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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by Florida Power & Light Company	Docket No. 20250011-EI Filed November 10, 2025

POST-HEARING SETTLEMENT BRIEF OF FLORIDA POWER & LIGHT COMPANY

John T. Burnett,
Vice President and General Counsel
Florida Bar No. 173304
john.t.burnett@fpl.com
Maria Jose Moncada,
Assistant General Counsel
Florida Bar No. 0773301
maria.moncada@fpl.com
Christopher T. Wright,
Managing Attorney
Fla. Auth. House Counsel No. 1007055
chrisopher.wright@fpl.com
William P. Cox,
Senior Counsel
Fla. Bar No. 0093531
will.p.cox@fpl.com
Joel T. Baker, Senior Attorney
Fla. Bar No. 0108202
joel.baker@fpl.com
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Phone: 561-304-5253

Attorneys for Florida Power & Light Company

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I. INTRODUCTION AND SUMMARY

Florida Power & Light Company ("FPL" or the "Company") hereby files with the Florida Public Service Commission ("Commission") its Post-Hearing Settlement Brief in the above-referenced docket pursuant to Rules 28-106.215 and 28-106.307, Florida Administrative Code, and Commission Order Nos. PSC-2025-0075-PCO-EI, PSC-2025-0304-PCO-EI, PSC-2025-0323-PCO-EI, and PSC-2025-0345-PCO-EI. Pending before the Commission is a Joint Motion for approval of a 2025 Stipulation and Settlement Agreement (the "Proposed Settlement Agreement") filed on August 20, 2025, by FPL, Florida Industrial Power Users Group, Florida Retail Federation, Florida Energy for Innovation Association, Inc., Walmart Inc., EVgo Services, LLC, Electrify America, LLC, Federal Executive Agencies, Armstrong World Industries, Inc., Southern Alliance for Clean Energy, and Americans for Affordable Clean Energy, Inc., Circle K Stores, Inc., RaceTrac Inc., and Wawa, Inc. (hereinafter, collectively referred to as the "Signatory Parties")[1] that, if approved, results in a full and complete resolution of all matters pending in Docket No. 20250011-EI in accordance with Section 120.57(4), Florida Statutes. For the reasons explained herein, the Proposed Settlement Agreement results in fair, just, and reasonable rates and,

[1] Where referred to individually in this brief, FPL will abbreviate the names of the Signatory Parties as follows: Florida Industrial Power Users Group ("FIPUG"); Florida Retail Federation ("FRF"); Florida Energy for Innovation Association, Inc. ("FEIA"); Walmart Inc. ("Walmart"); EVgo Services, LLC ("EVgo"); Electrify America, LLC ("Electrify America"); Federal Executive Agencies ("FEA"); Armstrong World Industries, Inc. ("Armstrong"); Southern Alliance for Clean Energy ("SACE"); and Americans for Affordable Clean Energy, Inc., Circle K Stores, Inc., RaceTrac Inc., and Wawa, Inc. (together, "Fuel Retailers").

when taken as a whole, is in the public interest and should be approved.

The Company's last base rate case resulted in a Commission-approved settlement that became effective on January 1, 2022 (the "2021 Settlement Agreement").[2] Since 2021, FPL has added approximately 275,000 new customer accounts and continued to make prudent investments for the benefit of all six million customer accounts, or approximately twelve million Floridians, in forty-three counties. Through the four-year 2021 Settlement Agreement term, FPL continued to provide reliable electricity to customers while keeping bills as low as possible. FPL has delivered this exceptional value to its customers every day, adapting to and overcoming unique challenges since the 2021 Settlement Agreement was approved, including a global pandemic, a turbulent economy, increased interest rates, volatile fuel markets, high inflation, supply chain shortages, and severe and destructive storms.

FPL forecasts that it will add approximately 330,000 new customer accounts from 2025 through 2029. While this growth will ultimately have a positive impact by spreading existing fixed costs over a larger customer base, it also means that FPL must invest significant capital to meet the needs of these additional customers. As a result of the investment in the initiatives needed to support system growth, maintain reliability, and ensure regulatory compliance, as well as high interest rates and high levels of inflation and other factors, FPL forecasts that it will earn below its currently authorized return on equity ("ROE") range without base rate relief.

FPL elected to propose a four-year rate plan to avoid multiple back-to-back general base rate proceedings and resulting increases and associated rate case expenses, to provide its customers with rate stability and rate certainty over the four-year term, and to unlock tremendous customer benefits and savings that would not be available under a single or even a two-year rate plan. To

[2] *See* Order No. PSC-2021-0446-S-EI, *amended by* Order PSC-2021-0446A-S-EI, *supplemented by* PSC-2024-0078-FOF-EI, *aff'd*, *Fla. Rising, Inc. v. Fla. Pub. Serv. Comm'n*, 415 So. 3d 135 (Fla. 2025).

that end, FPL petitioned the Commission on February 28, 2025, for approval of a four-year rate plan to run from January 1, 2026 through December 31, 2029, consisting of: (i) an increase in rates and charges sufficient to generate additional total annual revenues of $1,545 million to be effective January 1, 2026; (ii) an increase in rates and charges sufficient to generate additional total annual revenues of $927 million to be effective January 1, 2027; (iii) a midpoint ROE of 11.9% and capital structure with a 59.6% equity ratio; (iv) a Solar and Battery Base Rate Adjustment ("SoBRA") mechanism that authorizes FPL to recover costs associated with the installation and operation of solar generation and battery storage facilities in 2028 and 2029 upon a demonstration of a resource or economic need; (v) a non-cash mechanism that accelerates the flowback of certain deferred tax liabilities (or "DTL") to customers, which will operate in a similar manner to the non-cash mechanisms that were integral to FPL's prior multi-year rate settlements; (vi) a storm cost recovery mechanism ("SCRM") modeled after terms previously approved in FPL rate settlements, updated to reflect more recent storm experience; (vii) a mechanism to address potential changes to tax laws or regulations functionally similar to the one approved in FPL's 2021 Settlement Agreement; and (viii) changes to its various electric vehicle ("EV")-related pilots and tariffs, along with modifications to its contribution in aid of construction ("CIAC") tariff and new Large Load Contract Service ("LLCS") Tariffs.

The parties submitted multiple rounds of testimony and FPL responded to a total of 4,093 discovery requests, including subparts and discovery requests with multiple embedded questions, as well as depositions of each FPL witness, with most being deposed multiple times. As a result of these extensive efforts and the volume of data provided by FPL to all parties, the Signatory Parties, representing a broad range of interests and customers, successfully concluded negotiations toward and ultimately reached a full resolution of all issues under FPL's proposed four-year rate

plan.

On August 20, 2025, the Signatory Parties filed the Proposed Settlement Agreement. The Proposed Settlement Agreement provides for a four-year rate plan that will run from January 1, 2026 through December 31, 2029, consisting of: (i) an increase in rates and charges sufficient to generate additional total annual revenues of $945 million (a reduction of approximately 39% compared to the as-filed case) to be effective January 1, 2026; (ii) an increase in rates and charges sufficient to generate additional total annual revenues of $705 million (a reduction of approximately 24% compared to the as-filed case) to be effective January 1, 2027; (iii) a lower ROE of 10.95% (a reduction of nearly 100 basis points) and capital structure with a 59.6% equity ratio; (iv) a SoBRA mechanism that authorizes FPL to recover costs associated with the installation and operation of solar generation facilities in 2027 and solar generation and battery storage facilities in 2028 and 2029 upon a demonstration of a resource or economic need; (v) a non-cash accounting Rate Stabilization Mechanism ("RSM") to respond to changes in the Company's underlying revenues and expenses over the four-year term and to avoid additional general base rate increases in a similar manner to the non-cash mechanisms that were integral to FPL's prior multi-year rate settlements, which mechanism consists of (a) flowback of certain DTLs, (b) investment tax credits ("ITCs") from its 2025 battery storage project, and (c) the remaining balance in FPL's previously approved Reserve Surplus Amortization Mechanism ("RSAM") as of January 1, 2026 ("RSAM Carryover Amount"); (vi) a SCRM modeled after previous FPL rate settlements, updated to reflect more recent storm experience; (vii) a mechanism to address potential changes to tax laws or regulations also modeled on a previously approved settlement; (viii) changes to its various tariffs, including EV-related pilots and tariffs, a modified CIAC tariff, and new LLCS Tariffs; (ix) $15 million of additional funding to provide payment assistance to customers that

satisfy the United Way's "Asset Limited Income Constrained, Employed" ("ALICE") criteria; and (x) various other commitments that were critical parts of the multi-faceted agreement. The Proposed Settlement Agreement reflects a carefully balanced compromise of many differing and competing positions by parties representing a broad range of interests and customers, which taken together result in rates that are fair, just, and reasonable for all customers.

If approved, the Proposed Settlement Agreement would provide for reasonable base rate increases in consideration of FPL's overall request. Residential and business customers will see lower increases in their bills than they would have experienced under the original proposed increase and FPL will fund assistance payments for customers in need. The Proposed Settlement Agreement will allow FPL to maintain the financial strength necessary to make the prudent investments needed to continue to provide both existing and new customers with safe and reliable power over the four-year minimum term of the Proposed Settlement Agreement. Taken as a whole, the Proposed Settlement Agreement will provide FPL customers with stability and predictability with respect to their electricity rates for a minimum of four years and will allow FPL to continue its focus on improving service, as well as creating additional efficiencies in operations and maintaining strong customer value, all while keeping bills low.

The non-signatory parties ("NSPs"),[3] which declined to join the Proposed Settlement Agreement and chose to forego all the important customer benefits it offers, spent a significant amount of time during the settlement phase of this proceeding raising questions about who participated in the settlement, who did not, what percentage of our customers take service on various rates, and other distractions. However, the ultimate facts are undeniable.

[3] "NSPs" collectively refers to the Office of Public Counsel ("OPC"), Florida Rising, Inc., LULAC Florida, Inc., Environmental Confederation of Southwest Florida, Inc. (collectively "FEL"), and Floridians Against Increased Rates, Inc. ("FAIR").

Through the Proposed Settlement Agreement, FPL has agreed to reduce the revenue increase proposed in its initial petition by approximately 30%. In peninsular Florida, the average annual increase in residential customer bills through 2029 would be about 2%, which is remarkable given the rate of inflation experienced today. Even more remarkable, residential bills for residential customers in FPL's northwest Florida ("NWFL") service area (the former Gulf Power Company service area) would remain relatively flat in 2026 and 2027 and would increase by less than 1% through 2029. Importantly, FPL's bills will remain well below the national average through 2029 under the Proposed Settlement Agreement. Further, by design, residential customers will receive the lowest increase under the Proposed Settlement Agreement compared to every other customer rate class. Even with the rate increase under the Proposed Settlement Agreement, FPL residential customers will be paying lower bills in 2026 than they were 20 years prior, when adjusted for inflation. Very few, if any, providers of goods and services can say this.

The NSPs criticize the impacts to the small commercial customers in the General Service ("GS") rate class, without acknowledging that these commercial customers will receive the second lowest cumulative rate increase over the term compared to the other commercial and industrial ("CI") rate classes. Compared to the average monthly bill that these GS customers see today, the average annual increase resulting from the Proposed Settlement Agreement is anticipated to be 2.32% through the end of the decade. This is a remarkable set of facts given the current economic environment today.

The Commission should feel confident that these facts alone demonstrate that the Proposed Settlement Agreement is in the public interest. In addition to these important customer benefits, the Proposed Settlement Agreement also provides for an RSM that is substantially similar to mechanisms that this Commission has previously approved, which have provided significant value

to customers as demonstrated by the record in this case. With the RSM, FPL will be able to continue to maintain low bills and high reliability for customers for the full four-year term, avoiding the need for additional rate cases. Simply put, FPL works every single day to provide its customers with the best combination of high reliability, resiliency, and low bills of any electric utility in the country, and we aim to continue this exceptional level of service. The Proposed Settlement Agreement will allow FPL to continue its long-established track record of providing service that is in the best interests of all customers and will allow the Company to do what it does best for customers over the next four years.

For these reasons, as more fully explained herein, the Proposed Settlement Agreement results in fair, just, and reasonable rates and, when taken as a whole, is in the public interest and should be approved.

II. STANDARD OF REVIEW

Section 366.06(1), Florida Statutes, provides in relevant part that the Commission "shall have the authority to determine and fix fair, just, and reasonable rates that may be requested, demanded, charged, or collected by any public utility for its service." If the Commission finds that a utility's rates are insufficient to yield reasonable compensation for the services rendered, the Commission is obligated to determine just and reasonable rates for such service. Section 366.06(2), Fla. Stat.

In fixing rates, the Commission "shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures." Section 366.06(2), Fla. Stat. "In fixing the just, reasonable, and compensatory rates, [and] charges…, the [C]ommission is authorized to give consideration,

among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; [and] the ability of the utility to improve such service and facilities; and energy conservation and the efficient use of alternative energy resources; provided that no public utility shall be denied a reasonable rate of return upon its rate base in any order entered pursuant to such proceedings." Section 366.041(1), Fla. Stat.

Pending before the Commission is the non-unanimous Proposed Settlement Agreement submitted by the Signatory Parties to resolve all issues in FPL's proposed base rate increase. The Florida Supreme Court has confirmed that a rate case may be resolved by non-unanimous settlement agreement upon a finding by the Commission that the settlement agreement, when taken as a whole, is in the public interest. *Citizens v. Fla. Pub. Serv. Comm'n*, 146 So. 3d 1143, 1153-54 and 1164-65 (Fla. 2014) (hereinafter "*Citizens I*").[4] In *Floridians Against Increased Rates, Inc. v. Clark*, 371 So. 3d 905 (Fla. 2023) (hereinafter "*FAIR*"), the Court explained that the Commission does two things when it reviews a settlement agreement: first, the Commission makes factual findings based on the evidence presented by the parties; and second, the Commission decides whether the settlement agreement, in light of its findings of fact, is in the public interest and results in rates that are fair, just, and reasonable. *Id.* at 901.

The Court affirmed that "while the Commission need not 'resolve every issue independently' in its final order when it is reviewing a settlement agreement, it must nonetheless 'discuss[] the major elements of the settlement agreement and explain[] why it [is] in the public

[4] In *Citizens I*, FPL entered into a settlement with several intervening parties that opposed FPL's as filed rate case. OPC objected to the settlement and claimed that it could not be approved without OPC's signature and approval. *Id.* at 1149. The Court rejected OPC's argument finding it was without merit because the "Commission independently determines rates of public utilities subject to the conditions set forth in chapter 366; the Commission's authority to fix fair, just, and reasonable rates pursuant to section 366.06(1), Florida Statutes, is not conditioned on the OPC's approval or absence of the OPC's objections." *Id.* at 1150.

interest.'" *Id.* at 912 (citing *Sierra Club v. Brown*, 243 So. 3d 903, 914 (Fla. 2018); *Citizens I*, 146 So. 3d at 1153)) (emphasis added). "That includes considering the competing arguments made by the parties below in light of the factors relevant to the Commission's decision, and supplying, given these arguments and factors, an explanation of how the evidence presented led to its decision." *Id.* (emphasis added); *see also Fla. Rising, Inc. v. Fla. Pub. Serv. Comm'n*, 415 So. 3d 135, 140 (Fla. 2025) (noting the Commission must "articulate[] a reasoned explanation for its decision, one that includes a rational connection between the facts found and the choice made").

