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July 11, 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:

On July 9, 2025, Florida Power & Light Company ("FPL") filed the rebuttal testimony and exhibits of FPL witness Ina Laney in the above-referenced docket [DN 05539-2025]. The file uploaded on July 9, 2025 is missing line numbers on certain pages. The attached copy of Ms. Laney's testimony corrects the formatting errors. The testimony remains substantively the same in all respects. No changes were made to Ms. Laney's exhibits.

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

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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INTRODUCTION

Q. Please state your name and business address.

A. My name is Ina Laney. 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 IL-14 – CPVRR Flow-Through vs. Normalization
- Exhibit IL-15 – RSAM Customer Bill Impact

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 rebut the incorrect assertions from intervenor witnesses regarding: (1) the need for the 2027 Projected Test Year (Florida Rising, League of United Latin American Citizens, Environmental Confederate of Southwest Florida ("FEL") witness Rábago); (2) the reliability of the forecast FPL proposes to use to set rates for 2026 and 2027 (Office of Public Counsel ("OPC") witness Schultz); (3) the reasonableness of FPL's operations and maintenance expense ("O&M") and capital budgets (OPC witness Schultz); (4) the reasonableness of property tax millage rate forecast (OPC witness Schultz); (5) the proposed treatment of

Investment Tax Credits ("ITC") FEL witness Rábago,); (6) the characterization of FPL's equity return as a percentage of revenues (OPC witness Lawton), and the accounting for the proposed Tax Adjustment Mechanism ("TAM") (OPC witness Devlin and Florida Retail Federation ("FRF") witness Georgis).

Q. Please summarize your rebuttal testimony.

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

My testimony addresses concerns raised by OPC witness Schultz about FPL's projected maintenance costs. OPC witness Schultz's assessment does not challenge any specific maintenance costs or activities but recommends reductions in non-nuclear and nuclear generation maintenance. I highlight the flaws in OPC witness Schultz's approach and explain that his methodology is overly simplistic. In fact, based on historical averages, I argue that these expenses should be adjusted upward. Focusing on capital additions, I point out that the capital forecasting methodology used by FPL involves detailed planning and prudent investment and argue for the approval of FPL's forecasted capital additions as essential to accommodating growing customer demand, maintaining service reliability, and compliance with regulatory requirements. Despite assertions to the contrary, our capital forecasts are sound and necessary for maintaining service quality and adhering to regulatory mandates.

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

Addressing insurance expenses, specifically liability insurance, I refute proposed cuts by highlighting our prudent approach based on industry trends and expert assessments. In a volatile insurance market, particularly influenced by wildfire losses, our strategies include negotiating favorable terms and adjusting coverage to mitigate cost impacts while maintaining essential protection for both customers and the Company. On Directors and Officers ("D&O") liability insurance, I counter the notion that such insurance primarily benefits shareholders, stressing its role in sustaining qualified executive leadership, which directly translates to improved service quality for our customers. The Commission's historical lack of directives for FPL to remove D&O expenses further supports our position.

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

The analysis presented by OPC witness Lawton regarding equity returns misinterprets the impact on customer bills by focusing on percentage metrics. It is crucial to consider the comprehensive customer benefits delivered through efficient operations, leading to lower overall costs despite equity returns. Our approach consistently results in superior customer value, demonstrated by competitive bills and industry-leading reliability, affirming that our financial strategy is both valid and customer-centered.

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

I. PROJECTED TEST YEARS AND FINANCIAL FORECAST

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

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

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

A. As demonstrated in the Company's filing, FPL projects a $932 million revenue deficiency in 2027.[1] Without the 2027 Projected Test Year, even assuming the Company receives its full requested revenue increase in 2026, the Company projects its ROE in 2027 will fall more than 100 basis points, putting it below the bottom of the allowed range. The 2027 Projected Test Year allows the Company to avoid filing 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.

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

Q. Are the Company's forecasts for 2026 and 2027 reasonable and reliable for setting rates in this proceeding?

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

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

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

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

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

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

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

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

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

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

- below the test year benchmark using the established FPSC methodology for O&M benchmarking.
- Additionally, performing the same benchmark as in MFR C-37, but going back 15 years by using the 2011 actuals as the base year, the Company's filed 2026 Projected Test Year O&M is lower by approximately $881 million, and the Company's filed 2027 Projected Test Year O&M is lower by approximately $917 million compared to benchmark.

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

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

A. Yes. FPL is required to submit to the Commission earnings surveillance reports ("ESR") monthly. These reports set forth the level of FPL's earnings and other financial results. The Commission utilizes the ESRs to ensure that FPL is not earning above the allowed ROE range and has the authority to initiate an earnings investigation when appropriate. Through this robust process, the ESRs, effectively and efficiently, have served to protect customers and the Company during multi-year rate plans and "stay outs," and it will serve the same function during the 2027 Projected Test Year and remainder of the four-year rate plan being proposed in this proceeding.

