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July 9, 2025

VIA ELECTRONIC FILING

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

Re: Docket No. 20250011-EI
Petition by Florida Power & Light Company for Base Rate Increase

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket are the rebuttal testimony and exhibits of FPL witness Ina Laney.

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

Sincerely,

s/ Maria Jose Moncada

Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company

(Document 10 of 16)

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 9th day of July 2025:

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s/ Maria Jose Moncada

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF INA LANEY

Filed: July 9, 2025

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15 **I. INTRODUCTION**

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

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

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

4 A. Yes.

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

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

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

9 I am co-sponsoring the following exhibit:

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

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

14 A. The purpose of my rebuttal testimony is to rebut the incorrect assertions from
15 intervenor witnesses regarding: (1) the need for the 2027 Projected Test Year (Florida
16 Rising, League of United Latin American Citizens, Environmental Confederate of
17 Southwest Florida (“FEL”) witness Rábago); (2) the reliability of the forecast FPL
18 proposes to use to set rates for 2026 and 2027 (Office of Public Counsel (“OPC”)
19 witness Schultz); (3) the reasonableness of FPL’s operations and maintenance expense
20 (“O&M”) and capital budgets (OPC witness Schultz); (4) the reasonableness of
21 property tax millage rate forecast (OPC witness Schultz); (5) the proposed treatment of
22 Investment Tax Credits (“ITC”) FEL witness Rábago,); (6) the characterization of
23 FPL’s equity return as a percentage of revenues (OPC witness Lawton), and the

1 accounting for the proposed Tax Adjustment Mechanism (“TAM”) (OPC witness
2 Devlin and Florida Retail Federation (“FRF”) witness Georgis).

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

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

19

20 My testimony addresses concerns raised by OPC witness Schultz about FPL’s
21 projected maintenance costs. OPC witness Schultz’s assessment does not challenge
22 any specific maintenance costs or activities but recommends reductions in non-nuclear
23 and nuclear generation maintenance. I highlight the flaws in OPC witness Schultz’s

1 approach and explain that his methodology is overly simplistic. In fact, based on
2 historical averages, I argue that these expenses should be adjusted upward. Focusing
3 on capital additions, I point out that the capital forecasting methodology used by FPL
4 involves detailed planning and prudent investment and argue for the approval of FPL’s
5 forecasted capital additions as essential to accommodating growing customer demand,
6 maintaining service reliability, and compliance with regulatory requirements. Despite
7 assertions to the contrary, our capital forecasts are sound and necessary for maintaining
8 service quality and adhering to regulatory mandates.

9

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

17

18 Addressing insurance expenses, specifically liability insurance, I refute proposed cuts
19 by highlighting our prudent approach based on industry trends and expert assessments.

20 In a volatile insurance market, particularly influenced by wildfire losses, our strategies
21 include negotiating favorable terms and adjusting coverage to mitigate cost impacts
22 while maintaining essential protection for both customers and the Company. On
23 Directors and Officers (“D&O”) liability insurance, I counter the notion that such

1 insurance primarily benefits shareholders, stressing its role in sustaining qualified
2 executive leadership, which directly translates to improved service quality for our
3 customers. The Commission’s historical lack of directives for FPL to remove D&O
4 expenses further supports our position.

5
6 My rebuttal testimony supports the benefits of FPL’s proposed accounting for the ITC
7 flow-through approach, highlighting foreseeable customer advantages. Specifically, I
8 address FEL witness Rábago’s concerns about the matching principle and suggest that
9 the normalization approach would only delay the pass through of benefits to customers,
10 thus failing to balance immediate customer advantages with the true cost of service
11 over time. I argue that the flow-through method significantly benefits customers by
12 providing substantial revenue requirement reductions compared to the normalization
13 model with a CPVRR benefit of approximately \$612 million over the life of the
14 projected 2026 and 2027 energy storage facilities. Additionally, I clarify
15 misconceptions regarding the transferability of ITCs and explain that credit
16 transferability provides immediate value by converting credits into cash, reducing
17 deferred tax assets, and ultimately lowering revenue requirements.

18
19 The analysis presented by OPC witness Lawton regarding equity returns misinterprets
20 the impact on customer bills by focusing on percentage metrics. It is crucial to consider
21 the comprehensive customer benefits delivered through efficient operations, leading to
22 lower overall costs despite equity returns. Our approach consistently results in superior

1 customer value, demonstrated by competitive bills and industry-leading reliability,
2 affirming that our financial strategy is both valid and customer-centered.

3

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

1 **II. PROJECTED TEST YEARS AND FINANCIAL FORECAST**

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

5 A. No, I disagree with Mr. Rábago. Use of the Company’s proposed 2027 Projected Test
6 Year in this proceeding is appropriate under Commission Rule 25-6.0425 – Rate
7 Adjustment Applications and Procedures, and represents an efficient and reasonable
8 basis upon which to establish rates for the Company. Consistent with this rule, the
9 Commission has previously approved the use of “two fully projected test years” in rate
10 cases for FPL, Florida Power Corporation, and Tampa Electric Company in Order Nos.
11 13537, PSC-92-1197-FOF-EI, and PSC-93-0165-FOF-EI, respectively. The
12 justification for the 2027 Projected Test Year is especially critical in this case due to
13 FPL’s commitment to forgo general base rate increases in 2028 and 2029 upon approval
14 of its four-year plan.

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

16 A. As demonstrated in the Company’s filing, FPL projects a \$932 million revenue
17 deficiency in 2027.¹ Without the 2027 Projected Test Year, even assuming the
18 Company receives its full requested revenue increase in 2026, the Company projects
19 its ROE in 2027 will fall more than 100 basis points, putting it below the bottom of the
20 allowed range. The 2027 Projected Test Year allows the Company to avoid filing
21 another rate case in 2026 for new base rates effective in January 2027. Filing back-to-

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

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

3 **Q. Are the Company’s forecasts for 2026 and 2027 reasonable and reliable for setting**
4 **rates in this proceeding?**

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

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

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

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

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

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

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

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

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

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

1 below the test year benchmark using the established FPSC methodology for
2 O&M benchmarking.