The Court in *FAIR* also explained factors that the Commission must consider in fixing fair, just, and reasonable rates:

> The Legislature has provided that the Commission, in "fixing fair, just, and reasonable rates for each customer class, . . . shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures." § 366.06(1). The Commission "shall also consider the performance of each utility pursuant to [the Florida Energy Efficiency and Conservation Act] when establishing rates for those utilities over which the commission has ratesetting authority." § 366.82(10), Fla. Stat. (2021). A reasonably explained decision from the Commission must reflect that those factors have been considered to the extent practicable.

Id. at 912. 43. The Court further identified discretionary factors that the Commission can consider:

> Other factors are discretionary: the Commission can consider "the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; the ability of the utility to improve such service and facilities; and energy conservation and the efficient use of alternative energy resources." § 366.041(1), Fla. Stat. (2021). And the Legislature has made clear that "it is in the public interest to promote the development of renewable energy resources in this state." § 366.91(1), Fla. Stat. (2021). Evidence that these factors have been considered—where they are germane to determining whether the settlement agreement is in the public interest and results in rates that are fair, just, and reasonable—

> permits meaningful judicial review of the Commission's conclusions.
>
> The Commission can also consider non-statutory factors if it explains why they are relevant and how they relate to the Commission's "historical and statutory role." Sierra Club, 243 So. 3d at 911.

Id. at 912-13 (citing *Sierra Club v. Brown*, 243 So. 3d 903, 911 (Fla. 2018)).

Consistent with this standard of review, FPL herein explains why the Proposed Settlement Agreement results in fair, just, and reasonable rates and, when taken as a whole, is in the public interest and should be approved.

III. THE PROPOSED SETTLEMENT IS IN THE PUBLIC INTEREST

A. Overview of Proposed Settlement Agreement

The major elements of the Proposed Settlement Agreement[5] include:

a. An effective date of January 1, 2026 and a term that continues until the later of December 31, 2029 or the effective date of new base rates when FPL's base rates are next reset in a general base rate proceeding (the "Term"), with the minimum term of the Agreement being four years through December 31, 2029 (the "Minimum Term"). Except as expressly provided in the Proposed Settlement Agreement, FPL could not seek another base rate increase during the term of the Agreement.

b. Base rate adjustments as follows:

   i. A $945 million increase, effective January 1, 2026. This is a substantial reduction from FPL's as-filed request.

   ii. A $705 million increase, effective January 1, 2027, another substantial reduction from FPL's as-filed request.

[5] The Proposed Settlement Agreement was entered into the record as Exhibit ("Ex.") No. 1283 on the Comprehensive Exhibit List ("CEL"). Note that CEL Ex. 1283 and CEL Ex. 1277 (along with its associated Exhibits 1278-1282) are duplicative exhibits in the CEL and separately provide the Proposed Settlement Agreement. For ease of reference and clarity, FPL will cite only to CEL Ex. 1283 (FPL Ex. SRB-10) in this brief. Any reference to the Proposed Settlement Agreement shall apply equally to each of these duplicative exhibits.

iii. FPL may build solar generation projects in 2027, 2028, and 2029 and battery storage projects in 2028 and 2029 and recover their costs through a SoBRA[6] by demonstrating either an economic need or a resource/reliability need.[7] FPL would demonstrate the need(s) at the time it makes its final true-up filing in the Fuel and Purchased Power Cost Recovery Clause Docket the year prior to the project's expected in-service date.

c. FPL's authorized regulatory ROE would be 10.95% for all purposes, with an authorized ROE range of 9.95% to 11.95%. FPL's authorized regulatory capital structure would include a 59.6% equity ratio based on investor sources.[8]

d. FPL would be permitted to implement a non-cash accounting RSM to respond to changes in its underlying revenues and expenses, to avoid additional general base rate increases, and to maintain its ROE within the authorized range during the four-year rate period. Consistent with how the predecessor RSAM was used, FPL would be permitted to use the RSM flexibly at its discretion from 2026 through 2029. The RSM would be funded from the following sources:

i. $1.155 billion of unprotected DTL related to tax repairs and mixed service costs, for which FPL would be authorized to establish a regulatory asset and offsetting regulatory liability;

ii. The RSAM Carryover Amount remaining as of January 1, 2026; and

iii. The ITCs associated with FPL's 522-megawatt ("MW") battery storage project that will enter service during 2025, for which FPL would be authorized to recognize a regulatory liability for the full amount of the ITCs.

The final amounts of the RSAM Carryover Amount and the 2025 ITC, together with the unprotected DTL will comprise the RSM Amount.

e. During the Term, FPL would recognize in base rates the customers' share of the gains generated through the Commission-approved Asset Optimization Program in the month in which they are generated, and 100% of any annual gains in excess of $150 million would go to customers and be recognized in the Fuel Cost Recovery Clause.

f. FPL would be authorized to sell excess ITCs and Production Tax Credits ("PTCs") to third parties at a discount to mitigate the tax credit carryforward for 2026 and

[6] For the purposes of cost recovery under the SoBRA, FPL may undertake construction of solar projects totaling up to (*i.e.*, capped at) 1,192 MW in 2027, 1,490 MW in 2028, and 1,788 MW in 2029, and battery storage projects totaling up to 600 MW in 2028 and 600 MW in 2029. (Tr. vol. 23, pp. 5177-78.)

[7] To demonstrate an economic need for solar projects, FPL must show that they are Cumulative Present Value Revenue Requirement ("CPVRR") beneficial within 10 years and have a cost benefit ratio of 1.15 to 1.0 compared to the projected system CPVRR without the solar projects. FPL must also demonstrate that the cost of the components, engineering, and construction are reasonable.

[8] As explained in paragraph 31 of the Proposed Settlement Agreement, the Parties acknowledge that Walmart takes no position as to the ROE.

2027. Selling the excess credits provides a net benefit to customers on a cumulative basis over 2026 and 2027 by mitigating FPL's deferred tax asset balance.

g. Continuation of FPL's SCRM would be approved. Similar to the current mechanism for the recovery of storm restoration costs, FPL's recovery of storm costs would begin, on an interim basis, 60 days following the filing of a cost recovery petition and tariff with the Commission and would be based on a 12-month recovery period at an initial amount of up to $5 per month surcharge on a typical residential 1,000 kWh bill. Additional costs would be eligible for recovery pursuant to Commission order as set forth in the Proposed Settlement Agreement, including the replenishment of FPL's storm reserve up to $300 million.

h. Under the Proposed Settlement Agreement, if any new permanent change in federal or state tax law or tax regulations become effective during the four-year term 2026 through 2029, FPL will submit within 60 days of the effective date of the change in law a petition to open a separate docket for the purpose and limited scope of addressing the base revenue requirement impact of the new tax law. This submission would include the calculations reflecting the impact on base revenue requirements and request an expedited procedural schedule to allow intervenors time to review and, if necessary, respond to FPL's filing. FPL would be authorized to adjust base rates upon confirmation by the Commission that FPL appropriately calculated the impacts associated with the tax changes.

i. The level of utility-controlled demand credits for customers receiving service pursuant to FPL's Commercial/Industrial Load Control ("CILC") tariff and the Commercial/Industrial Demand Reduction ("CDR") rider would each be $9.75/kW in 2026, which FPL could recover through the Energy Conservation Cost Recovery Clause. In each remaining year of the Term of the Settlement Agreement, CILC and CDR credits would be increased and become effective with each SoBRA. The CILC and CDR credits, apart from the SoBRAs, would not be changed earlier than FPL's next general base rate proceeding.

j. FPL's LLCS Tariffs (the LLCS-1, LLCS-2, and LLCS Service Agreement) would be approved subject to modifications identified in the Proposed Settlement Agreement including the following:

    i. The LLCS Tariffs would apply to any customer with new or incremental load of 50 MW or more and a load factor of 85% or higher;

    ii. The minimum take-or-pay demand charge for the LLCS Tariffs would be 70%; and

    iii. An LLCS customer would be entitled, upon request, to one 3-month extension beyond the 6-month period allotted to execute a Construction and Operating Agreement.

k. FPL's proposed CIAC tariff modification would apply to all new non-governmental applicants that require new or upgraded facilities with a total estimated cost of $50 million or more at the point of delivery.

l. FPL would not financially hedge natural gas during the Minimum Term and any extensions thereof.

m. FPL would be authorized to implement its Long Duration Battery Storage Pilot that will be limited to two long-duration battery storage systems each capable of dispatching up to 10 MW of power and storing a total of 100 megawatt-hours of energy.

n. FPL would not be permitted to purchase any new land used exclusively for solar or for solar and battery hybrid projects during the Minimum Term, with the exception of the property identified as the "Duda" property in Exhibit TO-7 (CEL Ex. 295). FPL would also commit to best commercial efforts to sell property amounting to a total value of $200 million reflected in plant held for future use. All sales of property held for future use ("PHFU") by FPL will be at fair market value, with gains or losses treated in accordance with Commission policy.

o. If FPL's Section 203 Application for the acquisition of Vandolah Power Company, LLC ("Vandolah"), a natural gas/oil-fired 660 MW generating facility, is approved by the Federal Energy Regulatory Commission ("FERC") and Vandolah is integrated into FPL's system, FPL would not exclusively use the capacity from Vandolah to serve data center or hyperscaler customers.

p. Effective January 1, 2026, all FPL clause factors would be allocated using the 4 Coincident Peak ("CP") and 12% Average Demand methodology for Production Plant and 4CP for Transmission Plant.

q. FPL's Commercial Electric Vehicle Charging Services Rider (CEVCS-1), Electric Vehicle Charging Infrastructure Rider (GSD-1EV), Electric Vehicle Charging Infrastructure Rider (GSLD-1EV), Utility-Owned Public Charging for Electric Vehicles (UEV), and FPL's Residential Electric Vehicle Charging Services (RS-1EV and RS-2EV) would be approved, subject to certain modifications. In addition, FPL would create a new EV Rider – GSLD-2EV, as set forth in the Proposed Settlement Agreement. FPL would spend $20 million to enable a Make Ready program for public direct current fast charging and alternating current Level-2 charging to support public, workplace, fleet, and multi-family dwelling charging. FPL would also not initiate further new investment in or construction of new FPL-owned public fast-charging infrastructure during the term of the Proposed Settlement Agreement.

r. During the Term of the Proposed Settlement Agreement, FPL would not disconnect for nonpayment of bills any customer in an FPL operational district with either (i) a forecasted 95-degree or warmer temperature for the day, based on FPL's meteorological forecasts, or where a heat advisory is issued by the National

Weather Service; or (ii) a forecasted temperature of 32 degrees or cooler for the day, based on FPL's meteorological forecasts.

s. FPL would accrue and provide a one-time funding of $15 million during the Term to provide payment assistance (offsetting receivables) to customers that satisfy the United Way's ALICE criteria. This funding is in addition FPL's Care To Share Program, which is an existing program funded from voluntary contributions by shareholders, employees, and customers.

t. FPL would support a proposal in a future proceeding requesting Commission approval for commercial and industrial customers with a combined total annual average usage greater than 15 million kWh per year, as measured by aggregating usage across all of that customer's accounts, to opt-out of FPL's energy efficiency programs and measures and deploy their own, self-funded, energy efficiency programs and measures. Such opt-outs would not be subsidized by the general body of FPL's customers and must have verification measures in place to allow FPL to reduce its otherwise applicable energy efficiency goals under the Florida Energy Efficiency and Conservation Act[9] ("FEECA") in amounts equal to the energy savings obtained by those opt-out customers.

Each element of the Proposed Settlement Agreement is part of a comprehensive agreement that reflects a carefully balanced compromise of many differing and competing positions by parties representing a broad range of interests and customers. As explained below, the Proposed Settlement Agreement will provide FPL customers with stability and predictability with respect to their electricity rates, while allowing FPL to maintain the financial strength to make the prudent investments necessary to continue to provide both existing and new customers with safe and reliable power over the Minimum Term, all while keeping bills significantly below the national average for FPL's customers. When taken as a whole, the Proposed Settlement Agreement is in the public interest and will result in rates that are fair, just, and reasonable for all customers.

[9] Sections 366.80-366.83 and 403.519, Fla. Stat.

B. Major Elements of Proposed Settlement Agreement

1. Term: 1/1/26-12/31/29, Unless Extended per RSM

The Minimum Term for the Proposed Settlement Agreement is four years from January 1, 2026 through December 31, 2029. (CEL Ex. 1283, p. 3.) The Minimum Term will provide base rate predictability for FPL customers during that period and will allow FPL to continue its focus on improving service as well as creating additional efficiencies in operations and maintaining strong customer value, all while keeping bills low. (Tr. vol. 20, p. 4601.)

Multi-year rate plans have been a mainstay for FPL for more than 15 years.[10] The record demonstrates that by operating under those plans and the relative certainty they provide, FPL has achieved successful outcomes for customers. For example, since FPL's last rate case in 2021, the Company has achieved a total $5.8 billion of non-fuel O&M savings over the benchmarked average performance of comparable utilities, a point that was not disputed by intervenors. (Tr. vol. 16, p. 3625.) This cost performance saved FPL's residential customers $24 per month or $300 in 2023 alone compared to average performing utilities. (Tr. vol. 1, p. 67; Tr. vol. 11, p. 2264.) And, as demonstrated throughout this brief, FPL's operational performance and customer service have thrived while FPL has prudently managed its costs.

Avoiding the need to initiate serial rate proceedings will allow FPL to focus on its long-term strategy of making smart investments to drive reliability, excellent customer service, and low bills. (Tr. vol. 11, p. 2310.) Indeed, FPL's prior multi-year settlements have facilitated execution of a proven strategy that has resulted in significant bill savings for FPL's customers and superior reliability that is 59% better than the national average. (Tr. vol. 1, p. 66; Tr. vol. 3, p. 416; Tr. vol. 11, p. 2310; CEL Ex. 47.) As a whole, the Proposed Settlement Agreement will similarly preserve

[10] *See* Order Nos. PSC-2021-0446-S-EI, *as amended by* PSC-2021-0446A-S-EI *and supplemented by* PSC-2024-0078-FOF-EI; PSC-16-0560-AS-EI; PSC-13-0023-S-EI; and PSC-11-0089-S-EI.

FPL's financial strength and provide base rate predictability for FPL customers for a minimum of four years and will allow FPL to continue its focus on improving service as well as creating additional efficiencies in operations and maintaining strong customer value, all while keeping bills low. (Tr. vol. 20, p. 4601.)

The Proposed Settlement Agreement also contemplates that FPL may, based on circumstances that occur during the four-year Minimum Term, be able to avoid the need to have new rates set by January 1, 2030. Under the Proposed Settlement Agreement, the RSM[11] will terminate upon the expiration of the Minimum Term of the Agreement, and FPL may not amortize any portion of the RSM past December 31, 2029. However, the Term of the Proposed Settlement Agreement may be extended if FPL provides notice by March 31, 2029. If FPL provides such notice, the Term of the Proposed Settlement Agreement would be extended and any amortization of the RSM after December 31, 2029, would be performed in accordance with Paragraph 21 of the Proposed Settlement Agreement. (CEL Ex. 1283, p. 25.)

In summary, similar to prior multi-year settlements, the minimum four-year term of the Proposed Settlement Agreement will promote the public interest by enabling FPL to continue its success in operating efficiently for customers and allowing FPL to focus on managing its operations to the benefit of all customers while simultaneously preserving rate stability for its customers.

