range, which is based on adopting an 11.9 percent ROE as proposed by Witness Coyne, correct?

A I am saying it's below the range proposed by our witnesses this docket.

Q And that would be the ROE Witness Coyne, correct?

A Correct.

Q Isn't it true that if FPL's ROE remains at today's midpoint of 10.8 percent ROE with 100-basis-point range above and below the projected '27 10.19 percent ROE, would have FPL earning within an authorized range?

A I am sorry, can you restate your question? That was a little long.

Q Sure. Let me break it down for you.

Would it be true that based on FPL's current ROE with a midpoint of 10.8, with a range of 100 basis points above and below, the bottom of the range would be 9.8 percent, correct?

A I am sorry, if -- you are saying -- repeat your question again, please.

Q Sure.

If the ROE stayed the same as today, and had a midpoint of 10.8 percent, and if the Commission were to approve a range of 100 basis points above the 10.8 and below the 10.8, the bottom of the range would be 9.8 percent, correct?

A Yes. That's correct.

Q Okay. And would you also agree that if that was the approved range, the 20 -- the projected 2027 10.19 percent ROE would be within that hundred-basis-point range?

A I don't think that's how you would calculate it, because the '27 calculation on my LF-4 is based on a revenue increase for '26 that has an 11.9 percent in it. So in your hypothetical, you would have to change the ROE in 2026 and recalculate this, and I believe that it would drop the ROE below the current ROE range.

Q Okay. And you have not done that calculation?

A I have a calculation based on 10.9 percent ROE with a 2026 revenue increase. And in '27, it would drop us below the ROE range. It would be about 9.26 percent.

Q Okay. And that's where -- where is that in your testimony?

A I don't have that exactly in my testimony.

Q Okay. And is that in -- well, let me move on from there.

On page 11 of your testimony, lines seven through 14.

A Direct testimony?

Q Direct testimony. Isn't it true that if FPL's ROE remains at the same -- at today's midpoint of 10.8 percent ROE with 100-basis-point range above and below, the projected 20 -- never mind, let me skip that. Strike that.

On page 11, excuse me, lines seven through 14, this is where you are asking that the unamortized balance of the rate cast expense remain in the 2026 projected test year, correct?

A Correct.

Q And you would agree that FPL's amortization -- amortized its 2021 rate case expense over four years, and it will have fully collected that amortization by the end of 2025, correct?

A Correct.

Q And FPL is asking to recover its current rate case expense over a four-year period, correct?

A Correct.

Q And assuming that FPL stays out for a four-year period, FPL will have fully recovered its rate

case expense by the end of 2029, correct?
A That's correct.
Q FPL will be able to recover one-fourth of the rate case expense per year until base rates are next reset, is that also true?
A Yes, during the period '26 to '29.
Q Okay. And that assumes FPL comes back in for a base rate case in 2029?
A I don't know if that assumes that. It's what we are proposing in this docket consistent with our four-year rate plan.
Q Okay. But that one quarter recovery, that remains embedded in revenue requirement until base rates are next reset, correct?
A That's correct, just like any other cost that we are proposing in this proceeding.
Q Okay. And by asking to keep the unamortized rate case expense in rate base, FPL is asking to earn a return on three-quarters of the rate case expense amount until rates are next reset, correct?
A I don't think that's true for all years. It's true the first year.
Q Okay. Would that -- if that is included, why would to not be true for years two and beyond?
A Well, in 20 -- well, we have requested two

years of revenue increases, one for '26 and one for '27, and so we would have two years amortized in the year 2027. So it would be smaller than three-fourths.

Q Okay. And then after that, it would -- that smaller amount would remain embedded in the revenue requirement until base rates are next reset?

A Yes, just like any other cost that we have proposed in this proceeding.

Q Okay. And speaking of -- let me -- I will get there.

Are you aware that in Florida PSC most recent decision for Florida Public Utilities case, Docket No. 0224009-EI, the Commission removed all deferred rate case expense from working capital and rate base?

A I believe I recall that.

Q Okay. And then continuing on page 11, at lines 12 through 16, you claim that FPL's multiyear rate plan reduces the amount of rate case expense by avoiding multiple back-to-back rate cases, correct?

A Correct.

Q Would you agree that for the last 13 years, FPL has not been in for back-to-back base rate cases due to settlements?

A Yes. That's correct.

Q And FPL's proposed multiyear plan is not a

settlement, correct?

A Correct.

Q And there is no statute or rule that you are aware of that would prohibit FPL from coming in for a rate case after the conclusion of the as-filed rate case if approved if FPL could show that it was or was projecting to earn below the bottom of the range, correct?

A I believe that might be a legal interpretation of when we can come in for a rate case and when we can't.

Q Okay. In general, though, to your knowledge, I am not asking for a legal conclusion, if you are earning below the bottom of the range, is FPL eligible to come in and ask for a rate increase?

A Yes, that's one scenario. We could also be earning within our ROE range and come in and request an increase, just like we are in this docket.

Q Okay. On page 13, you talk about FPL's proposal to move certain costs and expenses related to the storm protection plan from rate base to the SPPCRC to recover them with how they are incurred consistent with ratemaking principles of cost causation while ensuring there is no double recovery, is that correct?