- 3 • Additionally, performing the same benchmark as in MFR C-37, but going back
4 15 years by using the 2011 actuals as the base year, the Company's filed 2026
5 Projected Test Year O&M is lower by approximately \$881 million, and the
6 Company's filed 2027 Projected Test Year O&M is lower by approximately
7 \$917 million compared to benchmark.

8
9 All the identified cost efficiencies are fully reflected in the forecasts and lower rates in
10 the current rate filing. This opportunity cannot be realistically repeated year after year,
11 which does not suggest pessimistic forecasting. To the extent that the Company
12 identifies incremental cost efficiencies in the future, customers will receive the benefit
13 in rates in a future rate filing through lower revenue requirements as opposed to
14 creating a "shareholder windfall."

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

17 A. Yes. FPL is required to submit to the Commission earnings surveillance reports
18 ("ESR") monthly. These reports set forth the level of FPL's earnings and other
19 financial results. The Commission utilizes the ESRs to ensure that FPL is not earning
20 above the allowed ROE range and has the authority to initiate an earnings investigation
21 when appropriate. Through this robust process, the ESRs, effectively and efficiently,
22 have served to protect customers and the Company during multi-year rate plans and

1 “stay outs,” and it will serve the same function during the 2027 Projected Test Year
2 and remainder of the four-year rate plan being proposed in this proceeding.

3
4 **III. O&M BUDGETS**

5 **A. MAINTENANCE EXPENSE**

6 **Q. Please summarize OPC witness Schultz’s testimony regarding FPL’s generation
7 and transmission maintenance costs.**

8 A. OPC witness Schultz recommends arbitrary reductions to FPL’s forecasted
9 maintenance costs across three categories: non-nuclear generation maintenance,
10 nuclear generation maintenance, and transmission maintenance. His recommendation
11 is based primarily on historical budget-to-actual variances from 2020 through 2024,
12 where actual maintenance costs were lower than budgeted costs. OPC witness Schultz
13 applies the five-year average variance percentages to reduce FPL’s forecasted
14 maintenance costs for each category. Based on this methodology, Mr. Schultz
15 recommends combined reductions to nuclear and non-nuclear generation maintenance
16 expense of \$10.927 million² on a jurisdictional basis in 2026 and \$9.902 million³ on a
17 jurisdictional basis in 2027; and reductions to transmission maintenance costs of

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

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

1 \$10.566 million⁴ on a jurisdictional basis in 2026 and \$13.379 million⁵ on a
2 jurisdictional basis in 2027.

3

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

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

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

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

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

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

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

1 **Q. How do you respond to OPC witness Schultz’s proposed adjustments to**
2 **generation maintenance costs?**

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

14 **Q. Why is OPC witness Schultz’s mechanical application of historical percentages**
15 **problematic?**

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

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

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

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

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

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

17

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

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

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

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

7

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

8

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

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

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

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

1 **Q. What is your conclusion regarding OPC witness Schultz’s proposed adjustments**
2 **to generation maintenance costs?**

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

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

15
16 FPL’s forecasted maintenance costs represent a reasonable projection of the resources
17 needed to maintain our generation assets. The Commission should approve these costs
18 as filed to ensure continued reliable and efficient service to our customers.

1 **B. PROPERTY AND LIABILITY INSURANCE EXPENSE**

2 **Q. Please summarize OPC witness Schultz’s testimony regarding FPL’s projected**
3 **insurance expenses.**

4 A. OPC witness Schultz challenges FPL’s projected insurance expenses for 2026 and 2027
5 and recommends reductions of \$13.642 million¹¹ in 2026 and \$14.400 million¹² in 2027
6 on a jurisdictional basis. Specifically, he takes issue with the forecasted amounts for
7 property insurance refunds which show a reduction from 2024 and the forecasted
8 amounts for liability insurance which show an increase from 2024. OPC witness
9 Schultz states that FPL has not provided evidence that would support these increases
10 in insurance costs.

11 **Q. What is the basis for OPC witness Schultz’s recommended adjustments to FPL’s**
12 **property insurance expenses?**

For property insurance, OPC witness Schultz recommends a reduction of \$3.702 million¹³ in each of the projected test years 2026 and 2027. He calculates this adjustment by comparing the expected 2025 nuclear refund distribution of \$225 million against the 2024 distribution of \$300 million to arrive at a 25% expected reduction in distribution refunds. Applying the 25% reduction to 2024 refunds yields an estimate of \$13.702 million against FPL’s estimate of \$10 million.

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

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

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

1 **Q. How do you respond to OPC witness Schultz’s concerns about the nuclear**
2 **distribution refund projections?**

3 A. Nuclear refunds are not guaranteed and are determined by the insurance mutual based
4 on industry losses and investment portfolio performance. The actual distributions vary
5 year to year. The nuclear refunds forecast is based on guidance provided by the Nuclear
6 Electric Insurance Limited (“NEIL”) and assessments by FPL’s risk management
7 department. The expected distribution ranged from \$10 million on the low end to
8 \$13.879 million¹⁴ on the high end of the range. In 2024, Cedar Hamilton Limited,
9 which supports the traditional insurance program for NEIL, communicated that it
10 experienced higher than expected losses due to wildfires, the largest of which being the
11 Smokehouse Creek Fire in Texas,¹⁵ leading to an expected loss ratio approximately
12 three times higher than the prior year. Consequently, FPL’s forecasted refunds reflect
13 a prudent approach given current market conditions, unknown future investment
14 performance and assume that this adverse event would put the upcoming distribution
15 at the low end of the range of \$10 million. This prudent approach reflects the uncertain
16 nature of these refunds. The simple approach by OPC witness Schultz of taking the
17 expected 2025 distribution amount of \$225 million against the 2024 distribution
18 amount of \$300 million to arrive at a 25% reduction ignores that actual intervening loss
19 events impacted the insurance market, specifically insurers’ downside risk from
20 expected wildfire losses.