II. O&M BUDGETS

A. MAINTENANCE EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's generation and transmission maintenance costs.

A. OPC witness Schultz recommends arbitrary reductions to FPL's forecasted maintenance costs across three categories: non-nuclear generation maintenance, nuclear generation maintenance, and transmission maintenance. His recommendation is based primarily on historical budget-to-actual variances from 2020 through 2024, where actual maintenance costs were lower than budgeted costs. OPC witness Schultz applies the five-year average variance percentages to reduce FPL's forecasted maintenance costs for each category. Based on this methodology, Mr. Schultz recommends combined reductions to nuclear and non-nuclear generation maintenance expense of $10.927 million[2] on a jurisdictional basis in 2026 and $9.902 million[3] on a 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.

$10.566 million[4] on a jurisdictional basis in 2026 and $13.379 million[5] on a jurisdictional basis in 2027.

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

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

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

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

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

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[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.

Q. How do you respond to OPC witness Schultz's proposed adjustments to generation maintenance costs?

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

Q. Why is OPC witness Schultz's mechanical application of historical percentages problematic?

A. OPC witness Schultz's approach assumes that future maintenance requirements will mirror past patterns, which is not a valid assumption for several reasons. FPL's generation fleet continues to evolve, with new units being added and older units retired or modernized. These changes affect maintenance requirements. Maintenance needs 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.

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

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

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

[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.

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

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

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%

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

A. 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.

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[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.

Q. What is your conclusion regarding OPC witness Schultz's proposed adjustments to generation maintenance costs?

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

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

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

B. PROPERTY AND LIABILITY INSURANCE EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's projected insurance expenses.

A. OPC witness Schultz challenges FPL's projected insurance expenses for 2026 and 2027 and recommends reductions of $13.642 million[11] in 2026 and $14.400 million[12] in 2027 on a jurisdictional basis. Specifically, he takes issue with the forecasted amounts for property insurance refunds which show a reduction from 2024 and the forecasted amounts for liability insurance which show an increase from 2024. OPC witness Schultz states that FPL has not provided evidence that would support these increases in insurance costs.

Q. What is the basis for OPC witness Schultz's recommended adjustments to FPL's property insurance expenses?

A. For property insurance, OPC witness Schultz recommends a reduction of $3.702 million[13] 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.

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[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.

Q. How do you respond to OPC witness Schultz's concerns about the nuclear distribution refund projections?

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

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[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.

Q. What is the basis for OPC witness Schultz's recommended adjustments to FPL's liability insurance expense?

A. For liability insurance, OPC witness Schultz recommends a reduction of $10.475 million in 2026 and $11.156 million in 2027.[16] OPC witness Schultz disagrees with FPL's forecasted liability insurance premiums and instead applies a three-year average increase of 21.66% for 2025, followed by the same percentage increases FPL applied for subsequent years (6.2% for 2026 and 6.5% for 2027).

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

A. The 82.8% increase in liability insurance expense, which includes general liability, wildfire liability, and cyber liability, is primarily driven by wildfire liability insurance. Excluding wildfire liability insurance, all other premiums increased by 19.0% from 2024, which is lower than the historical three-year average increase of 21.66% referenced by OPC witness Schultz. The increases in the wildfire liability premium are 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)	**$16.1**[17],	**$29.5**[18],	**$13.4**	**82.8%**

(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.

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

Q. Please explain the market's response to the significant wildfire losses and the impact on FPL's liability insurance expense.

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

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

Just as with property insurance, OPC witness Schultz's approach of applying a three-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.

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

Q. Are these insurance cost increases unique to FPL?

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

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

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

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

A. Specific to minimizing cost increases for wildfire coverage, the Company obtained a standalone wildfire policy, dropping this coverage from its general excess liability. Opting for a standalone policy provides mitigation from higher insurance rates and future increases. Insurance premiums tend to compound annually and seldom decrease unless a soft market with surplus capacity creates competition. A stand-alone policy provides the Company flexibility by de-linking wildfire coverage from its general excess liability coverage, allowing the Company to shop for better rates or adjust coverage in the future. Without these efforts, the projected costs would be higher.

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

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

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

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

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

C. DIRECTORS AND OFFICERS LIABILITY INSURANCE EXPENSE

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

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

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

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

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

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

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

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

D. INJURIES AND DAMAGES EXPENSE

Q. Please summarize OPC witness Schultz's claims on injuries and damages expense.

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

Lastly, he recommends an annual injuries and damages claims expense of $2.521 million[20] based on historical averages.