A Yes.

Q And would you agree that double recovery -- would you agree double recovery would be recovering the same cost twice?

A Correct.

Q And would you also agree that double recovery would violate basic ratemaking principles?

A Yes.

Q And would you also agree that if the SPP programs are not removed from base rates, they could not be included in the SPPCRC for recovery -- all right, let me -- I am sorry, let me start that question again.

Would you agree that if these SPP programs are not recovered from base rates, they could not be included in the SPPCRC for recovery, otherwise you would be recovering them twice for the same cost, is that correct?

A I am sorry, did you say if we removed them from base rates?

Q If you didn't remove them and put them in the SPPCRC, that would cause them to be double recovered -- if you didn't do what you are proposing here, which is to remove the costs from base rates and put them in the SPPCRC, that might let lead to double recovery, recovering for the same cost twice, correct?

A I don't believe that's true. They are not in clause today. They are in base rates. So we are asking to align our base rates and our clauses to make a change at the same time. So we are asking to remove them starting January 2026 going forward, and put them in SPP. And I believe we have made some filings recently to show what those impacts would be in our SPP clause starting January 1st, 2026 as well, so it would be aligned, and there would be no double recovery.

Q Right. But if you had left some of those costs in base rates and also were trying to move them over to SPP, that would create a double recovery, you would agree with that?

A Under your scenario, yes, but that's not what we are doing here.

Q Okay. And on page 14, starting at line 14, you talk about removing also cost from base rates to the ECRC to also avoid double recovery of some of the same costs, and to better align those costs with cost causation, correct?

A Somewhat correct. We are not saying to avoid double recovery. We are saying so that we ensure that -- actually, I don't remember exactly what your term as was, but it's the same concept as what we have for the Storm Protection Plan Cost Recovery Clause.

We have some -- part of our ECRC costs, a portion of them are sitting in base ratings, a portion are sitting in clause. All we are asking to do is align it so it's under one recovery mechanism, and so we are asking to move them, a certain amount from base to clause. That's all. It's simple.

Q Correct. While ensuring that there is no double recovery was the other portion of that?

A There is no double recovery today. It's just the costs are split, and so we are setting our base rates so that we remove them, and then shift them over to the clause at the same exact time.

Q Okay. And I believe part of the rationale you gave was that this would be ensuring that there is no double recovery, correct? If you look at line 17 of your testimony.

A Correct, because we are going to set the rates at the same time so that it's not in two places.

Q Okay. You talked a little bit in your direct testimony about batteries and ITCs, and I think someone earlier today had proposed a question that you might be able to answer, which is if solar and battery gets deferred beyond its expected date of being placed in service in '26 or '27, and those solar and battery facilities are embedded in the revenue requirement for '26 and '27, would customers still have to pay for those

plant items, the solar and the batteries, even if they were not receiving service for those items yet?

A You can rephrase your question for me?

Q Sure. I can break it down.

A Okay.

Q Let's start with '26.

There is certain solar and battery facilities that are expected to be placed into service in 2026?

A That's my understanding. Yes.

Q Okay. If some of those battery and solar items get delayed beyond '26, would the revenue requirement associated with those items still be embedded in revenue requirement such that customers would be paying for it but would not be getting the benefit or the services from those solar and battery items, is that a possibility?

A Anything is a possibility. I believe -- I don't recall which FPL witness it was earlier today, or this week, that testified to the fact that we don't foresee any issues with our 2026 battery and solar projects going into service, but I consider it just like any other cost that we have forecasted and included in revenue requirements in this docket.

Q So it is possible that there could be a revenue requirement associated with them prior to them

actually getting placed in service if they got delayed for some reason? That's the bottom line question.

A I don't know the answer to that.

Q Okay. Would you agree at least that it is a possibility if they get delayed, that that could happen?

A Anything is a possibility, but I consider it just like any other cost in this proceeding.

Q Okay. Now I would like to turn your attention to your rebuttal testimony, Ms. Fuentes. And you filed that rebuttal testimony on July 9th, 2025, correct?

A Yes.

Q And looking at page three of the rebuttal testimony, you said the main reason for filing this testimony was to attempt to rebut several of the adjustments recommended by OPC Witness Schultz, is that correct?

A Yes.

Q And Mr. Schultz is recommending several adjustments, one for the rate case expense, which we just discussed, an adjustment for industry dues, and one for nonindustry dues, one for injuries and damage expense, and one which you labeled other adjustments. Did I capture all of the adjustments you are discussing in your rebuttal testimony?

A Specific to Witness Schultz, yes.

Q Correct.

And as I said, we just discussed the rate case expense, so let me take it to Mr. Schultz's testimony.

Would you agree that Mr. Schultz is recommending two adjustments to FPL's rate case expense proposal?

A Can you please elaborate?

Q I will. Do you -- I mean, he is recommending two adjustments, would you agree with that as a preliminary matter?

A Can you please explain what the two adjustments are?

Q Certainly. We can go into the individual ones.

On page five of your testimony, starting at line 17, you note that Mr. Schultz is recommending disallowing all of the '26 and '27 rate case expense, is that correct?

A Yes.

Q And first you quote Mr. Schultz's reasoning that the purpose of filing is to increase rates so shareholders can earn a reasonable return, correct?