2. Cost of Capital: ROE 10.95% and Capital Structure of 59.6% Equity Ratio

The Proposed Settlement Agreement provides an ROE and capital structure that will preserve FPL's financial strength to effectively invest in its system on behalf of customers over four years. The lower ROE of 10.95% and capital structure with a 59.6% equity ratio agreed to in

[11] The RSM is discussed in detail below in Section III.B.17 below.

the Proposed Settlement Agreement is a compromise among many different competing positions, including those offered by the NSPs. The 10.95% ROE and 59.60% equity ratio is commensurate with returns available for investments of similar risk, will support FPL's credit profile, and enable it to attract capital to support the investments necessary to continue to provide safe and reliable service to customers. The ROE and equity ratio under the Proposed Settlement Agreement will also maintain predictability and stability in Florida's constructive regulatory environment. The 10.95% ROE and 59.60% equity ratio is supported by the record evidence and will provide FPL a fair and reasonable allowed return on equity in the context of the broader settlement.

i. Return on Equity

It is well established that "a regulated public utility is entitled to 'an opportunity to earn a fair or reasonable rate of return on its invested capital.'" *Gulf Power Co. v. Wilson*, 597 So. 2d 270, 273 (Fla. 1992) (quoting *United Tel. Co. v. Mann*, 403 So. 2d 962, 966 (Fla. 1981)). The U.S. Supreme Court has recognized that the fair rate of return should be: (1) comparable to returns investors expect to earn on other investments of similar risk (the "comparable risk" standard); (2) sufficient to assure confidence in the company's financial integrity (the "financial integrity" standard); and (3) adequate to maintain and support the company's credit and to attract capital (the "capital attraction" standard).[12] A fair and reasonable return must meet all three of these standards. (Tr. vol. 9, p. 1973.) Both the U.S. Supreme Court and the Florida Supreme Court have held that setting the ROE is a utility-specific, factual determination. *Bluefield*, at 692; *United Tel. Co. v. Mayo*, 345 So. 2d 648 (Fla. 1977).

FPL's initial request for an ROE of 11.9% was well supported. To derive this

[12] *Bluefield Water Works and Improvement Co. v. Public Service Comm'n.*, 262 U.S. 679, 692 (1923) ("*Bluefield*") and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) ("*Hope*").

recommended ROE, FPL's independent outside cost of capital expert, FPL witness Coyne, assessed the Company's cost of equity using four widely used, market based financial models: the constant growth Discounted Cash Flow ("DCF") model; the Capital Asset Pricing Model ("CAPM"); the Bond Yield Plus Risk Premium approach, and an Expected Earnings analysis. Each of these models focus on different aspects of return requirements and provide different insights to investors' views of risk and return. Use of multiple financial methods provides a broader, comprehensive, and more reliable perspective on investors' return requirements. (Tr. vol. 9, pp. 1965-66.)

FPL witness Coyne considered the range of quantitative results produced by each model and their comparability to returns available to other similarly situated vertically integrated electric utilities, as well as the relevant risk factors, the general economic and capital market environment, and the management performance of the utility. FPL witness Coyne gave equal weight to the results of the four individual models and calculated the average of these four methods for a proxy group.[13] Based on this analysis, FPL witness Coyne recommended a base authorized ROE of 11.83%, equal to the average of the four methodologies, plus nine basis point adjustment for flotation costs, for a total of 11.92%, which rounded down to FPL witness Coyne's final recommendation of 11.90%. (Tr. vol. 9, pp. 2003-04, 2020-21, 2023.) Mr. Coyne refreshed his ROE analysis with updated May 2025 market data that produced higher results for three of the models and a lower result for the fourth. FPL witness Coyne's 11.9% ROE fell within the range of these updated results, and he maintained his 11.90% recommendation as a just and reasonable estimate of FPL's required ROE given the Company's risk profile and economic and capital

[13] The proxy group was determined by witness Coyne based on screening criteria designed to derive a group of utilities with a set of business and operating characteristics similar to FPL's vertically integrated electric utility operations. (Tr. vol. 9, pp. 1988-92.)

market conditions. (Tr. vol. 19, pp. 4296-99.)

OPC and FEA were the only intervenors to perform ROE analyses and recommended an authorized ROE for FPL between 9.20% and 9.50%. (Tr. vol. 4, p. 3096; Tr. vol. 18, pp. 4166-67.) FEL, FAIR, FIPUG, and Walmart did not perform ROE analyses but, rather, referenced authorized returns for electric utilities in Florida and other U.S. jurisdictions to argue that FPL's authorized ROE should be set at or below those levels. (Tr. vol. 10, pp. 2151-60; Tr. vol. 12, pp. 2494-2500; Tr. vol. 16, pp. 3481-86; Tr. vol. 17, p. 3866.) Thus, there was a broad array of recommendations from multiple parties – some were supported by analytical approaches while others were more judgmental or based on decisions from other jurisdictions. FPL submits, however, the only reliable method for determining the cost of capital is through the application of rigorous analysis using financial models and market data from reliable sources, coupled with a comprehensive risk assessment of the petitioning regulated utility. (Tr. vol. 19, p. 4285.)

The intervenors' criticisms of the ROE recommended by FPL witness Coyne fail for multiple reasons. First, OPC, FEL, FAIR, and FEA presented average return data for all electric utilities instead of focusing on those with regulated electric generation. (Tr. vol. 12, pp. 2494-2500; Tr. vol. 16, pp. 3481-86; Tr. vol. 17, p. 3866.) Vertically-integrated electric utilities have a different, higher level of business risk than Transmission and Distribution ("T&D") only utility companies, which differentiates them and supports a higher authorized ROE and equity ratio in the capital structure. (Tr. vol. 19, p. 4289.)

Second, intervenors' reliance on ROEs awarded in prior years is not indicative of an appropriate ROE for FPL starting in 2026, let alone for a term that runs through the end of 2029. Capital market conditions and expectations have shifted significantly between recent years, today, and the period from 2026 through 2029. (Tr. vol. 19, pp. 4289-90.)

Third, FPL has a different risk profile than other electric utility companies for which returns were set in other jurisdictions. FPL witnesses Coyne and Bores noted several factors that bear upon FPL's risk profile, including: (a) the Company's substantial capital expenditure program; (b) FPL's nuclear generation fleet; (c) risks associated with storm damage and resulting outages; (d) regulatory risk relative to the proxy group companies; and (e) risk related to the term of FPL's proposed 4-year rate plan. (Tr. vol. 9, pp. 2005-19.) Mr. Coyne observed that, in aggregate, these risk factors elevate FPL's risk profile relative to his proxy group and support an authorized ROE above the mean. Notably, however, FPL did propose a risk adjustment above the mean. (Tr. vol. 9, pp. 2004-15.)

FPL's risk profile supports a cost of equity that is higher than the average for other integrated electric utilities. (Tr. vol. 19, p. 4290.) Intervenors' comparisons to the other Florida investor-owned utilities ("IOUs") were similarly unavailing, as risk factors differ between FPL and the other Florida IOUs. For example, neither Duke Energy Florida, LLC ("DEF") nor Tampa Electric Company ("TECO") own nuclear generation, and both have lesser coastal exposure to hurricane and storm risk than FPL, making their risk profiles, and by extension required shareholder returns, different. (Tr. vol. 19, p. 4291.)

Fourth, FPL witness Coyne explains in detail the many reasons OPC's and FEA's ROE analyses are flawed, biased, and should be rejected. (Tr. vol. 19, pp. 4305-36.) In summary, due to their reliance on inputs that are flawed and contradictory to sound financial theory, the ROE recommendations of OPC and FEA are biased downward. Moreover, their 9.20% to 9.50% ROE recommendations are particularly unreasonable when viewed in the context of FPL's unique business risks that differentiate it from the proxy group, including FPL's elevated capital spending risk relative to the proxy group, a higher percentage of electricity generation from nuclear plants

than the average company in the proxy group, and greater exposure to severe weather and storms than other companies in the proxy group. (Tr. vol. 19, pp. 4332-36.)

The record evidence indicates there were a broad array of differing ROE recommendations from multiple parties ranging from a midpoint of 9.2% to 11.9%. To resolve the multiple differing and competing positions regarding the ROE, the Proposed Settlement Agreement provides for a ROE of 10.95% as one part of the comprehensive give-and-take required to reach an agreement on all issues. This is a significant concession that is 95 basis points (0.95%) below the recommendation by FPL witness Coyne. However, it is within the range calculated by the financial models included with FPL witness Coyne's direct testimony (10.28% to 15.65%), as well as within the range of the updated model results presented in his rebuttal testimony (10.43% to 12.53%). Notably, a 10.95% ROE is at the lower end of these ranges. Additionally, a 10.95% ROE is within the range of the model results estimated by FEA witness Walters (7.24% to 11.12%), and slightly above the range estimated by OPC witness Lawton (8.51% to 10.64%), the only two witnesses that performed independent ROE analyses in this proceeding. (Tr. vol. 20, p. 4626.) This is strong indication of the reasonableness of the compromised ROE position under the Proposed Settlement Agreement.

Relying on national average authorized ROEs, the NSPs claim the 10.95% ROE is excessive by comparison to the highest ROE awarded since 2023, which was 10.50%. Comparisons to average authorized ROEs from historical timeframes are not an appropriate basis upon which to set a utility's cost of capital. The NSPs ignore the significant differences between FPL's risk profile and "national average" companies, and the significant shifts in capital markets between recent years and today and, moreover, those projected over the 2026-2029 rate period. (Tr. vol. 23, pp. 5189-90.) Ironically, OPC's cross-examination during the hearing revealed that

comparisons to national average ROEs underscore the reasonableness of the ROE in the Proposed Settlement Agreement. OPC pointed out that the national average ROEs since 2021 have increased 33 basis points (Tr. vol. 20, p. 4690; CEL Ex. 319), which aligns with what is in the Proposed Settlement Agreement: the proposed 10.95% ROE is a comparable 35 basis point increase from the 10.60% originally approved for FPL in 2021 and only a 15 basis point increase from FPL's currently authorized ROE. Additionally, the Commission has explicitly rejected setting ROEs based on decisions from prior periods, stating "[w]e agree that historical authorized ROEs do not reflect the investor-required return at the time the rate case is decided, nor are they are based on market data presented in an evidentiary record." *In re: Petition for rate increase by Tampa Electric Company*, Order No. PSC-2025-0038-FOF-EI at 82, Docket Nos. 20240026-EI, *et al.* (FPSC Feb. 3, 2025).

Further, a 10.50% ROE is 30 basis points lower than FPL's current 10.80% authorized midpoint ROE, which was approved four years ago when the 30-year treasury yield was roughly 1.80%. Since then, the 30-year treasury yield has almost doubled and remains close to 4.70% today. Appropriately taking these market conditions into consideration, investors expect to see an increase that is above FPL's current authorized ROE. (Tr. vol. 23, p. 5161.)

In their Position Statement, the NSPs recommend an ROE midpoint of 10.6%.[14] The NSPs proposal to reduce FPL's current authorized ROE by 20 basis points runs counter to the higher capital cost environment in which FPL raises capital.[15] (Tr. vol. 23, p. 5190.) A decrease would

[14] See paragraph 3 of the Position Statement jointly sponsored by the NSPs and attached as exhibits to their respective testimonies. See Ex. HWS-11 attached to the settlement testimony of OPC witness Schultz (CEL Ex. 1297); Ex. KRR-6 attached to the settlement testimony of FEL witness Rábago (CEL Ex. 1312); and Ex. JTH-3 attached to the settlement testimony of FAIR witness Herndon (CEL Ex. 1306). For ease of reference and clarity, FPL will cite only to Ex. HWS-11 (CEL Ex. 1297) but any reference to the NSPs' joint Position Statement shall apply equally to each of these duplicative exhibits.

[15] The increase in the settlement ROE of 10.95% from the current 10.8% previously authorized for FPL is modest compared to changes that have occurred in the market. As explained by FPL witness Coyne, the proposed ROE is 15

(*Continued on next page...*)

be viewed as illogical and would signal a departure from the Commission's past practice. Adopting the NSPs' recommendation would not align with the predictability and stability that investors expect. A lower ROE awarded under such market conditions would lead investors to increase their perception of regulatory risk and business risk assessment of FPL. Equity investors would logically redirect their capital into lower risk or higher return alternatives, and credit rating agencies likely would downgrade FPL either immediately or over time. Accepting the NSPs' proposal to reduce the ROE below FPL's currently authorized ROE would likely have the counterproductive effect of increasing the Company's overall cost of capital, ultimately to the detriment of customers. (Tr. vol. 23, pp. 5161-62.)

While the NSPs' witnesses incessantly compare the ROE under the Proposed Settlement Agreement to other utilities, not a single NSP compares those utilities' bills against FPL's. The reason is obvious – the comparison undermines their testimony entirely. A comparison of ROE versus bill position among the utilities referenced by the NSPs makes clear that the relationship between a low ROE and low customer bills exists only in theory. Indeed, FPL's 2026 projected bill under the Proposed Settlement Agreement is lower than the January 2025 bill for 43 of the 58 utilities (or 74%) used in the NSPs' comparison. (CEL Ex. 1336.) This bill comparison emphasizes that the NSPs continue to ignore what really matters to customers – customers pay a total bill, not an ROE. FPL's strong ability to attract capital is a benefit to customers, not the detriment the NSPs attempt to portray. (Tr. vol. 23, pp. 5162-63.)

The 10.95% ROE under the Proposed Settlement Agreement is a reasonable compromise that is within the overall range of ROE recommendations in this proceeding, while still balancing

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basis points above the current 10.8% ROE adjusted in October 2022 pursuant to the 2021 Settlement Agreement, which reflects approximately 13% of the 115 basis point increase in the 30-year Treasury yield since October 22, 2022. (Tr. vol. 23, p. 5190.)

FPL's unique risk profile and need to attract cost-effective capital necessary to continue to deliver superior reliability and low customer bills. (Tr. vol. 20, pp. 4610, 4626-27; Tr. vol. 23, pp. 5162-63.) The agreed upon ROE was a reasonable compromise among the Signatory Parties required to reach a comprehensive settlement that, when taken as a whole, is in the public interest.

ii. Capital Structure

FPL proposed to employ the same regulatory capital structure that it has maintained over the past quarter century, which includes a 59.6% equity ratio based on investor sources (50.07% based on all sources in the 2026 Projected Test Year). This capital structure has a direct impact on financial strength and credit quality, and has been fundamental to the overall financial strength that has served customers well. (Tr. vol. 11, p. 2304.) In totality, a greater equity component means safer returns for debt investors, which translates to stronger credit ratings and lower borrowing costs. (Tr. vol. 11, p. 2304.)

The contribution of FPL's historical equity ratio to the Company's financial strength has been recognized by the Commission, which has highlighted the importance of FPL's equity ratio in sustaining its operations, stating:

> FPL's proposed equity ratio of 59.6 percent is consistent with the ratios we have approved for FPL over the past twenty years.... [W]e find that FPL has a unique risk profile, and the equity to debt ratio is part of FPL's overall strategy to maintain financial strength and flexibility.

In re: Petition for rate increase by Florida Power & Light Company, Order No. PSC-2024-0078-FOF-EI at 16, Docket No. 20210015-EI (FPSC Mar. 25, 2024). Equally pertinent, the Commission has a long-standing policy of setting a company's authorized capital structure equal to its actual

capital structure, as long as it is within the range of 40% to 60%.[16] (Tr. vol. 19, p. 4337.)

Not only was this equity ratio reasonable for the last settlement agreement, but it also remains so today. FPL witness Coyne tested the current reasonableness of the equity ratio using a proxy group analysis and concluded that FPL's proposed financial capital structure of 59.6% common equity and 40.4% debt was reasonable, finding that the equity ratio of 59.6% was at the upper end of the range established by the operating companies held by the proxy group. (Tr. vol. 9, p. 2022.) Revisiting the analysis in his rebuttal testimony, witness Coyne confirmed that FPL's proposed equity ratio was within the range of authorized equity ratios from 2022 through May of 2025. (Tr. vol. 19, p. 4337.)