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

A. FPL witness Fuentes addresses OPC witness Schultz's claims regarding the recovery of prior period deferred expenses and the appropriate amount for the annual reserve accrual. I will address Mr. Schultz's recommendation related to the annual claims expense of $2.521 million, which is approximately $0.719 million lower compared to the $3.240 million[21] projected amount. The application of a historical average does not consider $0.860 million in one-time reimbursements (reduction to expense) received in the historical 2024 period. These one-time reimbursements relate to 2017 and 2018 claims and should be adjusted out for trend analysis as non-recurring items.

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

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[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.

III. CAPITAL BUDGETS

Q. Please summarize OPC witness Schultz's testimony regarding FPL's capital additions.

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

Q. How does OPC witness Schultz's testimony relate to that of OPC witness Dauphinais?

A. As OPC witness Schultz explains on page 31 of his testimony, he is incorporating OPC witness Dauphinais's recommendations regarding specific plant additions. OPC witness Dauphinais recommends excluding all solar plant additions for 2026 and 2027 from the rate base, claiming they are not needed. According to Mr. Schultz, this results in a reduction to plant in service of approximately $1.126 billion on a jurisdictional basis in 2026 and approximately $2.302 billion on a jurisdictional basis in 2027.[22]

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

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[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.

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

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

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

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

Specifically, OPC witness Schultz claims that there is an "inconsistency" between the changes in capital expenditures, construction work in progress ("CWIP"), and plant additions which suggests the budgeting and planning "are poorly coordinated."[23] He then proceeds to perform various analyses of plant additions,[24] capital expenditures,[25] and CWIP[26] based on historical trends and averages. This type of analysis may be appropriate when analyzing recurring capital spend (e.g., maintenance, additions of new service accounts, etc.), but it is not appropriate when reviewing FPL's *total* capital

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[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.

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

Q. Please explain why one should consider the composition of FPL's capital projects when reviewing capital additions.

A. FPL's capital initiatives include a significant number of major projects, which represent over 65% of the outstanding ending CWIP balance in 2026 and in 2027.[27] "Major" projects are projects with a well-defined start and end date (e.g., solar, energy storage, 500 kV transmission project, etc.). In contrast, "minor" projects encompass recurring projects of a similar nature that are not forecasted on an individual basis (e.g., maintenance, addition of new customer service accounts, etc.). Minor projects do not have a discrete in-service date and are therefore projected to close to plant-in-service based on historical pattern of plant additions.

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

[27] MFR Schedule B-13.

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

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

Q. In summary, what is your assessment of OPC witness Schultz's recommendations regarding capital additions?

A. OPC witness Schultz's claims about FPL's capital additions are unfounded and his recommendations should be rejected. The proposed reductions are arbitrary and fail to consider the specific circumstances that drive FPL's capital investment program. Reducing capital expenditures as proposed would impair FPL's ability to maintain reliable service and meet growing customer demand, potentially leading to higher costs in the long run. His approach overlooks the detailed planning process behind FPL's capital forecast and fails to recognize the legitimate need for infrastructure investment to support customer growth, maintain reliability, and meet regulatory requirements, as was explained by FPL's operational witnesses. FPL's capital forecasting methodology is sound, and the capital additions included in the 2026 and 2027 revenue requirements represent necessary investments to serve customers reliably and cost-effectively. The Commission should approve FPL's forecasted capital additions as filed.

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

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

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

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

IV. PROPERTY TAX EXPENSE

Q. Please summarize OPC witness Schultz's testimony regarding FPL's projected property tax expenses.

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

Q. What is the basis of OPC witness Schultz's adjustment to the effective property tax rate?

A. 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]

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[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.

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

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

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

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

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

A. OPC witness Schultz selectively references a single project planning document for the proposed Milton Center[33] to suggest that FPL could broadly seek tax abatements across its service territory. This selective example does not support a system-wide reduction in effective tax rates. Tax abatements are project-specific and location-specific. They are not universal policies that can be applied to the entirety of FPL's property tax liability. While FPL diligently pursues appropriate tax optimization strategies, including seeking abatements where available, there is no basis to assume these opportunities would result in a system-wide reduction in the effective tax rate below the 2024 level used in our forecast.

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

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

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[33] OPC witness Schultz Direct Testimony, Page 93, Lines 9-12.
[34] Section 197.162 (3), Fla. Stat. – Discount for Early Payment.

Q. Please address OPC witness Schultz's second adjustment related to plant adjustments.

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

Q. What do you conclude regarding OPC witness Schultz's property tax adjustments?

The Commission should reject OPC witness Schultz's property tax adjustments for the reasons I have outlined. FPL's property tax forecasts represent a reasonable projection of the Company's future property tax obligations and should be approved as filed. His second adjustment based on plant disallowances recommended by OPC witness Dauphinais also adjustments should be rejected along with the underlying plant 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.