A Yes.

Q And then you claim that the statement is false, but do you recall later in deposition

acknowledging that your claim his statement was false was based on your opinion that the statement was incomplete?

A I don't recall specifically what I said in my deposition, but if I recall his testimony correctly, he was saying that was the purpose, not a purpose.

Q Okay. And you would agree that that was your bone of contention was the use of "the" rather than "a"?

A Right, because I -- it read as if it was the sole reason for an increase.

Q Okay. And you say that he ignores that FPL cannot unilaterally change its base rates without a base rate case which incurs additional costs that otherwise would be -- would not be incurred in the normal course of business, correct?

A Correct.

Q But you would agree that if FPL was a normal business, that it could unilaterally raise rates without a regulatory proceeding, and FPL would be subject to competition and might not be able to raise its rates to be competitive?

A I don't -- I can't speak for other, what other businesses would do, but certainly FPL cannot just change its rates unilaterally. We have to come before this commission, present our case. Each case has different requirements, different topics, different issues, different volumes of discovery, all sorts of things, and so that drives the amount of rate case expenses that we would incur.

Q Okay. And so if I am understanding your statement today, you don't have an opinion as to how regular businesses are constrained in raising their rates by how a competitive market operates?

MR. CHRISTOPHER WRIGHT: Chairman, I am going to object. I think she answered the best she could. We are not here to talk about anyone else but FPL. We are not an unregulated competitive market business.

CHAIRMAN LA ROSA: OPC?

MS. CHRISTENSEN: I believe she made a statement about how FPL can come in and, you know, how they have to come in and seek approval. I am just drying to explore her depth of knowledge about how rates are generally raised in competitive market versus FPL, because, you know, there are constrains that I don't know FPL has to deal with. And if she doesn't know, that's fine. I am willing to accept that as an answer.

CHAIRMAN LA ROSA: I am going to look to staff on this.

MS. HELTON: Mr. Chairman, I am having a hard time seeing the relevance of this line of questions.

CHAIRMAN LA ROSA: So I am going to rule sustained, and if we can keep the questioning direct to the testimony or within the bounds of the hearing.

MS. CHRISTENSEN: All right. Well, let me ask the next question and we will see if that also draws an objection.

BY MS. CHRISTENSEN:

Q If FPL was a normal business and could unilaterally raise rates without a regulatory proceeding, it would not have the benefit of being a monopoly, correct?

MR. CHRISTOPHER WRIGHT: Objection. FPL is a regulated entity. We are not here to talk about what FPL could do if it was an unregulated entity. I think this is the same question, I think you have ruled on it.

MS. CHRISTENSEN: Well, this -- these are really kind of foundational for the next couple of questions because, you know, there are certain costs that Ms. Fuentes is supporting and asking for recovery of because they have to come in for the regulatory proceeding, and I think it is important to note that part of that is because they get the benefit of being a monopoly, but I can move on.

CHAIRMAN LA ROSA: If we can, please.

BY MS. CHRISTENSEN:

Q Mr. Schultz's second reason you quote is the result of OPC's analysis demonstrate that FPL is not entitled to any rate increase in the year 2026, is it that right?

A That's correct.

Q Essentially, you say that the rate case expense that a utility is permitted to recover should be based on whether the costs and activities are reasonable and prudent, not whether the full requested base rate increase is granted, correct?

A Correct.

Q Mr. Schultz's rationale, however, is not that FPL is entitled to some relief, but under OPC's analysis, FPL is entitled to no base rate increase in 2026, correct?

A That's my understanding of his testimony.

Q And you would agree that under Mr. Schultz's rationale, it is unreasonable and not prudent to make customers pay for a rate case expense when FPL should have known that it did not need to raise any rates in

2026, correct?

A That's his testimony, but I disagree with it.

Q And Mr. Schultz is highlighting the rate case expense for depreciation and dismantlement studies in the ROE cost as being excessive, correct?

A I believe that's correct. Yes.

Q And on lines 13 and 14 of page 11 of your rebuttal testimony, and if we haven't gotten there so far, that's --

A Which lines? I am sorry.

Q Its lines 15 through 19, and that's D9-454. That's page -- I am sorry, it's page 10 -- or I am sorry, page 11, lines 13 and 14.

A Okay. I see it. Yes.

Q Okay. And then you claim that it is not realistic to presume that costs would remain flat or decrease, correct?

A Yes. That's correct.

Q And if you look at your Exhibit LF-7, which is D9474, you compare the costs in 2021 and 2025 related to rate case expense, is that correct?

A Yes, the 2021 rate case expenses here are through, with actuals, through the end of 2024.

Q Okay. And in the '21 rate case, it had the same rate case testimony plus additional testimony to

support the settlement, correct?

A I don't know what you mean by same testimony.

Q It covered the same depreciation study, dismantlement study, benchmarking, ROE, all of those were testimonies that were provided in the '21 rate case expense as well as are included as part of this '25 rate case expense, correct?

A Those are the same topics. They are not the same studies. It covered different topics by each of those witnesses.

Q Okay. So they covered the same topics in '25 and '21?

A Same, that's correct.