OPC, FAIR, FEL, FEA, and FIPUG argued that FPL's proposed equity ratio is unjustifiably higher than the national, state, and/or proxy group averages. (Tr. vol. 12, p. 2502; Tr. vol. 14, p. 3147; Tr. vol. 17, pp. 3858-59; Tr. vol. 18, pp. 4129-30.) FAIR, FIPUG and FEL recommend equity ratios of 54.0%, 53.2% and 50.52%, respectively. (Tr. vol. 12, p. 2504; Tr. vol. 16, p. 3485; Tr. vol. 17, p. 3866.) OPC and FEA, on the other hand, recommended no adjustment to FPL's current equity ratio of 59.6%, but argued that FPL's ROE should be lowered to reflect the stronger capital structure. (Tr. vol. 14, p. 3097; Tr. vol. 18, pp. 4131, 4167.)

FPL explained that the intervenors' reliance on national, state, and/or proxy group averages for the equity ratio was misplaced for several reasons. FPL has unique business and operating risks that distinguish the Company from the average electric utility and warrant a higher authorized equity ratio than the industry average. In addition, the range of authorized equity ratios from 2022 through May 2025 (after FPL's 2021 Settlement Agreement) has been from 41.25% to 60.70%,

[16] *See, e.g., In re: Petition for rate increase by Tampa*, Order No. PSC-2025-0038-FOF-EI at 79-80, Docket Nos. 20240026-EI *et al.* (FPSC Feb. 3, 2025); *In re: Petition for rate increase by Florida Public Utilities Company*, Order No. PSC-2025-01 14-PAA-EI at 31, Docket No. 20240099-EI (FPSC Apr. 7, 2025).

and FPL's proposed equity ratio of 59.60% is within this range. (Tr. vol. 19, p. 4337.) FPL also explained that OPC's and FEA's proposal to reduce the ROE would harm its longstanding policy of maintaining financial resiliency and conservatively managing financial risk. It would also discourage utilities from maintaining strong credit metrics and prudently managing their financial risk, which could be especially problematic in Florida, given its unique risks. (Tr. vol. 19, p. 4338.) Finally, FPL explained the numerous adverse consequences of implementing the intervenors' equity ratio recommendations, which would negatively impact FPL's ability to deliver on the value proposition that has served customers well for a long time. (Tr. vol. 19, pp. 4419-20.)

In the Proposed Settlement Agreement, the Signatory Parties agreed to maintain FPL's current equity ratio of 59.6% previously approved in the 2021 Settlement Agreement as part of the give-and-take necessary to reach an overall compromise and resolution. Notably, in paragraph 3 of their Position Statement, the NSPs likewise support a capital structure with an equity ratio of 59.6%. (CEL Ex. 1297, p. 34.) The proposed equity ratio of 59.60% investor sources equity maintains the same capital structure that has supported FPL's strong credit profile and access to capital FPL has maintained for over 20 years. Moreover, it is consistent with the Commission's approval of FPL's actual 59.60% equity ratio over the past 20 years. (Tr. vol. 20, p. 4627.)

FPL's capital structure has enabled consistent and competitive access to capital markets in times of economic turmoil, and one need look no further than the events of the last four years. FPL was able to provide for customers and satisfy its liquidity needs when faced with a significant increase in natural gas costs (resulting in an under-recovery of about $2 billion in 2022) as well as a series of hurricanes that inflicted severe damage that necessitated a major restoration (over $1.2 billion in a single season). This is nothing new – FPL's capital structure has been able to satisfy instant liquidity needs caused by unexpected events of the past such as major storms and has been

able to competitively finance large investments to modernize and strengthen its infrastructure – all of which result in high reliability and low costs for customers. No one can reasonably argue that FPL's approach to maintaining financial strength over the long term has not served customers well. (Tr. vol. 19, pp. 4424-25.)

3-4. 2026 Base Rate Adjustment of $945 Million and 2027 Base Rate Adjustment of $705 Million

i. Reduced Revenue Requirements are in the Public Interest

The Proposed Settlement Agreement offers a substantial compromise pertaining to the base rate adjustments for 2026 and 2027. Under the Proposed Settlement Agreement, FPL agreed to reduce the base rate revenue request to be effective January 2026 by 39%, from $1.545 billion to $945 million. (Tr. vol. 20, p. 4609.) FPL also agreed to reduce the base rate revenue request to be effective January 2027 by 24%, from $927 million to $705 million. (Tr. vol. 20, p. 4609.) These significant reductions in the 2026 and 2027 revenue requirements alone are significant public benefits to all customers.

Under the Proposed Settlement Agreement, the bills for all customers are projected to remain among the lowest in the nation. FPL's projected 2026 typical residential 1,000-kWh bill will remain nearly 22% below the current national average. The five-year compound annual growth rate ("CAGR") of the typical residential bill for customers in the former FPL service area is projected to increase from January 1, 2025 through December 31, 2029 by approximately 2% and by approximately 0.6% for residential customers in NWFL. The CAGR of the typical CI bill is projected to increase from January 1, 2025 through December 31, 2029 by approximately 2% to 2.6% for CI customers in the former FPL service area and by approximately 0.8% to 1.2% for CI customers in NWFL. (Tr. vol. 20, pp. 4634-35.)

In paragraph 4(a) of their Position Statement, the NSPs recommend that the 2026 base rate

adjustment be limited to $867 million and the 2027 base rate adjustment be limited to $403 million. (CEL Ex. 1297, p. 34) In reaching these recommendations, the NSPs claim that FPL essentially made no concessions in terms of revenue requirements. (Tr. vol. 22, pp. 4987, 5045.) However, an appropriate calculation must consider what it takes to continue providing safe and reliable service over the next four years, with a view toward maintaining the value that FPL's customers have come to expect.

FPL explained that the agreed upon revenue increases under the Proposed Settlement Agreement are insufficient to achieve the midpoint ROE in 2026 and 2027, even under a midpoint ROE that is 95 basis points lower than was originally requested by FPL and supported by FPL witness Coyne's models. (Tr. vol. 23, p. 5157.) Although all parties agree that the 95 basis point reduction in ROE is effectively the equivalent of approximately $485 million in 2026 (Tr. vol. 22, p. 4984; Tr. vol. 23, p. 5158), the NSPs ignore that this alone results in a $1.94 billion reduction from the 2026 revenue requirement across the four-year term of the Proposed Settlement Agreement. (Tr. vol. 23, p. 5158.) In 2027, the ROE concession amounts to an incremental approximate $36 million, which equates to $108 million across the remaining three years of the four-year term of the Proposed Settlement Agreement. Cumulatively, over the four-year term, FPL conceded more than $2 billion on ROE alone. (Tr. vol. 23, p. 5158.) Additionally, the NSPs ignore that approximately $1 billion of additional revenue unrelated to ROE was conceded over the four-year term of the Proposed Settlement Agreement, for a total concession of nearly $3 billion. (Tr. vol. 23, p. 5158; CEL Ex. 1335.) Further, the fact that the revenue requirements are materially lower than FPL's original request is particularly relevant when one considers that FPL still plans to make all the same investments and expects to incur the same level of expenses

reflected in its minimum filing requirements, except for those items specifically and expressly outlined in the Proposed Settlement Agreement. (Tr. vol. 23, p. 5156.)

OPC is critical of the overall cumulative increase over the four-year term of the Proposed Settlement Agreement, noting that it is $2 billion more than under the 2021 Settlement Agreement. FPL explained that its growth since the 2021 rate case alone is more than enough to justify this difference, despite the significant increase in inflation and interest rates over the period. (Tr. vol., p. 5158.) Additionally, the NSPs overlook that, by focusing on productivity and reducing its operating costs, FPL saves its customers the equivalent of $2.9 billion annually compared to the average utility. At the same time, it produces a superior product – one that is roughly 60% more reliable than the national average while still providing residential customers a 1,000-kWh typical residential bill that remains well below the national average and all Florida IOUs. That combination presents a great value. (Tr. vol. 23, p. 5159.)

ii. Other Contested Issues Underlying the Base Rate Adjustments

While not major elements of the Proposed Settlement Agreement, Order No. PSC-2025-0345-PCO-EI identified four contested issues that may be subsumed within the identified major elements titled "2026 Base Rate Adjustment $945M" and "2027 Base Rate Adjustment $707M."[17] Those contested issues are the following: (a) incentive compensation; (b) the stochastic loss of load probability ("LOLP") analysis; (c) the prudence of FPL's 2025-2027 battery storage additions; and (d) forecasting. Though not explicitly addressed in the Proposed Settlement Agreement, FPL will address each of these contested issues in turn.[18]

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[17] *See* Order No. PSC-2025-0345-PCO-EI at 3-4.

[18] Although the NSPs agree with many of the provisions under the Proposed Settlement Agreement (*see* CEL Ex. 1334), the NSPs nonetheless are critical of a handful of individual line item provisions of the Proposed Settlement Agreement. A settlement in a litigated proceeding, by nature, includes both give and take compromises to reach an overall resolution of the disputed issues. The NSPs' attempt to argue that the Commission should not approve the

(*Continued on next page...*)

a. Incentive Compensation

In the as-filed proceeding, OPC contested FPL's incentive compensation proposed for recovery in base rates in the 2026 and 2027 Projected Test Years. Specifically, OPC witness Schultz proposed to eliminate 100% of incentive compensation paid to all FPL employees because, in his view, the FPL goals were not sufficiently challenging to require improvements in operations, and FPL did not explain how the incentive pools are developed.[19] (Tr. vol. 15, pp. 3275-76.) These contentions are misguided and, more to the point, categorically wrong and unsupported.[20]

As a preliminary matter, it is important to note that FPL's total compensation for salaried employees includes both base pay and variable performance-based incentive compensation. (Tr. vol. 6, pp. 1350, 1399.) FPL conducts detailed annual benchmarking analyses of its total compensation, including both base and variable pay, against well-established and nationally recognized market data for each position to ensure it can offer total compensation for a position that is comparable to similar positions in the market.[21] These market surveys are critical to ensuring that FPL can attract and retain the qualified talent necessary to provide safe and reliable service to customers and, importantly, that it is not offering compensation that is significantly above what is paid in the market, which could increase costs to customers. (Tr. vol. 6, pp. 1400-

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Proposed Settlement Agreement because they disagree with a specific compromise and resolution of an individual issue is contrary to the standard of review for settlements before this Commission, which requires the Commission to determine whether the settlement, when taken as a whole, is in the public interest. *See Citizens I*, 146 So. 3d at 1173.

[19] OPC witness Schultz's also claimed that 100% incentive compensation should be disallowed because, according to him FPL did not provide its incentive compensation plans. (Tr. vol. 15, pp. 3275-76.) However, the record demonstrates that FPL did, in fact, provide copies of its non-officer incentive plans and programs in response to discovery, and that the officer plans were not relevant because 100% of all officer incentive compensation is excluded from base rates. (Tr. vol. 6, pp. 1391-92; CEL Ex. 299.)

[20] OPC witness Schultz further proposed that, in the event the Commission declined to adopt his recommended 100% disallowance of incentive compensation, the Commission should adopt an alternative adjustment to exclude 100% of long-term costs and stock-based costs and at least 50% of non-officer cash incentives because, according to him, shareholders are the primary beneficiary of any improvements in operations. (Tr. vol. 15, pp. 3276-77.) For the reasons discussed herein, OPC witness Schultz's alternative incentive compensation adjustment should likewise be rejected.

[21] These data compilations are compiled by nationally recognized, third-party survey vendors and are the type used and relied upon routinely by human resources professionals. (Tr. vol. 6, pp. 1358-59, 1401.)

01.) Thus, the total compensation paid to FPL employees, including incentive compensation, is comparable to what those employees would be paid for similar positions in the market. In fact, the unrefuted record evidence demonstrates that FPL's total compensation, including both the base and incentive compensation components, has consistently remained below the current market median, and the total compensation for the 2026 and 2027 Projected Test Years is projected to remain below the market median. (Tr. vol. 6, pp. 1391, 1401.)

Notably, no party claims that any portion of the work performed by these FPL employees was imprudent, unreasonable, or unrelated to providing safe and reliable regulated service to our customers. Thus, FPL is entitled to recover the reasonable and market competitive compensation costs incurred for such prudent and necessary work. To conclude otherwise (*i.e.*, disallow a portion or component of FPL's total rewards package, such as incentive compensation), would be tantamount to a *de facto* finding that either the total compensation paid to FPL's employees is excessive as compared to the market, which it is not as explained above, and/or that the work associated with such compensation is imprudent. Importantly, there is no record evidence to support such findings and, for this reason alone, OPC witness Schultz's recommendation to disallow any portion of the reasonable and prudently incurred incentive compensation must be rejected.[22]

FPL's compensation philosophy has been, and continues to be, to provide competitive, market-based compensation with consideration of an individual's performance and contribution to

[22] Further, if FPL did not offer compensation to existing employees and candidates for open positions at levels near the market value of the total compensation (both base and variable pay) for a similar position, there is a very real and significant risk that existing employees would leave for other companies offering higher total compensation, and FPL would be unable to successfully fill open positions. If reasonable incentive compensation was disallowed for prudent work performed by FPL employees, one option to remain competitive with the market would be to simply offer only a base salary that is comparable to the total compensation received for similar positions in the market (*i.e.*, increase base pay to offset the disallowed incentive compensation so the total compensation remains comparable to the market for a given position.) (Tr. vol. 6, p. 1399.)

the Company's key objectives. The performance-based, variable incentive compensation pay is linked to individual, business unit, and corporate objectives that benefit FPL's customers, including budget goals and operating efficiency milestones, such as plant availability, service reliability, safety, and quality of customer service. The strategic emphasis on the variable pay program encourages performance at an individual employee level and adds flexibility in recognizing that performance. (Tr. vol. 6, p. 1350.) The success of this performance-based, at-risk variable pay component of FPL employees' total compensation is demonstrated by FPL's ability to deliver superior service to customers at bills that are well below the national average.

It is undisputed that FPL's base rate request complies with the incentive compensation exclusions required by Commission Order No. PSC-2010-0153-FOF-EI ("2010 Order"). Indeed, the record evidence demonstrates that, consistent with the 2010 Order, FPL properly excluded 100% of officer incentive compensation, 50% of non-officer target stock-based incentive compensation, and 100% of any expense above target for non-officer stock-based incentive compensation from its payroll expense for the 2026 and 2027 Projected Test Years.[23] (Tr. vol. 6, pp. 1391-92; CEL Ex. 298, pp. 2, 10-11.)

OPC does not dispute that FPL complied with the exclusions required by the 2010 Order. Rather, OPC witness Schultz compares the amount of incentive compensation excluded in the 2010 Order ($48.5 million) to the amounts excluded for the 2026 and 2027 Projected Test Years ($58.0 million and $61.4 million) and implies that FPL has not excluded enough incentive compensation because, according to him, incentive compensation costs have increased since 2010. (Tr. vol. 15, p. 3268.) OPC witness Schultz's comparison to the amount excluded by the 2010 Order incorrectly assumes that the incentive compensation plans have remained unchanged since

[23] FPL maintains two classifications of incentive-eligible employees: officers and non-officers. (Tr. vol. 6, pp. 1387-88.)