V. INVESTMENT TAX CREDIT TREATMENT

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

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

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

A. 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.

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

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

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

[36] 26 U.S.C. § 38(c)(1)

VI. EQUITY RETURNS

Q. Please summarize OPC witness Lawton's testimony regarding FPL's equity return as a percentage of revenue.

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

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

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

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

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

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

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

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

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

The equity return, which OPC witness Lawton calls "shareholder profit," represents the return on investments. These investments provide benefits to customers over the life of the assets. A large portion of this return is re-invested by the shareholders in utility assets, further enhancing customer benefits. The "All Other" expenses are just that – expenses (e.g., non-fuel operation and maintenance expense, taxes other than income taxes, etc.). Of course, there is a certain level of expense that is necessary to maintain and operate the utility system. In general, however, *the lower* the "All Other" component, *the better*. It means that the utility is more efficient. Conversely, higher "All Other" indicates more 'inefficient' use of customer revenue, precisely what Mr. Lawton argues against. Lower expenses translate directly into lower bills for customers over time. Focusing solely on the percentage of revenues allocated to shareholder returns, as OPC witness Lawton does, provides an incomplete and misleading picture.

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

VII. TAX ADJUSTMENT MECHANISM

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

A. 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.

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

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

As a general matter, customer bases are not static – there is always movement of customers into and out of our service territory. Any ratemaking mechanism will have some degree of intergenerational effect. Regarding the TAM specifically, both today's and tomorrow's customers will benefit from it. The benefit to today's customers is obvious and implicitly acknowledged by the intervenors. The TAM is designed to avoid additional rate increases in 2028 and 2029, thereby providing customers lower rates in those years compared to not having the TAM. More predictability over the four-year period of FPL's proposed rate plan is also a benefit. The TAM's benefits also extend beyond 2029. It will allow FPL to continue to make prudent long-term investments by offsetting revenue requirements. Therefore, by definition, customers in future years will benefit from the capacity, reliability or savings generated by those investments.

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

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

A. 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.

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

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

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

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

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

A. 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.

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

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

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

A. FPL disagrees with the use of this account. The balance in FERC Account 282-Accumulated Deferred Income Taxes-Other Property ("FERC account 282") represents the tax obligation to be paid to taxing authorities in the future. Specifically, Accounting Standard Codification (ASC) 740 – Income Taxes, paragraph 740-10-25-2, requires recording of deferred tax liabilities for the "estimated future tax effects attributable to temporary differences and carryforwards." Said differently, the balance in FERC account 282 must *always* represent the timing differences at enacted tax rates. If Mr. Devlin's approach were adopted, FERC account 282 would no longer represent FPL's future tax obligation.

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

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

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

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

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[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.

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

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

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

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

[40] Errata filing dated April 29, 2025.

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

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

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

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

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

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

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

Most importantly, OPC witness Devlin ignores the fact that absent the RSAM, FPL would have had to seek base rate increases effective January 1, 2024, and January 1, 2025, which would have resulted in an approximately $1.2 billion increase in customer rates and base revenues in 2024 and 2025.[43] Additionally, OPC witness Devlin's calculation does not account for other benefits of a four-year rate plan described in detail by FPL witness Bores, including the ability to focus on identifying incremental customer value through O&M efficiencies. As discussed earlier in my testimony, since 2022, FPL identified more than $500 million of annual run rate savings, which 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).

Q. FRF witness Georgis suggests that, since the accumulated DTLs "represents historic over-recoveries from utility customers," the FPL shareholders would benefit "twice'" from the amortizing the DTLs through the TAM. Is this accurate?

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

Q. Does this conclude your rebuttal testimony?

A. Yes.

ITC Pass-Thru vs. Normalization
$ Millions

				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**
Discount Factor	8.68%			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	
		PV	**SUM**														
ITC Generated	COD																
2026 Battery Storage	7/1/2026	194.7	203.0	203.0	-												
Lansing-Smith Battery Storage Project	10/1/2026	183.7	191.5	191.5	-												
2026 Hybrid Battery Storage (B)	11/1/2026	184.5	192.3	192.3	-												
2027 Hybrid Battery Storage (A)	4/1/2027	170.2	192.8	-	192.8												
2027 Hybrid Battery Storage (B)	7/1/2027	127.8	144.7	-	144.7												
ACES Battery Pilot	10/1/2027	19.3	21.9	-	21.9												
Total ITC Generated		**880.2**	**946.1**	**586.8**	**359.4**	**-**	**-**	**-**									

RevReq Impacts from ITC (fav) unfav

ITC Pass-Thru

				2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039-2050
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)	(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	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	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	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	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**	**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)	(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	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	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	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	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**	**0.0**

ITC Pass-Thru vs. Normalization			1	2	3	4	5	6	7	8	9	10	11	12	13	
$ Millions			**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039-2050**
Discount Factor	8.68%		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	1.5	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	0.2	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)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(55.3)**	**(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**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**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	<b>		$ 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
<b> 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