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

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

1 **Q. What is the basis for OPC witness Schultz’s recommended adjustments to FPL’s**
 2 **liability insurance expense?**

3 A. For liability insurance, OPC witness Schultz recommends a reduction of
 4 \$10.475 million in 2026 and \$11.156 million in 2027.¹⁶ OPC witness Schultz disagrees
 5 with FPL’s forecasted liability insurance premiums and instead applies a three-year
 6 average increase of 21.66% for 2025, followed by the same percentage increases FPL
 7 applied for subsequent years (6.2% for 2026 and 6.5% for 2027).

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

10 A. The 82.8% increase in liability insurance expense, which includes general liability,
 11 wildfire liability, and cyber liability, is primarily driven by wildfire liability insurance.
 12 Excluding wildfire liability insurance, all other premiums increased by 19.0% from
 13 2024, which is lower than the historical three-year average increase of 21.66%
 14 referenced by OPC witness Schultz. The increases in the wildfire liability premium are
 15 primarily driven by industry-wide wildfire losses experienced by insurance carriers.

Liability Insurance Expense (\$ Millions)	2024	2025	Change \$	Change %
General Excess Liability	14.7	17.0	2.2	15.0%
Cyber, Fiduciary, Other	1.4	2.3	0.9	60.9%
Total Excluding Wildfire ⁽¹⁾	\$16.1	\$19.2	\$3.1	19.0%
Wildfire Liability ⁽²⁾	-	10.3	10.3	100%
Total Including Wildfire ⁽¹⁾	\$16.1¹⁷,	\$29.5¹⁸,	\$13.4	82.8%

16
 17
 18

(1) Totals may not add due to rounding.

(2) Prior to the 2025 renewal year, wildfire coverage was included as part of FPL’s general excess liability coverage and not separately identified.

¹⁶ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 32.

¹⁷ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 9, Column E.

¹⁸ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-7, Line 25, Column B.

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

5 **Q. Please explain the market’s response to the significant wildfire losses and the**
6 **impact on FPL’s liability insurance expense.**

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

11
12 The effects of these changes were felt at FPL as the Company’s carriers began limiting
13 wildfire liability coverage and mandating higher premiums for wildfire coverage for
14 the upcoming 2025 renewal year. FPL projected that it would lose \$125 million to
15 \$150 million of wildfire coverage under its traditional policy based on industry trends.
16 The cost to replace this coverage was estimated at \$12.5 million to \$15 million based
17 on a 10% rate online (“ROL”).¹⁹ As evidenced by historical industry losses, dropping
18 wildfire coverage is not a prudent or reasonable option.

19
20 Just as with property insurance, OPC witness Schultz’s approach of applying a three-
21 year historical average increase of 21.66% for liability insurance fails to account for

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

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

4 **Q. Are these insurance cost increases unique to FPL?**

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

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

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

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

17 A. Specific to minimizing cost increases for wildfire coverage, the Company obtained a
18 standalone wildfire policy, dropping this coverage from its general excess liability.
19 Opting for a standalone policy provides mitigation from higher insurance rates and
20 future increases. Insurance premiums tend to compound annually and seldom decrease
21 unless a soft market with surplus capacity creates competition. A stand-alone policy
22 provides the Company flexibility by de-linking wildfire coverage from its general

1 excess liability coverage, allowing the Company to shop for better rates or adjust
2 coverage in the future. Without these efforts, the projected costs would be higher.

3
4 More generally, FPL continuously evaluates its insurance coverage needs and explores
5 various risk management strategies to mitigate cost increases, including:

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

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

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

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

18
19 **C. DIRECTORS AND OFFICERS LIABILITY INSURANCE EXPENSE**

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

22 A. OPC witness Schultz recommends disallowing the entirety of D&O insurance costs,
23 arguing that such insurance primarily benefits shareholders rather than customers. This

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

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

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

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

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

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

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

17

18 **D. INJURIES AND DAMAGES EXPENSE**

19 **Q. Please summarize OPC witness Schultz’s claims on injuries and damages expense.**

20 A. OPC witness Schultz makes several claims regarding FPL’s request for injuries and
21 damages. First, Mr. Schultz disagrees with the recovery of prior period deferred
22 expenses, claiming that this is retroactive ratemaking. Second, Mr. Schultz claims that
23 \$17.949 million is the appropriate annual reserve accrual based on historical averages.

1 Lastly, he recommends an annual injuries and damages claims expense of \$2.521
2 million²⁰ based on historical averages.

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

4 A. FPL witness Fuentes addresses OPC witness Schultz's claims regarding the recovery
5 of prior period deferred expenses and the appropriate amount for the annual reserve
6 accrual. I will address Mr. Schultz's recommendation related to the annual claims
7 expense of \$2.521 million, which is approximately \$0.719 million lower compared to
8 the \$3.240 million²¹ projected amount. The application of a historical average does not
9 consider \$0.860 million in one-time reimbursements (reduction to expense) received in
10 the historical 2024 period. These one-time reimbursements relate to 2017 and 2018
11 claims and should be adjusted out for trend analysis as non-recurring items.