Q In looking at line two, the dismantlement study, expert costs increased from $288,263 to $550,000, almost doubling in four years; is that right?

A That is the amount that -- those are the amounts. That's what the amounts show. I would like to point out, though, that as of the end of September, we have incurred $549,000 associated with our dismantlement witness.

Q 549, it's still almost double, would you agree?

A That's what the math shows, yes.

Q Okay. And isn't it true that you have no

explanation for this doubling?
A I personally don't have an explanation. I did not contract our dismantlement witness, nor any of our external witnesses. That was handled by our legal department. And they negotiated the best deals we could with our consultants to make sure our costs remained low by also making sure that we could support our case.
Q Okay. But weren't part of those negotiations, I think, as you said?
A No, I was not.
Q Okay. And would you agree that looking at your ROE expert cost on-line five, this cost almost doubled in four years as well?
A That's what it shows. Yes.
Q Okay. And would you agree that Mr. Cone -- I am sorry, Coyne, is the same ROE witness?
A Yes. That's correct, from the 2021 docket.
I would like to point out, though, that you have taken me down a few of these line items here. Our 2021 rate case expenses were $5.1 million. This docket, it's around $5 million. If you kind of just look at inflation over the years, that it would be a lot higher than $5 million that we are asking for in this docket, and we had a bottoms-up approach here to try to calculate our --

MS. CHRISTENSEN: Commissioner, there is no pending question. I mean, I wanted to give her a little bit of room to explain, but I think she's going well beyond what the --

CHAIRMAN LA ROSA: Sure. Let's answer the question that's being asked.

THE WITNESS: Okay.

CHAIRMAN LA ROSA: Thank you.

BY MS. CHRISTENSEN:

Q Okay. While you are not claiming that because the overall rate case expense remained about the same, the dramatic increase in these two expert testimonies should not be questioned, are you?

A No, I am not saying that at all.

Q Okay. Now, Mr. Schultz also eliminated the unamortized rate case expense out of rate base, is that correct?

A That's correct.

Q And if we look back on page eight of your rebuttal testimony, lines five through seven, you say that including the unamortized rate case expense and working capital is consistent with the last three FPL rate case, correct?

A That's correct.

Q And on page seven, line 16 of your rebuttal

testimony, you acknowledge that in the 2011 Gulf case, the Commission disallowed the unamortized rate case expense in rate base, correct?

A Yes. I also point out in my testimony that there are some dockets where the Commission allowed the inclusion of it in rate base.

Q Okay. Let's talk about those.

The cases you cited in your rebut on page eight in the footnotes are from 1994 and 2008, and both were FPUC cases, correct?

A That's part of it, yes.

Q Okay. And have you become aware in the 2025 FPUC PAA rate case, the Commission disallowed the unamortized rate case expense and working capital in its PAA order, which was subsequently settled?

A I am sorry, can you state that again?

Q Have you become aware that in the 2025 FPUC PAA rate case, the Commission disallowed the unamortized rate case expense and working capital in its PAA order, which was sequentially settled?

A I don't recall that.

Q Okay. Well, let's turn our attention to page 12 of your testimony. I think that's where you start discussing Mr. Schultz's adjustments for industry dues, correct?

A Correct.

Q And Mr. Schultz testified that the forecasted test year were overstated the allowable dues and economic development costs, correct?

A I am sorry where does that say that in my testimony.

Q Page 12, line 17. And then it goes over -- and then the whole discussion goes through page 17, line one, and that's my summation of this, is that he is essentially saying the forecasted test year is over stated because of the allowable dues and economic development costs, correct?

A My understanding is that he believes we didn't -- we have too much of industry dues that relate to below-the-line activities that we didn't remove appropriately for ratemaking purposes in 2026.

Q Okay. And Mr. Schultz identified in his testimony his concern that FPL did not remove all of the costs for grants, donations, activities outside the U.S. and lobbying for all the organizations, correct?

A That's what he testifies to, yes.

Q And on page 13 of your rebuttal testimony, you claim that his adjustment incorrectly assumes that the organizations only provide lobbying activities, scholarships or donations, and ignores these

organizations invoicing is correct and that FPL properly removed these costs, correct?

A I am sorry, can you please restate your question?

Q Yeah. Let me say it again.

On page 13 of your rebuttal testimony, you claim that his adjustment incorrectly assumes the organizations only provide lobbying activities that -- and sponsorships or donations, and then, two, ignores that these organizations invoices is correct, and, three, that FPL properly removed these costs; is that a correct summation of your objections?

A I believe this part of my testimony is discussing the fact that -- well, what he states in his testimony, that we haven't removed all of lobbying expenses related to industry dues from our filing, and I disagree with that.

We did do a review of those invoices when we prepared the 2024 amounts and put them on MFR C-15, and we self-identified only about $170,000 that was incorrectly recorded above the line out of roughly 25, $26 million, and we recorded an entry on our books and records to correct that.

Q Okay. So you did find, in fact, $170,000 worth of lobbying costs in the historic 2024 test year

that was removed as an adjustment to the 2025 test year, correct?

A No. The adjustment related to 2024, and we looked at the details related to that. It related to three particular invoices, with the bulk of it related to EEI, where we have an allocation each year that records a portion of the invoices below the line, and we inappropriately or inadvertently forgot to update that in 2024, and we corrected that.