2010 and that the employee complement eligible for incentive compensation is static.[24] Additionally, OPC witness Schultz overlooks that the amount of incentive compensation excluded by the 2010 Order was for gross compensation and had not been adjusted for the allocation of costs to affiliates.[25]

In further support of his recommendation that all of FPL's incentive compensation be disallowed, OPC witness Schultz cites to the 2009 Progress Energy Florida rate case order in Docket No. 20090079-EI ("PEF 2009 Order"). (Tr. vol. 15, pp. 3275-76.) OPC witness Schultz's reliance on the PEF 2009 Order fails for three reasons. First, he ignores more recent orders that have allowed the inclusion of incentive compensation in base rates,[26] as well as the fact that the FPL 2010 Order permitted incentive compensation to be recovered in base rates subject to the limited exclusions previously discussed. (Tr. vol. 6, p. 1407.) Second, OPC witness Schultz's recommendation to disallow all incentive compensation ignores the fact that performance-based compensation is a typical and necessary component of a utility's total compensation program.[27] (Tr. vol. 6, p. 1406.) Third, the findings and conclusions in the PEF 2009 Order were limited to the facts and circumstances of that proceeding, and no comparison was made as between FPL's

[24] FPL changed the eligibility criteria for non-officer stock-based incentive compensation after the 2010 Order, which reduced both the number of recipients eligible and the total costs for non-officer stock-based incentive compensation. In addition, the officer headcount was 42 for the 2010 test year, whereas the corresponding officer headcount for the 2026 test year is 32, which is a 24% reduction in the number of officers eligible to participate in the plan. (Tr. vol. 6, p. 1393.)

[25] Adjusting the $48.5 million figure cited in the *2010 Order* to reflect allocation of costs to affiliates resulted in a 2010 exclusion of approximately $35.5 million, which is significantly less than the $58.0 million and $61.4 million excluded for the 2026 and 2027 Projected Test Years, respectively. (Tr. vol. 6, p. 1394.)

[26] For example, in *In re: Petition for increase in rates by Gulf Power Company*, Order No. PSC-12-0179-FOF-EI at 97, Docket No. 20110138-EI (FPSC Apr. 3, 2012), the Commission rejected OPC's recommendation to disallow all incentive compensation, calling it "unreasonable" and citing the negative impact such disallowance would have on the employees' compensation compared to market median. *See also* Order No. PSC-2025-0038-FOF-EI in Docket No. 20240026-EI; Order No. PSC-2023-0388-FOF-GU in Docket No. 20230023-GU; Order No. PSC-2023-0177-FOF-GU in Docket No. 20220069; and Order No. PSC-2023-0103-FOFGU in Docket No. 20220067-GU.

[27] Market data from Aon, an international human resources consulting firm, shows that 100% of energy services companies and 94% of general industry companies include short-term incentive compensation as part of their total compensation package. (Tr. vol. 6, p. 1406.)

incentive compensation program and the one that was the subject of the PEF 2009 Order. (Tr. vol. 6, p. 1406.)

OPC witness Schultz's argument that FPL did not explain the development of its cash incentive compensation pool of dollars likewise ignores the record evidence and is without merit. FPL explained that it accrues total Company incentive compensation dollars, both officer and non-officer, during the annual performance period, based on the forecasted budget approved by FPL's management each year (*i.e.*, the total company "pool" available to be awarded). FPL further explained how the individual business units and eligible employees essentially compete for a "slice" of this total "pool" of dollars based on their performance throughout the year, contribution to the achievement of the Company's corporate annual goals, and achievement of the business unit's annual budget, efficiency, and operating performance goals. This long-standing pay-for-performance approach is an effective management tool that financially motivates and incentivizes the business units and the eligible employees to provide high quality work that contributes to FPL's success in achieving its goals of providing safe and reliable service to the customers and communities we serve. (Tr. vol. 6, pp. 1394-95.)

Relying on a handful of corporate goals and achievements during 2022 through 2024, OPC witness Schultz contends that incentive compensation should only be awarded if there was a material improvement in performance from the prior year on every goal. (Tr. vol. 15, pp. 3272-73.) However, incentive compensation is one component of a salaried employee's total compensation that is benchmarked and comparable to the total compensation received for similar positions in the market as explained above. The fact that a business unit or employee did not achieve a materially higher goal than the prior year does not mean that the business unit or employee failed to provide excellent work that contributed to FPL's and the business unit's success

in achieving the goals of providing safe and reliable service to customers. (Tr. vol. 6, p. 1398.) These customer-focused performance indicators include controlling costs and operating metrics, such as plant availability, service reliability, safety, and quality of customer service – all of which benefit customers. (Tr. vol. 6, pp. 1397-98.)

OPC witness Schultz further claims that FPL's incentive compensation is more of a guaranteed payout than truly at-risk variable pay if goals are not ratcheted up after being achieved. (Tr. vol. 15, p. 3274.) Although the data FPL provided in discovery indicates that approximately 96.7% of all eligible employees received incentive compensation during the period 2021 through 2024, this does not mean that incentive compensation is a guaranteed payout as suggested by OPC witness Schultz. Rather, this only means that these employees received an incentive compensation award – it does not mean that each employee received the maximum amount of incentive compensation that could be paid under the applicable plan. An employee who falls short of meeting all of their goals and does not exceed expectations or perform as well as others in their business unit would receive an annual incentive award payout that is less then what could have been received if they successfully achieved or exceeded their goals. (Tr. vol. 6, pp. 1403-04.)

Based on the foregoing, there is no credible record evidence to support a finding that FPL's incentive compensation should be further disallowed beyond the exclusions required by the FPL 2010 Order. The record in this proceeding demonstrates that FPL's total compensation, including both base pay and incentive compensation, is below the market median and it is appropriate to pay employees a market competitive wage for the prudent work necessary to deliver on FPL's commitment to provide safe and reliable service to its customers.

b. Stochastic LOLP Analysis

In support of its resource needs identified in the as-filed case, FPL undertook a stochastic Loss of Load Probability ("LOLP") analysis to modernize its methodology for determining the

adequacy of its system resources by using more advanced and industry-accepted modeling.[28] The Company's decision to undertake the analysis was influenced by several factors. One such factor was FPL's recognition, initially in the spring of 2023, of operational reserve constraints being experienced on its system. During that period, FPL's system experienced higher-than-normal temperatures, which remained elevated throughout the evening when FPL's solar output began to decrease. (Tr. vol. 5, p. 1012.) That circumstance, combined with the continuing need to accommodate system growth, led FPL to evaluate throughout 2023 and 2024 its ability to maintain an adequate amount of operating reserves that could be called on to meet load. (Tr. vol. 5, p. 1012.) While doing so, FPL continued to experience reserve challenges and nearly missed having to declare an Energy Emergency Alert in August 2024 due to system constraints. (Tr. vol. 5, p. 1012.)

As initial steps to address its operational reserve needs, FPL added 300 MW of battery storage in its 2024 Ten-Year Site Plan ("TYSP") and, later, retained Energy and Environmental Economics, Inc. ("E3") in the summer of 2024 to perform an evaluation of FPL's operational reserves. (Tr. vol. 5, pp. 1066, 1069.) That evaluation carried forward into E3's stochastic LOLP analysis that was prepared in late 2024 and early 2025 and presented with CEL Ex. 64 in this proceeding.[29]

The stochastic methodology for determining LOLP is far more sophisticated than FPL's traditional methodology. Stochastic LOLP modeling incorporates significantly more data in

[28] LOLP modeling projects how well an electric utility system may be able to meet its firm demand (*i.e.*, a measure of how often firm load may exceed available resources), taking into account the peak hourly demand for each day of the year. LOLP (or, alternatively, Loss of Load Expectation ("LOLE")) is typically expressed in terms of "numbers of times per year" that the system firm demand cannot be served. FPL's loss of load criterion, which is commonly used throughout the electric utility industry, is 0.1 days per year, or one day in ten years. (Tr. vol. 5, pp. 970-71.)

[29] E3 was allocated sufficient time to perform the resource adequacy and derive accurate study results that provide an unbiased estimate of FPL's resource adequacy needs that is fully reflective of the analytical rigor that E3 applies to all of its resource adequacy studies. (Tr. vol. 2, p. 232.)

assessing system reliability, providing a substantially wider range of load and generation conditions across numerous scenarios to develop a granular view of a utility's system adequacy in hour-by-hour segments.[30] (Tr. vol. 5, p. 972.) Because stochastic modeling is far more advanced than deterministic LOLP modeling, it has achieved widespread use and acceptance across the United States. (Tr. vol. 2, pp. 215-216, 220, 283-84.)

The stochastic modeling derived LOLP results for FPL over the period of 2027-2030 and 2035 including FPL's proposed resources from the 2026-2029 period.[31] To perform the analysis, E3 used its model, the Renewable Energy Capacity Planning or "RECAP" model,[32] to assess FPL's fleetwide performance across an enormous array of scenarios. The RECAP model used a Monte Carlo method of incorporating load variability, solar variability, and resource outage variability, looking at 44 different weather years and evaluating load levels across those weather years on an hourly basis. (Tr. vol. 2, p. 284.) The analysis ultimately simulated approximately 3.8 million operating hours over the 44 weather years with 10 different draws of unit outages, representing 440 years total.[33] (Tr. vol. 2, p. 284.)

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[30] Whereas a traditional, deterministic LOLP analysis models expected generation unavailability based directly upon historic forced outage rates, the stochastic LOLP analysis simulates a random selection of plant outages, which better reflects the unpredictable nature of unavailable generation as observed in normal system operations. Also, whereas a traditional LOLP analysis models an expected solar generation profile, the stochastic LOLP analysis produces a reliability assessment that captures the natural variability in solar production due to weather conditions. The stochastic LOLP model also better captures the synergistic interactions between load and non-dispatchable generation because it models the variability of each input separately. (Tr. vol. 5, pp. 973-74.)

[31] The 2025 NWFL 522 MW battery facilities were accredited in the analysis as a 2026 resource due to their entry into operations at the end of 2025. (Tr. vol. 5, p. 1080.)

[32] E3 has performed resource adequacy studies using RECAP for El Paso Electric, NV Energy, NorthWestern Energy, Puget Sound Energy, Portland General Electric, the Sacramento Municipal Utility District, the Los Angeles Department of Water and Power, Black Hills Energy, Public Service Company of Colorado, Northern States Power, Omaha Public Power District, Nova Scotia Power, NB Power, Calpine Corporation, California Public Utilities Commission, California Energy Commission, California Independent System Operator, New York State Energy Research and Development Authority, New Jersey Board of Public Utilities, Massachusetts Department of Energy Resources, and others. (Tr. vol. 2, pp. 209-10.)

[33] FPL also later directed E3 to perform a stochastic analysis for 2026, the results of which are provided in CEL Ex. 293.

Overall, the results of the stochastic analysis demonstrate that FPL needs 32,322 MW of firm capacity to be available in 2027 in order to maintain an LOLP of 0.1 days-per-year in that year – and that need increases to 34,102 MW in 2030, representing an increase of 1,780 MW over that time. The stochastic analysis shows that not adding sufficient generation resources during the 2026 through 2029 time period to address the identified needs would cause FPL's LOLP to not meet the 0.1 days-per-year threshold and could potentially result in scenarios where FPL is unable to provide all of its customers with electricity. (Tr. vol. 5, p. 975; CEL Ex. 64, p. 20.)

None of the NSPs in this proceeding argue that FPL should not be using stochastic modeling as part of its resource planning. In fact, OPC witness Dauphinais, who has experience with stochastic LOLP modeling (Tr. vol. 14, p. 2963), testified that he "conceptually agree[s] that FPL should begin to utilize stochastic LOLP analysis." (Tr. vol. 14, p. 2972.) Moreover, the NSPs' joint Position Statement even contemplates the introduction of a stochastic probability model for use in Florida to evaluate a utility's future resource additions. (CEL Ex. 1297, p. 56.)

Notwithstanding, OPC challenges that the modeling performed by E3 is likely overly-conservative, alleging that it was performed quickly and without stakeholder input, does not align with NERC's assessment of reliability risk for the Southeastern region ("SERC"), models FPL's system as an "electrical island," and lacked a loss of load assessment for years prior to 2027. (Tr. vol. 14, pp. 2998-99.) For the reasons explained below, none of these contentions cast doubt on the results of the stochastic analysis.

FEL witness Rábago, who does not purport to have any experience with stochastic modeling, contests certain aspects of the E3 analysis. As a whole, FEL's challenges to the stochastic analysis are largely premised on certain limited inputs and assumptions that back the

model – in general, those provided by FPL.[34] Specifically, FEL challenges certain inputs and assumptions pertaining to FPL's solar profiles, maintenance schedule, forced outage rates, and modeled weather and load. (Tr. vol. 22, p. 5072.) However, attempts to cast doubt on the model on the basis that it reflects isolated instances of unusual weather, load, outage, or other system circumstances discounts the very purpose of stochastic modeling, which is to analyze the generation fleet under a wide range of variable circumstances, including unusual circumstances that can, and do, occur in reality. As expressed by FPL witness Olson, "the story really is in how the fleet performs across the range of conditions that you might expect to see in the future, and not so much on how one particular resource performs in one particular hour." (Tr. vol. 2, p. 304.)

The NSPs contend in their Position Statement that the Commission should initiate a workshop or stakeholder process for the uniform implementation of a stochastic analysis methodology. (Tr. vol. 14, p. 3004; CEL Ex. 1297, p. 56.) Such a process, however, would be unlikely to change the outcome of the stochastic modeling. Indeed, the methodologies and inputs used in a study of this nature are highly technical and unique to the FPL system. Thus, it is unlikely that additional input from stakeholders would have meaningfully changed the stochastic LOLP methodology, input data, or results. (Tr. vol. 2, p. 236.)

Also, the record shows that a stakeholder process could convolute the resource planning process. A process where stakeholders of varied and wide-ranging interests – but with potentially no resource planning expertise – provide their own viewpoints on stochastic LOLP modeling inputs and assumptions at multiple points in the resource planning process would create an impossibly burdensome procedure, and one that would likely not lead to reliable results. (Tr. vol.

[34] It should be noted that it is typical in performing a stochastic analysis that the analysis be informed by the subject utility's data. As explained by FPL witness Olson, most of the inputs in all of E3's analyses come from the utility because they are the ones that have the detailed data regarding the nature of their fleet of resources, the nameplate capacities, the outage rates, and other pertinent data. (Tr. vol. 2, p. 284.)

5, p. 1022.) Further, among the potential stakeholders, FPL alone retains the obligation and bears the responsibility to provide reliable electric service. (Tr. vol. 5, p. 1022.)

The record establishes that NERC and SERC reliability assessments are not authoritative resource adequacy assessments for FPL's system. While OPC witness Dauphinais questions the results of FPL's stochastic LOLP analysis on the basis that those results differ from those in the NERC 2024 Long-Term Reliability Assessment and the 2024-2034 SERC Annual Long-Term Reliability Assessment Report (Tr. vol. 14, pp. 2973, 3004), such a position lacks comprehension of the analyses that NERC and SERC provide. NERC's formal role and primary expertise is in developing standards for interconnected system *operations*, and it has no formal role concerning resource adequacy. (Tr. vol. 2, p. 228.) SERC's role as a Regional Reliability Entity is primarily to report on and enforce standards developed by NERC.[35] It should also be noted that FPL witness Olson has a high awareness of NERC's role, as he was one of four independent experts invited to a workshop hosted by NERC on June 5-6, 2025 to "explore methods for evaluating resource contributions to ensure system adequacy" and "inform NERC's reliability assessments." (Tr. vol. 2, pp. 211-12.)