12
13 Additionally, looking at the current year, the amount of actual claims expense incurred
14 through May 2025 would result on an annualized basis in a projected year-end claims
15 expense of approximately \$3.7 million, well above the \$3.2 million reflected in the
16 2026 and 2027 Projected Test Years. This evidences the reasonableness of FPL's
17 forecasted claims expenses for 2026 and 2027.

18

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

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

1 **IV. CAPITAL BUDGETS**

2 **Q. Please summarize OPC witness Schultz’s testimony regarding FPL’s capital**
3 **additions.**

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

9 **Q. How does OPC witness Schultz’s testimony relate to that of OPC witness**
10 **Dauphinais?**

11 A. As OPC witness Schultz explains on page 31 of his testimony, he is incorporating OPC
12 witness Dauphinais’s recommendations regarding specific plant additions. OPC
13 witness Dauphinais recommends excluding all solar plant additions for 2026 and 2027
14 from the rate base, claiming they are not needed. According to Mr. Schultz, this results
15 in a reduction to plant in service of approximately \$1.126 billion on a jurisdictional
16 basis in 2026 and approximately \$2.302 billion on a jurisdictional basis in 2027.²²

17
18 FPL witness Whitley explains why it is not appropriate to remove the 2026 and 2027
19 solar plant additions from a resource need and customer benefit standpoint, and I will
20 discuss Mr. Schultz’s calculation of the revenue requirements impact associated with
21 this proposed change.

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

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

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

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

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

12
13 Specifically, OPC witness Schultz claims that there is an “inconsistency” between the
14 changes in capital expenditures, construction work in progress (“CWIP”), and plant
15 additions which suggests the budgeting and planning “are poorly coordinated.”²³ He
16 then proceeds to perform various analyses of plant additions,²⁴ capital expenditures,²⁵
17 and CWIP²⁶ based on historical trends and averages. This type of analysis may be
18 appropriate when analyzing recurring capital spend (e.g., maintenance, additions of
19 new service accounts, etc.), but it is not appropriate when reviewing FPL’s *total* capital

²³ OPC witness Schultz Direct Testimony, Page 33.

²⁴ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule B-2, Page 2 of 3.

²⁵ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule B-3.

²⁶ OPC witness Schultz Direct Testimony, Exhibit HWS-6.

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

3 **Q. Please explain why one should consider the composition of FPL’s capital projects**
4 **when reviewing capital additions.**

5 A. FPL’s capital initiatives include a significant number of major projects, which represent
6 over 65% of the outstanding ending CWIP balance in 2026 and in 2027.²⁷ “Major”
7 projects are projects with a well-defined start and end date (e.g., solar, energy storage,
8 500 kV transmission project, etc.). In contrast, “minor” projects encompass recurring
9 projects of a similar nature that are not forecasted on an individual basis (e.g.,
10 maintenance, addition of new customer service accounts, etc.). Minor projects do not
11 have a discrete in-service date and are therefore projected to close to plant-in-service
12 based on historical pattern of plant additions.

13
14 Construction work on major projects extends over one or more years. In the year a
15 project is placed in service, the CWIP balance will *not* correspond to the change in
16 capital expenditures due to the simple fact that CWIP represents *cumulative* capital
17 spend over a multi-year period. At the time the project is placed in service, one would
18 see a large decline in the CWIP balance, with often a fraction of the change in capital
19 spend during that same period. Additionally, the intra-year timing of a major project
20 placed in service significantly impacts the average CWIP balances. As an example, if
21 a \$1 billion capital project is added to plant in service in the month of September of a

²⁷ MFR Schedule B-13.

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

3

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

12 **Q. In summary, what is your assessment of OPC witness Schultz’s recommendations**
13 **regarding capital additions?**

14 A. OPC witness Schultz’s claims about FPL’s capital additions are unfounded and his
15 recommendations should be rejected. The proposed reductions are arbitrary and fail to
16 consider the specific circumstances that drive FPL’s capital investment program.
17 Reducing capital expenditures as proposed would impair FPL’s ability to maintain
18 reliable service and meet growing customer demand, potentially leading to higher costs
19 in the long run. His approach overlooks the detailed planning process behind FPL’s
20 capital forecast and fails to recognize the legitimate need for infrastructure investment
21 to support customer growth, maintain reliability, and meet regulatory requirements, as
22 was explained by FPL’s operational witnesses. FPL’s capital forecasting methodology
23 is sound, and the capital additions included in the 2026 and 2027 revenue requirements

1 represent necessary investments to serve customers reliably and cost-effectively. The
2 Commission should approve FPL's forecasted capital additions as filed.

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

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

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

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

1 **V. PROPERTY TAX EXPENSE**

2 **Q. Please summarize OPC witness Schultz’s testimony regarding FPL’s projected**
3 **property tax expenses.**

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

11 **Q. What is the basis of OPC witness Schultz’s adjustment to the effective property**
12 **tax rate?**

OPC witness Schultz reviewed the historical effective property tax rates from 2021 through 2024 as provided in FPL’s response to OPC’s First Set of Interrogatories No. 77 and observed that the effective tax rate had declined over that period.³⁰ Based on this trend, he recommends using an effective tax rate of 1.57% for 2026 and 2027, rather than FPL’s forecasted rate based on 2024 actuals. This adjustment alone results in a reduction of approximately \$11 million in 2026 and \$12.5 million in 2027.³¹

²⁸ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-1, Line 27, Page 1 of 2 for 2026 and Page 2 of 2 for 2027.

²⁹ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-16, Line 10.

³⁰ OPC witness Schultz Direct Testimony, Exhibit HWS-7.

³¹ OPC witness Schultz Direct Testimony, Exhibit HWS-2, Schedule C-16, Line 18.