We then looked at those three invoices, we looked at what they looked like in the 2026 and 2027 projected test years, and only 25,000 needed a correction. It was incorrectly forecasted.

Q Okay. So when was the 70,000 removed?

A 170,000?

Q Yeah. Uh-huh.

A We reflected that on our MFR when we filed that in February, and we recorded an entry the same months.

Q Okay. But what year as at that reflected in?

A 20 -- we recorded it on our books and records in 2025.

Q Okay. On page 15, you cite the staff audit for the 2024 historical test year listed the dues paid to third parties during 2024, and that staff's sampling

of these transactions made a finding of no exceptions to support the robustness of FPL's process, correct?

A Correct.

Q You would agree that staff's audit did not find the $170,000 worth of extra lobbying costs that was not recorded appropriately above the line in 2024?

A I don't know the answer to that. I didn't participate directly in the MFR audit. But once again, we did correct that in February, and the audit didn't start until March, so I can't speak to whether or not that was provided to them or not.

Q Okay. And you didn't make the correction, I didn't think, until 2025, right?

A That's correct.

Q Okay. Let's turn to page 19, line 19 of your rebuttal testimony.

And you acknowledge that your projected test year, 2026, includes 24.9 million of incremental and deferred injury damages claims that -- is that correct?

A That's a piece of the amount of the accrual that we would like to recover associated with our injuries and damages reserve.

Q And that 24.9 million is deferred expenses that was incurred in a period of time before 2026, right?

A That's correct.

Q Would you agree that when an event happens in a given year, FPL makes an estimate of cost of the injury or damage by crediting the reserve and debiting the expense, is that correct?

A Not exactly. So let me just take a moment to kind of explain this topic.

So we have an injuries and damages reserve on our books and records, and that's pursuant to Commission rule. I have it here if we need to reference it, but we are not allowed to change our accrual for that reserve absent coming into the Commission to change it. In our last rate case that, accrual was set at $15.3 million.

MS. CHRISTENSEN: Your Honor, I would ask -- she was going to explain how it's debited and credited, and now she's going on to explain a different topic. I mean, I have no objection to her explaining how an event is credited or debited for purposes of the account, but I think going into, you know, how they can't, you know, change the accrual is a little bit off topic of what my question was.

CHAIRMAN LA ROSA: Can you just restate the question, and the witness can answer as best they can?

MS. CHRISTENSEN: Sure.

BY MS. CHRISTENSEN:

Q Would you agree that when an event happens in a given year, FPL makes estimate of the cost of the injury or damage by crediting the reserve and debiting expense, is that correct?

A No.

Q Okay. Can you explain to me how an event, when it occurs, is credited and debited to injuries and damages?

A So specifically associated with the injuries and damages reserve, we have an accrual that's established pursuant to Commission rule and order at a certain level. That level was set at $15.3 million in our last rate case, so we can't change that absent coming to the Commission to ask permission to do so.

So what we do is we are able to debit expense for $15.3 million, and we are able to credit the reserve for the same amount. The purpose of that reserve is to recognize the fact that we have claims that we are going to have to pay out in the future, and so we are not quite sure exactly how much it's going to be, but we -- from time to time, we assess that reserve to kind of see what that reserve level should be at.

Q All right. So I am hoping you could answer

the question that I was asking, which is: When an event has, how do you treat that for purposes of accounting in the injuries and damages account, which is really what I was asking?

A So when an event happens, we assess it, and we should be accruing for it on our books and records to recognize we have to pay it out in the future. Once it's going to be paid in cash, we debit the reserve, which is a reduction to the reserve, and then we pay that out.

Q Okay. And usually, that's done in the year that the event happens?

A No, not necessarily.

Q Okay. And is that where you say you create this sort of exception, and you create a -- some sort of an asset? Because normally you would -- why wouldn't you pay it for -- in the event -- in the year that the event occurs?

A So my understanding is, is that some of these claims could to take a year, two years, five years to settle, you know, our attorneys might take a while to settle those cases, so they could happen in one year. They could happen in five years. It just kind of depends on the specific incident.

Q Okay. So under the accrual, the event is

expensed in the year of the event not in the year when the claim may be paid out --

A So --

Q -- is that correct?

A Not necessarily. I am trying to make sure I explain and respond to your question.

This particular reserve only allows us to accrue $15.3 million maximum, and then we set up the reserve. So if we don't have our reserve at a sufficient level to cover the future claims we are going to pay, then we have to -- we can't go above the $15.3 million, but we do have to, for GAAP purposes, recognize the full liability on our books and records.

Q And when do you do that?

A At the point in time our reserve is not sufficient.

Q And when is that, when the event occurs?

A Not necessarily. So we evaluate our reserve level, I believe it's every quarter we take a look at it. And at the end of last year was when we determined that our reserve level wasn't sufficient. And my testimony goes on to discuss how we accounted for it. But putting aside what we have to do for GAAP purposes, from a regulatory standpoint, we are still here in front of the Commission asking permission to increase our reserve level to an appropriate level.

Q Okay. Do you recall being in a deposition and asking -- me asking you about how these items are -- when these items get credited to the accounts?

A Vaguely. Yes.