FPL witness Olson cited three major differences that could cause the SERC study results to be overly optimistic about resource adequacy as it relates to FPL.[36] Principal among these is

[35] Notably, FPL witness Olson, who has substantial resource modeling and planning experience (*see* CEL Ex. 291), testified that he is not aware of any jurisdiction that relies on NERC Long-Term Reliability Assessments as the definitive word on resource adequacy for its utilities. (Tr. vol. 2, p. 231.)

[36] First, the SERC study is using an earlier, lower load forecast for FPL than E3's study. Second, SERC treats demand response as better than a perfect capacity resource, deducting it from load before applying its 15% reserve margin and thereby accrediting it at 115% of its "nameplate" value. However, the demand response programs in the FPL system have limitations based on number of calls per year (25) and call duration (6 hours) that require FPL to carry resources to continue to serve the host load during the instances in which the demand response program does not perform. For these reasons, E3's methodology accredits demand response at 81% of its "nameplate" value in 2027 after the addition of FPL's planned 1,400 MW of batteries. Third, and most importantly, SERC models the entire Southeastern region as if it were a single load-serving entity with centralized dispatch across the region, rather than modeling FPL or any other utility individually. (Tr. vol. 2, pp. 228-29.)

that SERC's study is of the Southeast region as a whole, not a study of FPL's system. A significant risk of a regional study is that it can mask one utility's resource shortfall if there is sufficient capacity available in the rest of the region. (Tr. vol. 2, 229-31.) FPL witness Olson also cited differences in how NERC accredits resources versus the stochastic LOLP analysis, potentially leading to over-accreditation by NERC of solar, storage, and demand response in its reliability assessments.[37] Thus, claims that the stochastic LOLP study is flawed in light of NERC and SERC reliability assessments fail to recognize the key analytical differences between the methodologies and the precision of the utility-specific stochastic analysis.

OPC witness Dauphinais's criticism of E3 modeling FPL's system as an "electrical island" fails to recognize common practices in resource adequacy analysis. (Tr. vol. 2, pp. 2998-99.) It is a common practice for utilities not to plan to rely on non-firm imports in their resource adequacy studies. (Tr. vol. 2, p. 233.) Additionally, most of FPL's service area is in a geographically-constrained peninsula with very limited load or resource diversity. Thus, FPL witness Olson explained it is prudent for FPL to assume that its neighbors will experience high loads and challenging conditions at the same time that FPL does. (Tr. vol. 2, p. 235.) FPL witness Olson also explained that it is prudent to assume imports from outside Florida would be limited due to transmission constraints. (Tr. vol. 2, p. 235.) Additionally, the supply of wholesale power available in the Florida market is limited and may become increasingly more so as utilities in the

[37] For example, the NERC and SERC studies accredit solar resources based on their "on-peak" capacity, rather than using a more precise method like effective load carrying capability ("ELCC"). Solar is accredited at a value of 55.5% in the NERC study, whereas the E3 study shows the cumulative ELCC for a proportionate amount of solar for the FPL system dropping to 41%, with the marginal ELCC dropping to 17% by 2027. Similarly, the NERC study accredits batteries based on their peak-hour contribution, resulting in an accredited value of 97.2% for the FPL system, whereas E3's methodology accredits storage based on its marginal contribution to meeting FPL's resource adequacy needs, which changes as a function of the portfolio, declining to 76% by 2027 and 50% by 2028. While the penetration of solar and storage in the rest of the SERC region is lower than in the FPL service area, SERC's over-accreditation of these resources is likely to mask the appearance of resource adequacy issues in the broader SERC region in a similar manner to what is observed for the FPL system, if its methodologies are not updated to be more precise. (Tr. vol. 2, pp. 229-30.)

Southeast continue to anticipate (and potentially recognize) significant load growth. (Tr. vol. 5, p. 981.) These factors support requiring FPL to have sufficient firm capacity resources to ensure resource adequacy for its system, therefore making it appropriate to model FPL as not relying on non-firm imports.

In FPL's rebuttal testimony, FPL provided stochastic LOLP results for 2026 in response to OPC witness Dauphinais's concerns that E3 did not provide a load assessment for years prior to 2027. Those results showed FPL needing an additional 1,764 MW of firm capacity in order to achieve its 0.1 days-per-year LOLP planning criterion for 2026 (CEL Ex. 293, pp. 1-2), underscoring the need for FPL to add capacity in the near term. Indeed, the study did not include the following facilities with near-term online dates: (i) the 522 NWFL battery storage facilities entering service by December 2025; (ii) the 1,419.5 MW of battery storage entering service in 2026; (iii) and the 894 MW of photovoltaic ("PV") solar entering service in 2026. (Tr. vol. 5, pp. 1163-64.) As shown on CEL Ex. 64, with FPL's proposed resource additions through the end of 2026, along with future mid-year additions, FPL will be proximate to its 0.1 days-per-year LOLP standard on a going-forward basis following 2026. Rather than showing a shortcoming in FPL's resource planning, as OPC appears to contend, these results show FPL as appropriately adding cost-effective resources to meet its adequacy needs.

During cross examination, OPC attempted to challenge whether FPL's resource planning decisions, and particularly the addition of PV solar, had led to FPL's current need for firm capacity. (Tr. vol. 5, p. 1082.) However, the record well establishes that FPL's planning decisions have been prudent, and the deployment of solar resources have provided tremendous benefit for customers. In fact, the record demonstrates FPL customers have saved approximately $942 million since 2021 in avoided fuel expenses from solar installed on FPL's system. (Tr. vol. 5, p. 983.)

This represents a substantial benefit to FPL customers – not a detriment. Moreover, even today solar is still FPL's most cost-effective generating resource, and it can be added in the near-term to help satisfy FPL's energy needs to serve its customers. (Tr. vol. 5, pp. 1009, 1031.)

FEL's various contentions regarding solar production are desperate attempts to discredit the E3 RECAP modeling performed for FPL. While FEL appears to contend that the solar profiles provided to E3 for the purpose of running the stochastic analysis somehow cast doubt on the model results (Tr. vol. 22, pp. 5072-73), there is nothing in the record to support such a conclusion. FEL's argument appears driven, in large part, by the conflation of P50 solar load profiles that FPL uses for its resource planning with the more than 100 profiles generated by NextEra Analytics for the purposes of the stochastic modelling. The profiles provided to E3 for modeling purposes by necessity varied the solar insolation across a variety of weather conditions and weather years. This, of course, supports the key purpose of the modeling; namely, to test FPL's system under a variety of conditions to provide a more robust evaluation of system reliability. (Tr. vol. 5, pp. 1147-49.)

FEL also appears to make much of the fact that a number of the more-than-100 solar profiles appear to have slight time shifts in solar production, whereby solar output appears in some instances to move ahead an hour and in other profiles it appears to have moved back an hour. (Tr. vol. 2, pp. 302-05.) However, such offsetting shifts do nothing to disturb the ultimate findings of the stochastic analysis demonstrating FPL's resource need. E3's assessment of the solar output timing shifts reflected in the profiles indicate an additional availability of 100 MW or less of solar ELCC. (Tr. vol. 2, p. 305.) To contextualize that differential, FPL's total reliability need in 2027 according to the stochastic LOLP analysis is 32,322 MW. (CEL Ex. 64, p. 20.) Thus, any shift in the solar profiles, if in fact substantiated, would result in no more than a 0.3% impact on the results of the model – an immaterial figure relative to the demonstration of FPL's resource need in the

stochastic analysis. Unsurprisingly, given the inconsequential nature of this impact, E3's review of the profiles, as a whole, did not find any material issue with their output shape. (Tr. vol. 2, p. 303.) Thus, any contention that the stochastic analysis is questionable based on FPL's solar profiles and modeled production has no merit.

The unit maintenance schedule used by E3 to conduct the stochastic analysis was FPL's most current schedule at the time E3 commenced its modeling and was valid for purposes of the analysis. FEL challenges the stochastic analysis on the basis that FPL's most recent unit maintenance schedule (which was not finalized and available at the time E3 began its stochastic analysis (Tr. vol. 5, p. 1159)) would have elicited a lower LOLP. However, what FEL fails to recognize is that all input parameters – not just unit maintenance schedules – are updated and refreshed on a regular and recurring basis. Nevertheless, one set of parameters must be settled on and used for the purpose of the analysis. As testified by FPL witness Olson, the RECAP model is complex, and its model runs take a long time to return results. As such, it would be impractical to rerun and return new model results with each change or update that occurs within the portfolio. (Tr. vol. 2, pp. 278-79.)

FEL also brought forth questions concerning a handful of FPL units' capacities displayed in the E3 modeling runs that differ from their otherwise assigned capacities. (Tr. vol. 3, pp. 391-96.) However, the small discrepancies in unit capacities suggest that the RECAP model potentially overstates the capacity available on FPL's fleet by approximately 300 MW, an impact of less than 1% relative to FPL's total reliability need of 32,322 MW in 2027. (CEL Ex. 64, p. 20.) In summary, the small discrepancy in modeled unit capacities does nothing to negate the overall results of FPL's stochastic modeling.

The record reflects that FPL's stochastic modeling correctly incorporated FPL's outage data in deriving results. FEL incorrectly implies that FPL has somehow overstated the projected forced outage rate used by E3. (Tr. vol. 22, pp. 5072-73.) During cross examination, FEL's counsel presented FPL witness Olson with FPL forced outage rate information that did not include all types of outages represented in E3's modeling. (Tr. vol. 3, pp. 374-76.) However, FPL witness Olson clarified that the data used for the purpose of the stochastic modeling was inclusive of more types of outages, including forced maintenance outages (which occur when a forced outage is extended to allow for additional maintenance), than what was represented in the data brought forth by FEL's counsel at hearing. (Tr. vol. 3, pp. 374-76, 398-400.)

In addition, FPL witness Olson highlighted that the outage rates provided by FPL to E3 were "very reasonable forced outages rates... given our experience in the industry and other projects that we had done, other plants that we had seen...." (Tr. vol. 3, p. 399.) E3 also benchmarked the outage distributions resulting from the Monte Carlo process and found that the thermal outage profiles are reasonable, in line with the underlying probabilities, and suitable to use to inform judgment about the need for resources to meet a resource adequacy standard. (Tr. vol. 2, pp. 243-44.)

FEL's contentions that weather and load were misapplied in the modeling are premised on a misunderstanding of the highly diverse variables that, by necessity, are used in stochastic modeling. Functionally, unusual weather and load scenarios underlie the very purpose of performing stochastic modeling for utilities, *i.e.*, to assess the utility's fleet performance under those highly variable conditions. Thus, to derive the stochastic modeling results, FPL's load forecast was stochastically modified by E3 to fully reflect the possible variations in load that can occur over time, particularly during conditions of very hot or cold temperatures. (Tr. vol. 5, p.

1075.) Overall, E3's study evaluated loss-of-load probability for a 2027 test year using historical weather patterns over a 44-year weather history. (Tr. vol. 2, p. 225.) E3's weather and load simulations were tested for reasonableness. E3 applied benchmarking to ensure the reasonableness of its modeled load as compared to FPL's actual load. That benchmarking shows that the distribution of simulated load is a reasonable reflection of the distribution of load shapes for the FPL system. (Tr. vol. 3, pp. 351-58; CEL Ex. 1523.) Attempts to excise particular dates with unusual weather or load from the model negate the very purpose of performing stochastic modeling.

In conclusion, the record evidence amply supports that the stochastic LOLP study and resulting resource need calculations are robust and appropriate for use by the Commission in evaluating FPL's proposed resource additions. Even in a proceeding in which there was no Proposed Settlement Agreement, the evidence adduced in this proceeding is more than sufficient for the Commission to find FPL's stochastic modeling to be an appropriate tool for FPL's use in determining the need for resource additions.

c. Prudence of 2025-2027 Battery Storage Additions

As detailed in the prior subsection, the record more than substantiates FPL's near-term need for firm capacity over the 2026-2029 timeframe. Even OPC witness Dauphinais acknowledged his "expectation [] that FPL needs some level of additional capacity for Summer 2027 beyond that which is indicated by its traditional 20% [planning reserve margin] resource adequacy criterion." (Tr. vol. 14, p. 2972.) FPL's 2026 and 2027 battery storage additions, as well as the 522 MW NWFL battery storage facilities currently under construction and scheduled for commercial operation by December 2025, will help to address that identified need by providing FPL's system with firm capacity and flexible discharge capability. Further, the record demonstrates that those 2026-2027 battery storage facilities, together with FPL's proposed PV

solar additions, will save FPL's customers over $2 billion. (Tr. vol. 5, pp. 966, 988, 1002; CEL Ex. 68.)

In addition to providing firm capacity to the system, FPL's proposed battery storage additions will have the ability to quickly discharge energy to FPL's system to address hourly operational requirements. (Tr. vol. 5, p. 984.) The facilities will also provide year-round capacity to promote system reliability regardless of the time of day or the weather conditions and enable low-cost energy to be stored and delivered when needed. As such, the storage additions will serve as key resources that allow FPL to increase system reliability and flexibility by cost-effectively addressing times of peak energy consumption. (Tr. vol. 5, p. 985.) Additionally, FPL's combined-cycle fleet most often undergoes maintenance during the shoulder months, which have been susceptible to high load conditions. The stable capacity provided by battery storage will help to address higher loads and unexpected events, which in turn promotes system reliability. (Tr. vol. 5, p. 986.)

Not only are batteries operationally beneficial, but they are also the only dispatchable resource available to provide firm capacity to FPL's system prior to 2030. (Tr. vol. 5, pp. 982, 1036.) The record demonstrates that the potential to construct and bring natural gas generation into operation in the near term is severely limited. Combustion turbines ("CTs") cannot be quickly implemented and require multiple years to construct and reach operation. Moreover, gas supply available to FPL is limited, and the additional infrastructure required to increase the availability of gas supply takes time and additional cost to develop. This makes CTs unsuitable for addressing FPL's reliability needs in the near term. (Tr. vol. 5, p. 982.) However, even if gas CTs were available, the record clearly supports that FPL's proposed solar and battery storage additions are more cost-effective than adding CTs. (Tr. vol. 5, pp. 967, 981, 990; CEL Ex. 69.)

1) 522 MW NWFL Battery Storage Facilities

The NWFL battery storage facilities are 522 MW of battery storage units currently under construction in FPL's NWFL region and scheduled to enter service by December 2025. (Tr. vol. 5, p. 1038.) There are two principal purposes for these additions. First, the NWFL battery facilities provide needed capacity for that region to address times of winter peaks in the near-term. If these facilities were not installed in 2025, FPL's system would be left susceptible to capacity shortfalls in the NWFL region as early as the winter months of 2025-2026. Second, the facilities also serve as a long-term capacity solution for FPL's customers, providing both regional capacity in the NWFL region and capacity for FPL's system as a whole. (Tr. vol. 5, p. 1038.) As an additional benefit, these facilities are being sited at existing solar sites, which will reduce solar curtailment in the NWFL region and provide variable cost savings via energy arbitrage. (Tr. vol. 5, p. 1038.)

The 522 MW NWFL battery storage facilities were prudent investment decisions when the decision was made to proceed with their construction in March of 2024, and they remain prudent investments today. In 2023, FPL initially identified a need for winter capacity specific to the NWFL region and began to evaluate resource options to meet that need, including battery storage and gas-fired CTs. Of all the resource options evaluated, adding battery storage was the most cost-effective for customers. The cost-effectiveness (CPVRR) analysis completed in late 2023 demonstrates that battery capacity was the most cost-effective option for the NWFL region. (Tr. vol. 5, p. 1039; CEL Ex. 290.)