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

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

14
15 Second, holding the rate flat is also consistent with the proposed Required Local Effort
16 millage rate for the Florida Education Finance Program,³² which is being held flat for
17 2025 and 2026 after several years of reductions which have been one of the drivers of
18 the reduced millage rates. The leveling off of this rate indicates a stabilization trend
19 rather than continued decreases.

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

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

3 A. OPC witness Schultz selectively references a single project planning document for the
4 proposed Milton Center³³ to suggest that FPL could broadly seek tax abatements across
5 its service territory. This selective example does not support a system-wide reduction
6 in effective tax rates. Tax abatements are project-specific and location-specific. They
7 are not universal policies that can be applied to the entirety of FPL’s property tax
8 liability. While FPL diligently pursues appropriate tax optimization strategies,
9 including seeking abatements where available, there is no basis to assume these
10 opportunities would result in a system-wide reduction in the effective tax rate below
11 the 2024 level used in our forecast.

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

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

³³ OPC witness Schultz Direct Testimony, Page 93, Lines 9-12.

³⁴ Section 197.162 (3), Fla. Stat. – Discount for Early Payment.

1 **Q. Please address OPC witness Schultz’s second adjustment related to plant**
2 **adjustments.**

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

13 **Q. What do you conclude regarding OPC witness Schultz’s property tax**
14 **adjustments?**

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

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

1 **VI. INVESTMENT TAX CREDIT TREATMENT**

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

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

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

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

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

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

10

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

³⁶ 26 U.S.C. § 38(c)(1)

1 **VII. EQUITY RETURNS**

2 **Q. Please summarize OPC witness Lawton’s testimony regarding FPL’s equity**
3 **return as a percentage of revenue.**

4 A. On page 12 of his direct testimony, OPC witness Lawton claims that approximately
5 50% of FPL’s base revenues go toward equity profit, which he refers to as “shareholder
6 profit,” and associated federal income taxes. He characterizes this percentage as
7 “disturbing” and presents a comparative analysis with Duke Energy Florida (“DEF”),
8 asserting that DEF’s shareholder profit and federal income taxes make up
9 approximately 37% of base rate revenues, compared to FPL’s 49.6%.³⁷

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

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

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

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

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

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

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

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

18
19 The equity return, which OPC witness Lawton calls “shareholder profit,” represents the
20 return on investments. These investments provide benefits to customers over the life
21 of the assets. A large portion of this return is re-invested by the shareholders in utility
22 assets, further enhancing customer benefits. The “All Other” expenses are just that –
23 expenses (e.g., non-fuel operation and maintenance expense, taxes other than income

1 taxes, etc.). Of course, there is a certain level of expense that is necessary to maintain
2 and operate the utility system. In general, however, *the lower* the “All Other”
3 component, *the better*. It means that the utility is more efficient. Conversely, higher
4 “All Other” indicates more ‘inefficient’ use of customer revenue, precisely what Mr.
5 Lawton argues against. Lower expenses translate directly into lower bills for customers
6 over time. Focusing solely on the percentage of revenues allocated to shareholder
7 returns, as OPC witness Lawton does, provides an incomplete and misleading picture.

8
9 FPL witness Bores’s direct and rebuttal testimonies detail how FPL’s financial strategy
10 – including its capital structure and ROE – is not harming customers but instead is part
11 of an overall approach that delivers superior service at competitive rates.

12

13 **VIII. TAX ADJUSTMENT MECHANISM**

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

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

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

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

14
15 As a general matter, customer bases are not static – there is always movement of
16 customers into and out of our service territory. Any ratemaking mechanism will have
17 some degree of intergenerational effect. Regarding the TAM specifically, both today’s
18 and tomorrow’s customers will benefit from it. The benefit to today’s customers is
19 obvious and implicitly acknowledged by the intervenors. The TAM is designed to
20 avoid additional rate increases in 2028 and 2029, thereby providing customers lower
21 rates in those years compared to not having the TAM. More predictability over the
22 four-year period of FPL’s proposed rate plan is also a benefit. The TAM’s benefits
23 also extend beyond 2029. It will allow FPL to continue to make prudent long-term

1 investments by offsetting revenue requirements. Therefore, by definition, customers
2 in future years will benefit from the capacity, reliability or savings generated by those
3 investments.

4
5 The TAM represents a reasonable balance of competing regulatory principles that
6 ultimately benefits customers through near-term stable rates and long-term prudent
7 investments. The benefits of rate stability and regulatory efficiency provided by the
8 TAM outweigh the theoretical concerns about intergenerational equity raised by OPC
9 and FEL witnesses.

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

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

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

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

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

10 A. No. He double counts the impact, leading to his miscalculated \$3.45 billion effect. My
11 Exhibit IL-12 (Errata) shows that the \$1.717 billion TAM Amount will be collected by
12 amortizing the Regulatory Asset over 30 years, which comes to slightly more than
13 \$57 million each year. For presentation purposes, line 10 of that exhibit multiplied that
14 \$57 million amortization amount by two ("*2") to show the impact of utilizing the
15 TAM in each year of the proposed rate plan. The \$115 million figure Mr. Devlin
16 reflects two years of amortization, not one.

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

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

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

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

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

18 A. FPL disagrees with the use of this account. The balance in FERC Account 282-
19 Accumulated Deferred Income Taxes-Other Property (“FERC account 282”)
20 represents the tax obligation to be paid to taxing authorities in the future. Specifically,
21 Accounting Standard Codification (ASC) 740 – Income Taxes, paragraph 740-10-25-
22 2, requires recording of deferred tax liabilities for the “estimated future tax effects
23 attributable to temporary differences and carryforwards.” Said differently, the balance

1 in FERC account 282 must *always* represent the timing differences at enacted tax rates.
2 If Mr. Devlin’s approach were adopted, FERC account 282 would no longer represent
3 FPL’s future tax obligation.