Q Okay. And do you recall me asking you: In that 24.9 million, is that deferred expense that would have been incurred in a period of time before 2026? And you said that it was. That it relates to the point in time in which we recognize an additional liability on our books and records, and we recognized that in '24 and '25, is that correct?

A Yes.

Q Okay. Is that still correct today?

A Yes, that's what we did.

Q Okay. And then you were asked whether the period of time is prior to the '26 test year in which you included that those expenses as part of that deferral, correct?

A I am sorry, can you say that again?

Q Yeah. And I am -- and my question was: The 24.9 million in deferred expenses, those expenses wouldn't have been incurred or realized in a period of time before 2026? And you agreed that that was correct, right?

A That's correct.

Q So you would agree that they are reflective of a point in time in which you incur a liability that you need to record on your books and records, correct?

A Correct.

Q And that for GAAP accounting, you need to make an entry of some sort in the year that the event occurs, correct?

A Only if the reserve was not at a sufficient level to cover our future claims.

Q Okay. And then, instead of expensing those accounts that were expensed to the claim in the year that they occur, you create some sort of regulatory asset, and you are in here asking the Commission to cover that, correct?

A Not necessarily. I wouldn't characterize it that way.

We were required to recognize that additional liability for GAAP purposes so that we would have the full liability on our books and records. The only way for us to increase our injuries and damage reserve to the level sufficient was to record it in an expense higher than what the Commission has currently authorized. We weren't allowed to do that.

So we recorded the deferred -- we deferred the expenses on our balance sheet with an offsetting liability. That netted to no impact on rate base. It was just for accounting purposes. Our injuries and damage reserves stayed at the same level, and we are here at the Commission today asking to increase our reserve level to a level that will be sufficient for future claims.

Q Right, and to be -- and it incorporates these expenses that you have had in prior years that were not expensed in 2024 or 2025, right?

A Correct, because we could not charge it to expense because the rule does not allow us to.

Q Okay. And is there anywhere in Rule 25-6.0143, which is the accounting rule that we are talking about, provision two, where it talks about you being able to create a deferred regulatory asset without prior Commission approval?

A No, it does not. But once again, that entry was just for GAAP purposes. It had nothing to do with our regulatory ratemaking, you know, amounts that we have here. We cannot increase our reserve absent Commission approval.

Had we not even booked that entry for accounting purposes, we would still be in here asking the Commission increase our injuries and damages reserve to an appropriate level.

Q Okay. Well, let's talk about that.

On page 20 of your rebuttal testimony, you testify that the 24.9 million that was deferred from '24 and '25 was due to the higher than usual activity, correct?

A I am sorry, I was flipping there. Which -- you said page 20?

Q Page 20.

A Which lines?

Q Five and six.

A Okay. I am there.

Q And you say that the 2024 -- or the 24.9 million that was deferred from '24 and '25 was due to higher than usual activity, correct?

A I am sorry, it's not on page 20.

Q Let me --

A Perhaps 21?

Q Let me check. Yes, maybe 21.

A Okay. Which lines again, please?

Q I think it's 4 and 5.

A Okay.

Q But either way, you would agree that it was due to higher than usual activity, correct?

A Correct.

Q And the company has requested to recover this 24.9 million deferred amount of the total requested amount of 46.1 million in '26, correct?

A Correct.

Q And the other part of the -- the other part of that, the 21.2 million, is FPL's request to increase the injuries and damages reserve, right?

A Yes, that's our accrual that we would like to recover in '26.

Q And you would agree that Mr. Schultz found that the average of the injuries and damages accounts for '21 through '24 is 20 million, correct?

A I don't recall his exact amount. I am trying to see if I -- I don't remember what his exact amount was.

Q I can direct to you C23-33898. And I believe that is the part of Mr. Schultz's testimony where he talks about that. Would that help refresh your recollection?

A Subject to check, I will accept that.

Q Okay. And back on your rebuttal testimony, page 22, lines eight and nine, you claim that this is consistent with the damages rule and GAAP, and Florida did -- or FPL did not, nor was it required to, offset these deferred injuries and damages with costs with the

RSAM, is that right?

A Correct.

Q Isn't it true, though, FPL could have expensed these excess costs related to injury and damages in 2024, the year they were incurred?

A I don't believe so. It's not consistent with the rule.

Q Okay. But there is nothing that says FPL couldn't have expensed it, correct? The rule doesn't require that you post those necessarily to the accrual, correct?

A I believe it says the opposite. The rule tells us when our reserve level and accrual is set, which is in the prior rate case. And so our current accrual is 15.3 million. We could not go above that. That would have been in violation of the rule.

Q Right. But only if you posted it to the accrual account, correct?

A These expenses are related to injuries and damages to which there is a rule that covers how these are accounted for, so I would believe that we would need to stay within the realms of the rule.

Q And FPL had access to the RSAM during 2024, correct?

A Yes.

Q And FPL had access to the RSAM during 2025, right?

A Yes.

Q And I think, as you said just a minute ago, FPL was under a settlement in '24 and '25?

A Correct.

Q And you would agree that FPL, under the settlement, could not come in to the Commission to seek any changes in base rates during that four years unless it was earning below the range?

A That's correct.