FEL witness Rábago's principal contention is that the 522 MW NWFL battery facilities are not prudent investments if the near-term need for the facilities is negated by there being more capacity available on the North Florida Resiliency Connection ("NFRC"). (Tr. vol. 17, pp. 3874-75.) However, even assuming, *arguendo*, that the near-term need could be negated by additional capacity available on the NFRC, FEL witness Rábago completely discounts the long-term firm

capacity need on FPL's system clearly demonstrated in the stochastic analysis detailed earlier. Thus, even if the NFRC were to reach full availability, the NWFL batteries are still needed to fulfill FPL's established firm capacity need. (Tr. vol. 5, p. 1040.)

FEL witness Rábago's contention that four-hour batteries would be more efficient than the three-hour batteries used for the 522 MW NWFL facilities highlights his lack of resource planning experience. (Tr. vol. 17, p. 3875.) As explained by FPL witness Whitley, regardless of a battery's capability to serve longer duration loads, a three-hour battery is sufficient to serve the period of time in winter when load is largest (typically around 7:00 a.m. to 8:00 a.m.). (Tr. vol. 5, p. 1041.) While maintaining the same MW hour capacity as the four-hour batteries, the three-hour batteries meet higher demands of load at a lower cost than a four-hour battery option. This is particularly beneficial in NWFL where the 3-hour batteries have more inverters, which allows more power to be delivered quickly to the grid. If there are sustained loads for a longer period of time, existing generation can be utilized to meet that load. (Tr. vol. 5, p. 1041.)

In summary, FPL's 522 MW NWFL battery storage facilities scheduled to enter service by December 2025 are prudent. Even were there not a settlement agreement, the Commission would be well justified in making such a finding.

2) 2026-2027 Battery Storage Facilities

The prudence of the 2026-2027 battery storage facilities is fully supported by record in this proceeding. First, the 2,239 MW of battery storage additions over those years will allow FPL to meet the future reliability needs of its customers, as previously discussed. (Tr. vol. 5, pp. 966-67; CEL Ex. 64.) Second, that battery storage capacity, when combined with FPL's proposed PV solar

facilities in 2026 and 2027, is expected to create $2,211 million in CPVRR savings for FPL's customers.[38] (Tr. vol. 5, pp. 966, 988, 1002; CEL Ex. 68.)

FPL's 2026 and 2027 battery storage selections were selected because they are the most cost-effective resource to meet FPL's planning reliability criteria. FPL's resource selection process was guided by the AURORA planning model and incorporated the stochastic LOLP modeling results to ensure a resource adequate generation plan.[39] Through this resource selection process, FPL was able to identify and test the cost-effectiveness of its proposed resource additions, including the 2026 and 2027 battery storage additions, for inclusion in this proceeding. (Tr. vol. 5, pp. 976-77.) Importantly, the cost-effective system additions identified by FPL will only enable the Company to meet (not surpass) its generation planning reliability criteria in the near term. (Tr. vol. 5, p. 1029; CEL Ex. 54, p. 20.)

At the hearing, OPC's counsel appeared to contend that FPL's proposed acquisition of Vandolah should negate some of FPL's proposed 2027 battery storage build. However, as discussed in Section III.B.21 of this brief, forgoing the proposed 2027 battery storage construction in the hopes that the Vandolah acquisition closes on the anticipated timeline is a risky proposition for FPL's obligation to provide reliable service to customers.

OPC's counsel also tried to cast doubt on FPL's proposed resource additions by challenging FPL's view that the One Big Beautiful Bill[40] ("OBBB") will not impact its expected

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[38] At hearing, OPC's counsel questioned FPL witness Whitley on the effect that carbon cost projections had on the CPVRR evaluation, insinuating that a carbon tax is unlikely to occur in the near future. (Tr. vol. 5, pp. 1097-1100.) In response, witness Whitley clarified that in the referenced carbon compliance costs projections there is a zero percent chance of the costs occurring before 2036 and that if such costs were removed from the cost-effectiveness analysis, the analysis would still show customer CPVRR savings with FPL's proposed resource additions. (Tr. vol. 5, pp. 1097-1100.)

[39] Without incorporation of the stochastic analysis, the AURORA model would have identified greater amounts of solar additions as compared to FPL's proposed resource additions, and no battery storage additions until 2029. (Tr. vol. 5, pp. 1029-31.) However, adoption of a plan that does not incorporate FPL's proposed 2026 and 2027 battery storage would leave FPL without sufficient capacity and in an inadequate resource position. (Tr. vol. 5, p. 1030.)

[40] Public Law No. 119-21, 139 Stat. 72 (July 4, 2025).

receipt of tax credits. (Tr. vol. 5, pp. 1100-01.) However, neither the OBBB, nor any guidance has changed FPL's expectation that the anticipated receipt of tax credits for solar and battery storage facilities will be recognized. (CEL Ex. 354.)

d. Forecasting

The record in this proceeding demonstrates that FPL produced reliable, unbiased forecasts of customers, energy sales, and system peak demands for the FPL system for 2026 through 2029. FPL developed the customer, energy sales, and peak demand forecasts for years 2026 through 2029 using actual data through June 2024 and S&P Global's (formerly IHS Markit) July 2024 economic projections. (Tr. vol. 12, pp. 2609-10.) FPL has relied on economic projections from S&P Global for a number of years, including the forecasts provided in the FPL 2024-2035 TYSP. The July 2024 vintage data is the most up-to-date and accurate information available at the time the forecasts were prepared. (CEL Ex. 141, p. 1.)

FPL's approach to developing the forecasts for 2026-2029 is the same approach used in FPL's most recent 2021 base rate proceeding in Docket No. 20210015-EI. The approach used by FPL to develop the forecasts for 2026-2029 is also consistent with the criteria used by the Commission in recent years to evaluate utilities' forecasts.[41] FPL's customer, energy sales, and peak demand forecasts for years 2026 through 2029 were developed using well-established methods that have consistently provided reliable forecasts that are used for all regulatory and planning purposes. The models used to develop these forecasts are statistically sound, display excellent goodness of fit, have minimal model residuals, and have insignificant serial correlation.

[41] The Commission has evaluated utilities' forecasts based on the use of statistically sound forecasting methods and reasonable input assumptions. *See*, *e.g.*, Order Nos. PSC-16-0032-FOF-EI, PSC-14-0590-FOF-EI, PSC-13-0505-PAA-EI, PSC-12-0179-FOF-EI, PSC-12-0187-FOF-EI, PSC-09-0283-FOF-EI, and PSC-08-0518-FOF-EI. The Commission has also considered whether a forecast is applied consistently; that is, whether a forecast used for one purpose, such as a rate filing, is the same forecast used for other purposes, such as generation planning. *See* Order No. PSC-09-0283-FOF-EI. Additionally, the Commission has considered a utility's record of forecasting accuracy when evaluating forecasts. *See* Order No. PSC-16-0032-FOF-EI.

(Tr. vol. 12, pp. 2611-12; CEL Ex. 141, pp. 5, 8-9, 11.)

No parties took issue with the validity of any of FPL's customer, sales, or peak forecast models, nor did any parties dispute that the models are statistically sound. However, based on short-term variances in historical actuals compared to historical forecasts, OPC and FEL proposed adjustments to the long-term forecast that is used for all ratemaking and generation resource planning purposes. OPC witness Thomas proposed significant revisions to the results of FPL's customer and energy forecasts.[42] OPC witness Thomas also asserted that FPL is double-counting energy efficiency impacts in its models and as a result is under-forecasting sales. FEL witness Rábago focuses primarily on FPL's energy sales forecasting accuracy and recommends an arbitrary and unsupported 3% adjustment to its sales forecast.

These intervenors spent significant time comparing FPL's historical forecasts to the historical actuals and claim the differences demonstrate that FPL forecasts are always over- or under-forecasted. (*See, e.g.*, Tr. vol. 12, pp. 2704-2716; Tr. vol. 17, pp. 3887-89.) However, forecasts are accurate and reliable at the time they are prepared if they are based on the most accurate and best information that is available at the time. Variances or differences in a forecast compared to actuals are nothing more than that and calling it an "error" is strictly for inflammatory purposes. (Tr. vol. 12, pp. 2692-93.) No one can predict the future with absolute certainty and, as such, forecasts will always differ from actuals. (Tr. vol. 12, p. 2708.) Effective forecasting should be grounded in broader historical data — typically covering many years — to capture meaningful trends, changes, and patterns in customer behavior over time. Short-term deviations may reflect

[42] OPC witness Thomas' proposed revisions included: increasing the residential customer forecast by approximately 40,000 customers over two years based on recent short-term growth patterns; adjusting commercial, lighting, and industrial customer forecasts using what he terms "forecast error" based on limited monthly data; restricting historical data to shorter time periods; and implementing a simplified constant load factor approach for peak demand forecasting. (Tr. vol. 14, pp. 3174-76, 3183-84, 1387.)

temporary or seasonal variation, or recent shifts in economic conditions, but are not sufficient on their own to justify long-term changes to the forecast. (Tr. vol. 12, p. 2693.)

Further, FPL witness Cohen explained that when comparing weather normalized forecasts to weather normalized actuals, these variances are less than 1%, which further demonstrates that FPL's forecasting methodology is reasonable, appropriate for rate-setting purposes, and should not be subject to the arbitrary and unsupported adjustments proposed by the intervenors. (Tr. vol. 12, pp. 2707, 2709-11, 2715-16; Tr. vol. 13, pp. 2795, 278-79, 2818.) The intervenors' critiques of FPL's forecasts are based on a fundamentally incorrect comparison methodology that ignores weather normalization, which is not appropriate for evaluating forecast performance because it is comparing "apples-to-oranges." Weather is a major driver of residential and commercial energy usage, particularly for heating and cooling. When differences in weather are not accounted for, forecast variances may be incorrectly attributed to the forecasting model rather than abnormal weather conditions. This makes non-weather-normalized actuals an inappropriate basis for evaluating forecasts designed to reflect normal weather conditions. (Tr. vol. 12, pp. 2695-96.)

Weather normalizing historical data removes the variability of weather and the resulting growth rates reflect the true underlying growth trends. Similarly, weather-normalized historical data is also necessary when determining the difference between a forecast and actuals. (CEL Ex. 141, p. 2.) Electric utilities in Florida have relied on weather-normalized sales variances in their rate filings consistent with the Commission's policy that rates be based on weather-normalized sales.[43] For purposes of the FPL forecasts, normal weather is calculated as the average of the most recent 20 years of historical weather. (CEL Ex. 141, p. 3.)

OPC and FEL criticize FPL's use of 20-year normal weather and recommend 10-year

[43] Order No. PSC-11-0103-FOF-EI.

normal weather. Although there may be some exceptions, the 20-year normal weather is a widely used industry practice. FPL, former Gulf Power Company, and TECO have relied on 20-year normal weather for forecasting and weather normalization. The use of 20-year normal weather is appropriate because it provides stability to the weather assumptions, which in turn provides greater stability to the load forecasts, and this stability is especially important given the inherent volatility of weather.[44] (CEL Ex. 141, p. 3.) While the rolling 20-year trend has shown warmer temperatures in recent years, this is fully captured in the 20-year history. It is unknown at what rate and how long this trend could persist into the future. Based on this uncertainty, FPL and many other utilities have chosen to continue with the 20-year average. (Tr. vol. 12, p. 2698.)

Moving to a 10-year period risks anchoring forecasts too heavily on recent trends that may not persist, and, as a result, outliers could have significant impacts over a shorter period and thereby introduce bias in the forecast. (Tr. vol. 12, pp. 2721-23.) Extreme years appearing in shorter windows do not establish reliable predictive trends for long-term planning decisions and, importantly, could cause under or overinvestment in generation and infrastructure. Simply put, a 20-year historical period is more stable than using a shorter period and remains the most common practice for determining normal weather. Stability of weather assumptions is important not only for forecasting but also for long-term system and generation planning. (Tr. vol. 12, pp. 2697-68.)

The forecast adjustments recommended by OPC and FEL are based on their incorrect claim that a comparison of the historic forecasts with actuals demonstrates forecast error. As explained above, FPL's load forecast demonstrates reasonable accuracy when properly evaluated against weather-normalized actuals, which is the appropriate standard for forecast performance

[44] The National Oceanic and Atmospheric Administration ("NOAA") is a U.S. federal agency that focuses on weather, climate, oceans, and atmospheric research. NOAA uses 30-year weather data to establish "climate normal" weather data that are baseline averages for temperature, precipitation, and other weather conditions that help define what is typical for different locations. (Tr. vol. 12, p. 2697.)

assessment. FPL's methodology employs statistically robust approaches using 20-year historical datasets, econometric modeling, and weather normalization periods that align with industry standards and provide the stability necessary for responsible utility planning. As explained by FPL witness Cohen, the proposed arbitrary adjustments by OPC and FEL, such as FEL witness Rábago's unsupported 3% increase or OPC witness Thomas's haphazard customer count revisions, lack proper analytical foundations, and would degrade forecast quality by introducing bias and volatility inappropriate for long-term infrastructure planning and regulatory decision-making. (Tr. vol. 12, pp. 2691-96.)

Additionally, OPC's claim that FPL is double counting energy efficiency of its Demand Side Management ("DSM") programs and the codes and standards is incorrect. As explained by FPL witness Cohen, the DSM programs and codes and standards are two distinct energy efficiency mechanisms, and FPL has carefully separated and made these two appropriate adjustments for energy efficiency in the energy sales forecast to ensure that sales are not artificially overstated. (Tr. vol. 12, p. 2697.)

FPL's load forecasting methodology represents a comprehensive, statistically robust approach that has been developed using industry best practices and proven analytical techniques. The criticisms raised by intervenor witnesses are fundamentally flawed in their analytical foundations and recommendations. Specifically, the proposed adjustments by OPC witness Thomas lack proper statistical support, rely on inappropriately short time periods, and fail to account for broader economic conditions and established forecasting principles. Meanwhile, FEL witness Rábago's critique is based on a fundamentally incorrect comparison methodology that ignores weather normalization, rendering his analysis and recommendations meaningless for purposes of evaluating forecast performance. (Tr. vol. 12, p. 2701.)

FPL's forecasting approach demonstrates its soundness through multiple key factors, including, but not limited to: FPL's energy sales forecasts show low variances when properly evaluated against weather-normalized actuals; use of 20-year weather normalization aligns with industry standards and provides the stability necessary for long-term utility planning; and FPL's forecasting models appropriately incorporate 20 years of historical data, econometric relationships, and tailored approaches for different service areas and seasonal patterns. The forecasts presented in this proceeding were developed using well-established methods, incorporate inputs from leading industry experts, and were based on the best and most recent information available at the time the forecast were prepared. (Tr. vol. 12, p. 2701.) These forecasts for 2026 through 2029 are reasonable, appropriate for rate-setting purposes, and should not be subject to the arbitrary and unsupported adjustments proposed by the intervenors. FPL's forecasting methodology has withstood regulatory scrutiny and continues to provide reliable planning foundations for maintaining system reliability while serving our customers' needs. (Tr. vol. 12, p. 2702.)

5. Revenue Requirement Allocation

The revenue allocation under the Proposed Settlement Agreement reflects a negotiated compromise of differing and competing positions by parties representing a broad range of interests and customer classes. (Tr. vol. 20, p. 4632.) The Signatory Parties agreed to increase the base rate revenue allocation to all rate classes using a modified equal percentage allocation. Under this methodology, all rate classes except the residential rate class are allocated revenues based on the same percentages in order to achieve the targeted revenue increases. The revenue allocation to the residential rate class is limited to 95% of the adjusted system average, which results in the residential class receiving the lowest percentage revenue increase of all rate classes. (Tr. vol. 20, pp. 4632-33.) Consistent with the Commission's gradualism policy, under the Proposed Settlement Agreement no rate class will receive an increase higher than 1.5 times the system

average increase in revenue (*i.e.*, 14.4% for 2026 and 23.0% for 2027), including adjustment clauses, and no rate class will receive a decrease. (Tr. vol. 20, p. 4634.)