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

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

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

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

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

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

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

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

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

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

⁴⁰ Errata filing dated April 29, 2025.

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

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

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

9 (1) FPL proposed a four-year rate plan in the 2021 Rate Case.⁴¹ As part of the four-
10 year rate plan, FPL developed RSAM adjusted depreciation parameters that
11 resulted in an approximately \$203 million lower revenue requirements that is
12 reflected in current customer rates.⁴² Said differently, absent the RSAM, FPL's
13 revenue requirements in the 2021 Rate Case would have been approximately
14 \$203 million higher, which equates to approximately \$26 more per year on a
15 1,250 kWh residential customer bill.

16 (2) OPC witness Devlin's calculation assumes that the \$1.45 billion represents
17 approximately 3.8% of base revenues over the four-year period pursuant to the
18 settlement agreement in Docket No. 20210015-EI. He then estimates that the
19 RSAM impact on a customer bill in 2026 is \$46 a year, or 3.8% of the \$101.68
20 1,250 kWh residential bill at current rates. However, by applying the 3.8% to
21 the residential customer bill, OPC witness Devlin in essence assumes that the

⁴¹ Docket No. 20210015-EI.

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

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

5
6 Correcting for OPC witness Devlin’s omissions produces a materially different bill
7 impact calculation. As reflected in Exhibit IL-15, use of the RSAM during the 2022
8 through 2025 period *reduces* the 1,250 kWh residential bill in the 2026 Projected Test
9 Year by \$2.45 per year compared to a hypothetical “no RSAM” scenario.

10
11 Most importantly, OPC witness Devlin ignores the fact that absent the RSAM, FPL
12 would have had to seek base rate increases effective January 1, 2024, and January 1,
13 2025, which would have resulted in an approximately \$1.2 billion increase in customer
14 rates and base revenues in 2024 and 2025.⁴³ Additionally, OPC witness Devlin’s
15 calculation does not account for other benefits of a four-year rate plan described in
16 detail by FPL witness Bores, including the ability to focus on identifying incremental
17 customer value through O&M efficiencies. As discussed earlier in my testimony, since
18 2022, FPL identified more than \$500 million of annual run rate savings, which
19 ultimately translate into lower overall customer bills and lower base revenues.

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

1 **Q. FRF witness Georgis suggests that, since the accumulated DTLs “represents**
2 **historic over-recoveries from utility customers,” the FPL shareholders would**
3 **benefit “twice” from the amortizing the DTLs through the TAM. Is this**
4 **accurate?**

5 A. No, this characterization is completely inaccurate. When DTLs are created and
6 accumulated, they are included in capital structure at zero cost and reduce revenue
7 requirements. This is a benefit to *customers*, and not a benefit to shareholders. And,
8 as explained in my testimony, amortizing the DTLs through use of the TAM
9 significantly benefits customers principally through avoidance of cash increases in
10 2028 and 2029.

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

12 A. Yes.

ITC Pass-Thru vs. Normalization

\$ Millions

Discount Factor

8.68%

	1	2	3	4	5	6	7	8	9	10	11	12	13	2039-2050
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	
	0.96	0.88	0.81	0.75	0.69	0.63	0.58	0.54	0.49	0.45	0.42	0.38	0.35	

ITC Generated

COD

		PV	SUM
2026 Battery Storage	7/1/2026	194.7	203.0
Lansing-Smith Battery Storage Project	10/1/2026	183.7	191.5
2026 Hybrid Battery Storage (B)	11/1/2026	184.5	192.3
2027 Hybrid Battery Storage (A)	4/1/2027	170.2	192.8
2027 Hybrid Battery Storage (B)	7/1/2027	127.8	144.7
ACES Battery Pilot	10/1/2027	19.3	21.9
Total ITC Generated		880.2	946.1

203.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
191.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
192.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	192.8	-	-	-	-	-	-	-	-	-	-	-	-	-
-	144.7	-	-	-	-	-	-	-	-	-	-	-	-	-
-	21.9	-	-	-	-	-	-	-	-	-	-	-	-	-
586.8	359.4	-												

RevReq Impacts from ITC (fav) unfav

ITC Pass-Thru

A Pre-Tax Return on Capital

CPVRR SUM

2026 Battery Storage	(4.6)	(5.4)	(1.2)	(1.9)	(1.1)	(0.7)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Lansing-Smith Battery Storage Project	(4.3)	(5.1)	(1.1)	(1.8)	(1.1)	(0.6)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026 Hybrid Battery Storage (B)	(4.3)	(5.1)	(1.1)	(1.8)	(1.1)	(0.7)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2027 Hybrid Battery Storage (A)	(4.0)	(5.1)	-	(1.1)	(1.8)	(1.1)	(0.7)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
2027 Hybrid Battery Storage (B)	(3.0)	(3.8)	-	(0.9)	(1.4)	(0.8)	(0.5)	(0.2)	(0.1)	-	-	-	-	-	-
ACES Battery Pilot	(0.5)	(0.6)	-	(0.1)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total Pre-Tax Return on Capital	(20.7)	(25.1)	(3.5)	(7.6)	(6.7)	(4.0)	(2.2)	(0.9)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0

B ITC and Perm. Tax Differences, Pre-Tax

2026 Battery Storage	(227.8)	(237.4)	(237.4)	-	-	-	-	-	-	-	-	-	-	-	-
Lansing-Smith Battery Storage Project	(214.9)	(224.0)	(224.0)	-	-	-	-	-	-	-	-	-	-	-	-
2026 Hybrid Battery Storage (B)	(215.8)	(225.0)	(225.0)	-	-	-	-	-	-	-	-	-	-	-	-
2027 Hybrid Battery Storage (A)	(199.1)	(225.5)	-	(225.5)	-	-	-	-	-	-	-	-	-	-	-
2027 Hybrid Battery Storage (B)	(149.5)	(169.3)	-	(169.3)	-	-	-	-	-	-	-	-	-	-	-
ACES Battery Pilot	(22.6)	(25.6)	-	(25.6)	-	-	-	-	-	-	-	-	-	-	-
Total ITC and Perm. Tax Differences, Pre-Tax	(1,029.6)	(1,106.7)	(686.4)	(420.4)	-										