Q Okay. On page 23, you also talk about other adjustments starting around line eight of that part of your testimony, correct?

A Yes. These are related to items that OPC Witness Schultz had in his testimony that I was pointing out that were done incorrectly.

Q Okay. On lines 11 through 14 of your rebuttal testimony, you say that Mr. Schultz first applies a specific adjustment to deferred income taxes, and then for the other rate base adjustments, he allocates it only to common equity, long-term debt and short-term for '26 and '27, correct?

A Yes.

Q And you would agree that common equity,

long-term and short-term debt are investor sources of capital, right?

A Correct?

Q And customer deposits, investment tax credits and deferred income taxes are customer sources of funding, is that right?

A Yes.

Q And you say that -- or you say on -- that reconciling rate base to capital structure are typically allocated pro rata over all sources of capital to reflect the fact that all sources are used in the provision of electricity, correct?

A Yes.

Q Would you agree that the ROE is a percentage at which the company gets to earn a profit on its investment and capital?

A Yes.

Q And this ROE becomes part of the calculation to determine the rate of return percentage applied?

A Correct.

Q And the profit is what funds the dividends for investors, is that correct?

A Correct.

Q And on page 24, lines four through six, I believe, you show that prorating all sources of capital,

including customer funding sources, would increase the ROR for the company from 6.2 percent in '26 and 6.28 percent in '27 from Mr. Schultz's 6.24 percent, subject to check?

A That's what my testimony states, yes.

Q Okay. Thank you, Ms. Fuentes. I have no further questions.

CHAIRMAN LA ROSA: FEL?

MR. LUEBKEMANN: Thank you, Mr. Chairman.

And at the outside here, because it will make the rest of mine much shorter, I have identified some proposed exhibits with the company that we have tentatively agreed to stipulate. I am thinking it probably makes the most sense right now to read those and see if there are any objections so that I don't need to authenticate them.

CHAIRMAN LA ROSA: Go ahead.

MR. CHRISTOPHER WRIGHT: That's fine for us. I don't know if that's easier for housekeeping if he identifies them now, but, yes, we stipulate to having those moved in.

MR. LUEBKEMANN: And to be clear, this is not to move them in. This is just to make sure nobody has any objections to these particular exhibits.

CHAIRMAN LA ROSA: Yeah, let's hear them.

MR. LUEBKEMANN: All right. These would be on the CE Exhibits 952, 1026, 1027, 1030, 1031, 1161 through 68, then 1171 to 1174.

CHAIRMAN LA ROSA: As to those?

MR. BURNETT: We are good with all those, agree they are authentic, can be in evidence, brief on them, all good.

CHAIRMAN LA ROSA: Excellent.

MR. LUEBKEMANN: Then I will not ask questions about them. Thank you.

CHAIRMAN LA ROSA: All right.

MR. LUEBKEMANN: I do have a few other questions.

CHAIRMAN LA ROSA: Okay.

MR. LUEBKEMANN: But it's a lot shorter now.

CHAIRMAN LA ROSA: Perfect.

EXAMINATION

BY MR. LUEBKEMANN:

Q Good afternoon, Ms. Fuentes. Could we go to your Exhibit LF-7 at D9-474?

A Okay.

Q And this totals up the 2025 expected rate case expense?

A Yes.

Q And that was forecast to be about $5 million?

A That's correct.

Q FPL is asking in it's originally filed case for a base rate increase next year of $1.545 billion?

A Yes, in '26.

Q Would you accept my math that the expected rate case expense in this docket of $5 million would be about 0.3 percent of next year's requested increase?

A Subject to check, yes, that sounds reasonable.

Q And that would be if it was all taken in one year and not --

A Yes.

Q -- amortized?

If we could go to Exhibit 505? This is at Case Center number F2-389.

And I will try to keep the questions short on this because I think you were asked some by Ms. Christensen, but it was not on my stipulation list.

This asks for the amounts and costs of membership dues, lobbying expenses and charitable contributions that were actually included in the cost of service MFRs in this docket?

A Yes, among other things.

Q Among other things. And it indicated that $170,000 that you spoke about with Ms. Christensen.

Okay. Could we go to Exhibit 1028? And this

will be at Case Center number F10-12849. I am sorry, F10-12489. Oh, no, I have made a terrible mistake.

A Yeah, way outside of my expertise.

Q I would have objected long before anyone else. And if we could open the demonstrative.

Is this an exhibit that you recognize?

A I don't have it up on my screen yet, but I --

Q Oh, you might have to click the link. Hold on.

MR. BURNETT: Mr. Chairman, if it helps, I heard Jordan say that he hadn't it this on the list. We will stipulate to these as well. We can add them to the list and we're good.

MR. LUEBKEMANN: It's just this one, and I do have a few quick questions, but I do appreciate the offer.

BY MR. LUEBKEMANN:

Q Do you have it up now?

A Yeah, I have it.

Q Do you recognize this one?

A I recognize that this is an audit workpaper from the MFR audit, so it's not something that was provided that I worked on.

Q I will represent to you that this was one of the data request responses for the MFR audits --

A Okay.

Q -- that was produce today us in this docket.

This sheet reflects different types of dues and subscriptions, right?

A Yes, there is various things on here. This particular audit workpaper relates to only FERC account 930.2, and it includes multiple things. It could be some industry dues, some nonindustry dues, some personal dues for, like, CPA licenses, stuff like that. So it's got a mixture of things in here.

Q And in particular, you mentioned FERC account 932.2, that's an above-the-line account, correct?

A Correct.

Q If we go to line 25, we might need to scroll to the right. There we go.

So this lists a payment to the Bishop Museum of Science?

A Yes.

Q And this would be something that is being recovered from ratepayers?

A This particular line item, because it was charged to account 932, would have been included above the line. I believe this was one that you pointed out to me in my deposition, so I went back and looked at it, and we determined that it should have been recorded below the line, and we booked a correcting entry to do so.

Q Before I ask you any more questions about this document, are there other line items that we might have asked you about during that deposition that you have made similar determinations about?

A That was, I think, the only one that was asked in my depo.

Q Okay. Could we go to line 39? And here, this is listing a payment to the Arts Council, Inc.?

A Yes.

Q And again, this would have been included above the line?

A Initially yes, but we went back and looked at that one, and I think that one had been reclassed below the line.

Q Okay. Do you want me to list a few other line items and you can just tell me if they have been reclassed?

A Sure.

Q Gulf First, LLC, at line 76?

A Line 76, you said? Oh, yes. We had reclassified that one.

Q And line 92, Halifax Humane Society?

A Yes, that one was also reclassed.

Q Okay. Line 207, payment to Autism Speaks?

A Oh, I believe that one was too. Hang on one second. Let me see. 207, you said?

Q Yes.

A These lines are so small. I can't find it. I think we did.

Q If it's helpful, FEL has provided a handy dandy magnifying glass to the right of your screen?

A Well, I can see it on the screen, but I had marked some on the same document in my binder and I just can't find it. I don't have line numbers. Yes. I see it now. Yes.

Q There is a payment at line 209 to Politico, LLC, do you know if that has been reclassed?

A I don't believe so. My understanding, that's a platform or tool used to track and manage our federal government activities that relate to matters that may affect FPL. So I believe that one is an appropriate above-the-line expense.

Q And line 216, payment to the Junior Orange Bowl Committee, do you know if that has been reclassed?

A Which line again?

Q 216.

A The one for $300?

Q The one for $300.

A I don't know. I don't have that one documented here as a reclass, so I don't know if it's been reclassed or not.

Q And a couple more. Line 630, for the Museum of Discovery and Science?

A 630? 630? You said 630?

Q Yes. That's correct. Do you know if this has been reclassed?

A Hang on one second. I am not there yet. Yes, we moved that below the line.

Q Okay. Well, thank you very much. That is all of our questions.

A Okay. Thank you.

CHAIRMAN LA ROSA: Thank you.

FIPUG?

MS. PUTNAL: No questions.

CHAIRMAN LA ROSA: Walmart?

MS. EATON: No questions.

CHAIRMAN LA ROSA: FEIA?

MR. MAY: No questions.

CHAIRMAN LA ROSA: Staff?

MR. STILLER: No questions.

CHAIRMAN LA ROSA: Commissioners, any questions?

All right. Seeing none, back to FPL for

redirect.

MR. CHRISTOPHER WRIGHT: Thank you, Chairman, no direct.

We would ask that Exhibits 95 through 100 be moved into the record.

CHAIRMAN LA ROSA: Any objections?

MR. CHRISTOPHER WRIGHT: I have got a couple more, sorry.

CHAIRMAN LA ROSA: Go ahead.

MR. CHRISTOPHER WRIGHT: 303 through 307 be moved into the record, and I know that Ms. Fuentes cosponsored 131 with Mr. Bores, that will be moved this with Mr. Bores.

CHAIRMAN LA ROSA: Okay. Great.

Any objections? Seeing none, so moved.

MR. CHRISTOPHER WRIGHT: Thank you.

(Whereupon, Exhibit Nos. 95-100 & 303-307 were received into evidence.)

MR. CHRISTOPHER WRIGHT: We would ask that Ms. Fuentes be excused.

CHAIRMAN LA ROSA: Ms. Fuentes, you are excused. Thank you for your testimony.

Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: OPC, is there anything to move into the record?

MS. CHRISTENSEN: No.

CHAIRMAN LA ROSA: FEL?

MR. LUEBKEMANN: Thank you, Mr. Chairman. And I will just read them in order.

So it is Exhibits 505, 952, 1026, 27, 28 and 1030, 1031, 1161 through 1168, and 1171 through 1174.

CHAIRMAN LA ROSA: Any objections to those?

MR. CHRISTOPHER WRIGHT: No.

CHAIRMAN LA ROSA: Seeing none, so moved.

(Whereupon, Exhibit Nos. 505, 952, 1026-1028, 1030-1031, 1161-1168 & 1171-1174 were received into evidence.)

CHAIRMAN LA ROSA: Staff, anything that needs to be moved into the record? Okay.

All right. Let's go ahead and take a 10-minute break, and then, obviously, we will call your next witness, FPL. So it is 3:20, so 3:30 let's reconvene.

(Brief recess.)

(Transcript continues in sequence in Volume 8.)

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 24th day of October, 2025.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028