A + B RevReq Impacts from ITC

2026 Battery Storage	(232.3)	(242.8)	(238.6)	(1.9)	(1.1)	(0.7)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Lansing-Smith Battery Storage Project	(219.2)	(229.0)	(225.1)	(1.8)	(1.1)	(0.6)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026 Hybrid Battery Storage (B)	(220.2)	(230.1)	(226.1)	(1.8)	(1.1)	(0.7)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2027 Hybrid Battery Storage (A)	(203.1)	(230.6)	-	(226.6)	(1.8)	(1.1)	(0.7)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
2027 Hybrid Battery Storage (B)	(152.5)	(173.1)	-	(170.1)	(1.4)	(0.8)	(0.5)	(0.2)	(0.1)	-	-	-	-	-	-
ACES Battery Pilot	(23.0)	(26.1)	-	(25.7)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total RevReq Impacts from ITC	(1,050.3)	(1,131.8)	(689.8)	(428.0)	(6.7)	(4.0)	(2.2)	(0.9)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0

ITC Pass-Thru vs. Normalization

\$ Millions

Discount Factor 8.68%

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039-2050
	0.96	0.88	0.81	0.75	0.69	0.63	0.58	0.54	0.49	0.45	0.42	0.38	0.35	

ITC Normalization

C Pre-Tax Return on Capital

	CPVRR	SUM														
2026 Battery Storage	13.1	28.7	0.3	0.9	1.5	1.9	2.0	2.2	2.1	1.9	1.8	1.6	1.5	1.3	1.2	4.2
Lansing-Smith Battery Storage Project	12.7	28.1	0.3	0.9	1.5	1.8	2.0	2.1	2.0	1.9	1.7	1.6	1.4	1.3	1.2	4.2
2026 Hybrid Battery Storage (B)	12.9	28.5	0.3	0.9	1.5	1.8	2.0	2.1	2.0	1.9	1.7	1.6	1.5	1.3	1.2	4.4
2027 Hybrid Battery Storage (A)	11.1	27.4	-	0.2	0.8	1.4	1.7	1.9	2.0	2.0	1.8	1.7	1.5	1.4	1.2	4.8
2027 Hybrid Battery Storage (B)	8.6	21.4	-	0.2	0.7	1.1	1.3	1.5	1.5	1.4	1.3	1.2	1.1	1.0	3.9	
ACES Battery Pilot	1.3	3.3	-	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.6	
Total Pre-Tax Return on Capital	59.7	137.5	0.8	3.2	6.2	8.1	9.3	9.9	9.9	9.4	8.7	8.0	7.3	6.6	5.9	22.2

D ITC and Perm. Tax Differences, Pre-Tax

2026 Battery Storage	(111.0)	(326.4)	(5.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	(89.0)
Lansing-Smith Battery Storage Project	(102.5)	(310.8)	(2.8)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(86.8)
2026 Hybrid Battery Storage (B)	(102.2)	(313.1)	(1.9)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(88.1)
2027 Hybrid Battery Storage (A)	(99.0)	(318.5)	-	(8.5)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(93.0)
2027 Hybrid Battery Storage (B)	(72.8)	(241.2)	-	(4.2)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(72.0)
ACES Battery Pilot	(10.8)	(36.8)	-	(0.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(11.2)
Total ITC and Perm. Tax Differences, Pre-Tax	(498.3)	(1,546.8)	(10.6)	(47.3)	(55.3)	(440.1)										

C + D RevReq Impacts from ITC

2026 Battery Storage	(97.9)	(297.7)	(5.7)	(10.9)	(10.3)	(10.0)	(9.8)	(9.7)	(9.8)	(9.9)	(10.1)	(10.2)	(10.4)	(10.5)	(10.7)	(84.8)
Lansing-Smith Battery Storage Project	(89.8)	(282.7)	(2.5)	(10.3)	(9.7)	(9.4)	(9.2)	(9.1)	(9.2)	(9.3)	(9.5)	(9.6)	(9.8)	(9.9)	(10.0)	(82.5)
2026 Hybrid Battery Storage (B)	(89.4)	(284.5)	(1.6)	(10.3)	(9.7)	(9.4)	(9.3)	(9.2)	(9.2)	(9.4)	(9.5)	(9.6)	(9.8)	(9.9)	(10.1)	(83.8)
2027 Hybrid Battery Storage (A)	(87.9)	(291.1)	-	(8.2)	(10.4)	(9.8)	(9.6)	(9.4)	(9.3)	(9.3)	(9.5)	(9.6)	(9.7)	(9.9)	(10.0)	(88.2)
2027 Hybrid Battery Storage (B)	(64.2)	(219.9)	-	(4.0)	(7.8)	(7.4)	(7.1)	(7.0)	(6.9)	(7.0)	(7.1)	(7.2)	(7.3)	(7.4)	(7.5)	(68.1)
ACES Battery Pilot	(9.4)	(33.4)	-	(0.3)	(1.2)	(1.1)	(1.1)	(1.1)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(10.6)
Total RevReq Impacts from ITC	(438.6)	(1,409.3)	(9.8)	(44.1)	(49.2)	(47.2)	(46.1)	(45.4)	(45.4)	(46.0)	(46.7)	(47.4)	(48.1)	(48.7)	(49.4)	(417.9)

Delta of Pass-Thru less Normalization (fav) unfav

	CPVRR	SUM														
2026 Battery Storage	(134.5)	54.9	(232.9)	9.0	9.2	9.3	9.5	9.6	9.8	9.9	10.1	10.2	10.4	10.5	10.7	84.8
Lansing-Smith Battery Storage Project	(129.4)	53.6	(222.6)	8.5	8.6	8.8	8.9	9.0	9.2	9.3	9.5	9.6	9.8	9.9	10.0	82.5
2026 Hybrid Battery Storage (B)	(130.8)	54.5	(224.5)	8.5	8.7	8.8	8.9	9.1	9.2	9.4	9.5	9.6	9.8	9.9	10.1	83.8
2027 Hybrid Battery Storage (A)	(115.2)	60.5	-	(218.4)	8.6	8.8	8.9	9.0	9.2	9.3	9.5	9.6	9.7	9.9	10.0	88.2
2027 Hybrid Battery Storage (B)	(88.3)	46.8	-	(166.1)	6.4	6.5	6.7	6.8	6.9	7.0	7.1	7.2	7.3	7.4	7.5	68.1
ACES Battery Pilot	(13.6)	7.3	-	(25.4)	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	10.6
Total Delta of Pass-Thru less Normalization (fav) unfav	(611.7)	277.5	(680.0)	(383.9)	42.5	43.2	43.9	44.6	45.3	46.0	46.7	47.4	48.1	48.7	49.4	417.9

ITC Pass-Thru

	CPVRR	SUM														
Pre-Tax Return on Capital	(20.7)	(25.1)	(3.5)	(7.6)	(6.7)	(4.0)	(2.2)	(0.9)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITC and Perm. Tax Differences, Pre-Tax	(1,029.6)	(1,106.7)	(686.4)	(420.4)	-	-	-	-	-	-	-	-	-	-	-	-
Total RevReq Impacts from ITC	(1,050.3)	(1,131.8)	(689.8)	(428.0)	(6.7)	(4.0)	(2.2)	(0.9)	(0.2)	0.0						

ITC Normalization

Pre-Tax Return on Capital	59.7	137.5	0.8	3.2	6.2	8.1	9.3	9.9	9.9	9.4	8.7	8.0	7.3	6.6	5.9	22.2
ITC and Perm. Tax Differences, Pre-Tax	(498.3)	(1,546.8)	(10.6)	(47.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(55.3)	(440.1)
Total RevReq Impacts from ITC	(438.6)	(1,409.3)	(9.8)	(44.1)	(49.2)	(47.2)	(46.1)	(45.4)	(45.4)	(46.0)	(46.7)	(47.4)	(48.1)	(48.7)	(49.4)	(417.9)

Delta of Pass-Thru less Normalization (fav) unfav

Pre-Tax Return on Capital	(80.4)	(162.6)	(4.3)	(10.9)	(12.9)	(12.2)	(11.5)	(10.8)	(10.1)	(9.4)	(8.7)	(8.0)	(7.3)	(6.6)	(5.9)	(22.2)
ITC and Perm. Tax Differences, Pre-Tax	(531.3)	440.1	(675.7)	(373.0)	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	440.1
Total Delta of Pass-Thru less Normalization (fav) unfav	(611.7)	277.5	(680.0)	(383.9)	42.5	43.2	43.9	44.6	45.3	46.0	46.7	47.4	48.1	48.7	49.4	417.9

(\$, Millions)

Line	Description	Ref	2022	2026	2027
1	RSAM - Beginning Balance	<a>		\$ 1,450	
2	RSAM - Beginning/Ending Average Balance			\$ 1,428	\$ 1,385
3	Weighted Average Cost of Capital (pre-tax)	<c>		9.68%	9.69%
4	Incremental Depreciation Expense	<d>		\$ 43	\$ 43
5	Annual Revenue Requirements - RSAM	L2 * L3 + L4		182	178
6	2021 Rate Case Revenue Requirements with RSAM	<e>	\$ 1,108	\$ 1,108	\$ 1,108
7	2021 Rate Case Revenue Requirements without RSAM	<f>	\$ 1,311	\$ 1,311	\$ 1,311
8	Revenue Requirements Increase / (Decrease) - RSAM Impact		\$ (203)	\$ (203)	\$ (203)
9	Annual Revenue Requirements - RSAM	L5		\$ 182	\$ 178
10	Revenue Requirements Increase / (Decrease) - RSAM Impact	L8	\$ (203)	\$ (203)	\$ (203)
11	Revenue Requirements Increase / (Decrease) - RSAM Impact	L9 + L10	\$ (203)	\$ (21)	\$ (25)
12	Annual Retail Billed Sales (GWh)	<g>		128,430	128,897
13	Monthly Residential Customer Usage (kWh)		1,250	1,250	1,250
14	Annual Customer Bill Net Impact	<h> <i>	\$ (25.68)	\$ (2.45)	\$ (2.91)

Notes:

- <a> RSAM amount approved per Order No. PSC-2021-0446-S-EI, Docket No. 20210015-EI issued December 2, 2021
- RSAM beginning/ending average undepreciated balance
- <c> Pre-tax weighted average cost of capital at 11.90% proposed ROE
- <d> RSAM recovery over the remaining average life of the assets
- <e> Docket No. 20210015-EI, MFR Schedule A-1 (with RSAM)
- <f> Docket No. 20210015-EI, MFR Schedule A-1 (without RSAM)
- <g> Exhibit TCC-4 to FPL witness Cohen's direct testimony, Page 9 of 11
- <h> For 2022: Docket No. 20210015, MFR A-2 (with RSAM) less MFR A-2 (with RSAM). Schedule RS-1, Base Rates under Proposed Rates
- <i> For 2026 and 2027: L11 / L12 * L13 * 12