The NSPs are critical of the fact that the Proposed Settlement Agreement does not expressly provide for a specific cost of service methodology. (Tr. vol. 22, pp. 5011, 5021, 5024, 5048-50.) The NSPs also claim that the revenue allocation under the Proposed Settlement Agreement is moving many classes away from parity and shifting costs onto residential customers. (Tr. vol. 22, pp. 5049-52.) The NSPs also take issue with the revenue increase that the GS rate class will receive under the Proposed Settlement Agreement as compared to FPL's as-filed case. (Tr. vol. 22, pp. 5050-52.) The NSPs' criticisms of the revenue allocation under the Proposed Settlement simply ignore the evidence of record that demonstrates the revenue allocation under the Proposed Settlement Agreement is a reasonable compromise that maintains the relative cost, parity, and rate relationships previously approved under the 2021 Settlement Agreement, which this Commission found to be in the public interest and was affirmed by the Florida Supreme Court. Moreover, the NSPs ignore that the rates under the Proposed Settlement Agreement result in bills for all customers that are projected to remain among the lowest in the nation.

It is important to understand that a cost of service study is a tool and a guide used to assist with rate class revenue allocation for the purpose of setting rates – it does not provide the final revenue allocation, which is done through rate design. A cost of service study provides two outputs that are used as guides for allocating revenue: (i) parity of each rate class at present rates (the results are a function of revenues and costs for each rate class at present rates); and (ii) the revenue allocation required for each rate class to be taken to full or 100% parity, meaning their full cost to serve (referred to as revenue allocation at equalized rates). This information produced from the cost of service study is considered in the rate design stage where the target revenue requirement is

allocated to each rate class and rates are set based on traditional rate-making principles, including, but not limited to, the Commission's longstanding practice of gradualism, rate and revenue stability, transparency, simplicity, fairness, and no undue discrimination. Thus, although revenue allocation uses the results of the cost of service study as a guide, the final revenue allocation to each rate class is typically different than the revenue allocation at equalized rates (*i.e.*, 100% parity). (Tr. vol. 23, pp. 5196-97.)

The NSPs' concern that the Proposed Settlement Agreement does not explicitly adopt a cost of service methodology is misplaced. It is not uncommon for rate case settlements to be based on a negotiated revenue allocation rather than allocations determined by a specific cost of service study. (Tr. vol. 23, p. 5199.) In fact, the approach taken by the Signatory Parties in this case is similar to the approach agreed to in the Commission-approved settlement of the most recent DEF base rate case in Docket No. 20240025-EI, which agreement was notably signed by OPC and supported by one of the intervening FEL members.[45] Clearly, by the NSPs' own actions and conduct in Docket No. 20240025-EI, the Commission can and has approved a negotiated revenue requirement without using a specific cost of service study to determine final rates.

Further, the NSPs ignore that a total of five different cost of service methodologies were proposed by the parties in this case, and each would have resulted in different rate class parities at present rates and different allocations at equalized rates. (Tr. vol. 7, pp. 1473-74; Tr. vol. 20, p. 4633; CEL Ex. 1284.) Meaning, there were multiple different opinions on the starting point that could be used to allocate revenues at the rate design stage. (Tr. vol. 23, p. 5197.) While the Proposed Settlement Agreement does not expressly adopt a specific cost of service methodology, there were multiple cost of service methodologies presented in this proceeding as guidelines for

[45] *See* Order No. PSC-2024-0472-AS-EI, p. 15 (noting that Counsel for League of United Latin American Citizens of Florida stated their support for the settlement).

how the revenues should be allocated – whether by litigated outcome or settlement agreement.

Balancing the divergent and competing positions on the cost of service methodology, the Signatory Parties agreed upon a revenue allocation rather than using a specific cost of service to determine final rates. Notably, the parity results of the revenue allocation under the Proposed Settlement Agreement are within the range of parity indices at present rates under each of the cost of service methodologies proposed in this case. (Tr. vol. 20, pp. 4633-34; Tr. vol. 23, pp. 5197-99; CEL Ex. 1284.) This further demonstrates that the revenue allocation under the Proposed Settlement Agreement was a reasonable compromise of the differing and competing cost of service positions submitted by the parties.

Additionally, the NSPs disregard the fact that the net effect of applying the modified equal percent allocation methodology under the Proposed Settlement Agreement is that the existing cost allocations in effect today remain in place and are unchanged. (Tr. vol. 23, pp. 5198, 5200-01.) This is illustrated by the fact that the rate class parities under present rates (*i.e.*, the currently approved cost allocation methodology) are essentially the same with the proposed revenue allocation under the Proposed Settlement Agreement. (Tr. vol. 20, pp. 4633-34; CEL Ex. 1284.) FPL's current rates are the result of the 2021 Settlement Agreement that was found to be in the public interest and approved by the Commission and affirmed by the Florida Supreme Court.[46] FPL's current cost allocation methodology approved in the 2021 rate case is the 12 CP and 1/13th for Production Plant, the 12 CP for Transmission Plant, and a negotiated allocation for Distribution Plant. Thus, if the Proposed Settlement Agreement is approved, this same previously approved cost allocation methodology will mathematically remain in place during the term of the Proposed Settlement Agreement. Although this was not expressly stated in the Settlement Agreement, it

[46] OPC signed and supported the 2021 Settlement Agreement as being in the public interest. *See* Order No. PSC-2024-0078-FOF-EI at 3 n.2.

does not change the fact that the application of the Proposed Settlement Agreement ultimately keeps the current underlying cost allocations in place.[47] (Tr. vol. 23, pp. 5200-01.)

The NSPs' claim that the revenue allocation under the Proposed Settlement Agreement will shift costs onto residential customers is misplaced and contrary to the record.[48] The RS rate class is receiving a revenue allocation that is approximately $241 million less in 2026 and approximately $318 million less in 2027, or a collective $559 million less over the two-year period, under the Proposed Settlement Agreement than they would have received under FPL's as-filed case. (Tr. vol. 23, p. 5202.) Further, the parity for the RS rate class is improving under the Proposed Settlement Agreement compared to the parity indices at present rates under all of the cost of service methodologies proposed in this case. In fact, as compared to present rates under the existing cost of service methodology from the 2021 Settlement Agreement, the parity for the RS rate class is slightly decreasing by 0.01, which is due to the revenue allocation for the RS rate class being capped at 95% of the system average increase under the Proposed Settlement Agreement. (Tr. vol. 23, p. 5203; CEL Ex. 1284.)

Under the Proposed Settlement Agreement, FPL's projected 2026 typical residential bill will remain nearly 22% below the current national average. Additionally, the CAGR of the typical residential bill for customers in the former FPL service area is projected to increase from January

[47] It should be noted that the 12 CP and 1/13th cost allocation for Production Plant is essentially in the middle of all the cost of service proposals presented in this proceeding, which further illustrates it is a reasonable compromise. (Tr. vol. 23, pp. 5198, 5201.)

[48] In making this claim, FEL witness Rábago is improperly trying to apply the revenue allocation under the Proposed Settlement Agreement to the revenue allocation under FPL's as-filed case. Essentially, he is arguing that if the Signatory Parties used the revenue allocation under FPL's as-filed case to allocate the revenues under the Proposed Settlement Agreement, then the revenues allocated to each class, including the RS rate class, would be different. This is not ground-breaking; it is obvious because the as-filed case and Proposed Settlement Agreement are based on two entirely different revenue allocations so one would logically expect the revenues allocated to each rate class to likewise be different. Comparing the revenues that a rate class would have received under the as-filed case to the revenues that same rate class would receive under the Proposed Settlement Agreement is an "apples-to-oranges" comparison. The appropriate point of comparison is comparing the revenues the rate class is receiving at present rates and the impact the revenue allocation has on that rate class's parity position. (Tr. vol. 23, pp. 5202-03.)

1, 2025 through December 31, 2029 by approximately 2%, as compared to 2.5% under the rates originally requested, and the CAGR of the typical residential bill for customers in NWFL is projected to increase by approximately 0.6% through 2029. These increases are significantly below the rate of inflation projected for this same time period. (Tr. vol. 23, p. 5203.)

The NSPs' contention that the GS rate class will receive a substantial rate increase is an incorrect characterization of the Proposed Settlement Agreement. Under the Proposed Settlement Agreement, all CI rate classes were treated equally and fairly by applying the same exact increase to all classes. Indeed, the GS rate class received the same 10.4% increase (not a 300% increase as insinuated by FEL witness Marcelin) as every other non-residential rate class. (Tr. vol. 23, p. 5204.) The revenues allocated to the GS rate class under the Proposed Settlement Agreement is a mathematical product of two factors: first, the current level of rates for the GS rate class due to the revenue and cost allocations under FPL's 2021 Settlement Agreement that was found to be in the public interest and approved by the Commission; and second, the modified equal percent revenue allocation method for all rate classes except the RS rate class under the Proposed Settlement Agreement. Considering that the 2025-2029 CAGR of the typical GS customer bill of approximately 2.4% is the lowest increase of the major CI rate classes and 2.4% is well below the rate of inflation projected over that same period, FPL submits that the revenue allocation to the GS rate class is a reasonable outcome in terms of revenue apportionment and bill impact for the class. (Tr. vol. 23, pp. 5204-05.)

For these reasons, the revenue allocation to the RS, GS, and all other rate classes is a reasonable outcome in terms of revenue apportionment and bill impact for the rate classes, and the revenue allocation in the Proposed Settlement Agreement results in rates that are just, fair, and reasonable.

6. Commercial/Industrial Load Control and Demand Reduction Credits

The Commercial/ Industrial Load Control ("CILC") tariff and the Commercial/Industrial Demand Reduction ("CDR") rider programs are FPL's largest DSM programs for commercial and industrial customers. Voluntary participants in these programs agree to allow FPL to remotely lower a portion of the participant's served electric load as needed (for example, during a period of high electrical demand on FPL's system) in exchange for the participant receiving a reduction in their monthly bill. The two programs have a combined demand reduction capability of slightly more than 900 MW. (Tr. vol. 5, p. 994.) The current incentive payment level of $8.76/kW was set pursuant to FPL's 2021 Settlement Agreement. (Tr. vol. 5, p. 995.)

In its as-filed case, FPL proposed lowering the incentive level from $8.76/kW to $6.22/kW. (Tr. vol. 5, pp. 968, 1000.) In support of the reduction to $6.22/kW, FPL noted the overall benefit of having an incentive that surpasses a Rate Impact Measure ("RIM") ratio of 1.00, highlighting that the further above 1.00 the RIM ratio is, the more assurance there is that the credit given to the participating customers does not outweigh its benefits to the general body of customers. (Tr. vol. 5, p. 999.) The proposed change in the CILC/CDR incentive level from $8.76/kW to $6.22/kW results in a RIM test ratio of 1.49. (Tr. vol. 5, p. 1000.)

Intervenor witnesses presented widely varied views of the value that the CDR and CILC programs provide for FPL's system. At one end, FEL witness Marcelin argued that the programs barely provide any system value at all and that the credits associated with the programs should be eliminated. (Tr. vol. 17, p. 3908.) FRF proposed a CDR credit of $9.33/kW using a RIM test ratio of 1.0 similar to other FPL DSM programs (Tr. vol. 17, pp. 3755, 3760), and FIPUG and Walmart argued that the CILC and CDR programs are cost-effective at the current level because they have a RIM test ratio of 1.06. (Tr. vol. 10, p. 2170; Tr. vol. 17, p. 3808.) Additionally, FIPUG proposed a credit of $12.32/kW to reflect other capacity benefits of the CDR and CILC programs. (Tr. vol.

17, pp. 3794, 3815-16.)

Under the Proposed Settlement Agreement, the level of utility-controlled demand credits for customers receiving service pursuant to FPL's CILC tariff and the CDR rider will be $9.75/kW, which is a modest increase from the current credit level and represents a reasonable compromise among the differing credit level proposals and cost-effectiveness positions submitted by the Signatory Parties. Under the Proposed Settlement Agreement, the CILC and CDR credits will be increased and become effective with each SoBRA, which is consistent with historical SoBRA-type base rate increases. FPL will continue to recover the CILC and CDR credits through the Energy Conservation Cost Recovery Clause. (Tr. vol. 20, pp. 4637-38.)

The CDR/CILC credits established under the Proposed Settlement Agreement were challenged by FEL witnesses Rábago and Marcelin, who claim the credits are not cost effective and will shift costs to the general body of customers.[49] (Tr. vol. 22, pp. 5025-27, 5053-55) Although the assumptions used in FPL's RIM test analysis result in lower CILC/CDR credits in the as-filed case, the assumptions used by other parties' analyses resulted in higher CILC/CDR credits. The CILC/CDR credit of $9.75/kW under the Proposed Settlement Agreement was a compromise of these competing and different analyses and proposals for the appropriate level of credits. While it is true that the CDR/CILC credit of $9.75/kW will result in a RIM cost-effectiveness score of 0.96, which is just below a RIM-passing score of 1.00, this credit level does pass the Total Resource Cost cost-effectiveness test with a score of 105.79, which is one of the three cost-effectiveness tests recognized by the Commission and is a cost-effectiveness test FEL has routinely supported in multiple DSM Goals dockets before the Commission. (Tr. vol. 23, pp.

[49] It was made apparent through cross-examination by FRF's counsel that FEL witness Marcelin had no comprehension of the value that the CDR/CILC programs provide for FPL's system or the operational effects that would need to be accounted for should FPL need to shut off a CDR or CILC participant in a load control situation. (Tr. vol. 22, pp. 5132-35.)

5208-09.)

The FEL witnesses also take issue with the increase in the CILC/CDR credits with each approved SoBRA under the Proposed Settlement Agreement. (Tr. vol. 22, pp. 5026-27.) However, this approach is consistent with prior Commission-approved settlement agreements[50] and aligns with the intent of the SoBRA mechanism in that base rate changes should be applied uniformly to all base rate components. Load control credits are considered a base rate item, and under the SoBRA mechanism all base rate items are increased by a corresponding equal percentage. Since 2013, load control credits have increased with every Generation Base Rate Adjustment ("GBRA") and SoBRA. (Tr. vol. 23, pp. 5209-10.)

The CDR/CILC credits are intended to reflect the value provided by the CDR/CILC programs and are part of a multi-faceted settlement agreement that is designed to achieve key public interest objectives, such as low bills and rate stability, throughout the minimum four-year term of the Proposed Settlement Agreement.

7. Large Load Contract Service

FPL proposed new rate schedule Large Load Contract Service-1 (LLCS-1),[51] new rate schedule Large Load Contract Service-2 (LLCS-2),[52] and the associated LLCS Service Agreement tariff (collectively referred to as the "LLCS Tariffs") to proactively address and be ready to serve

[50] Order Nos. PSC-2016-0560-AS-EI and PSC-2021-0446-S-EI.

[51] The LLCS-1 rate schedule will be available to serve a combined total load of 3 gigawatts ("GW") in three zones located in close proximity to FPL's existing 500 kV transmission facilities, which reduces the need for network upgrades and the overall costs incurred to serve these customers' loads. Rate schedule LLCS-1 includes a stated rate for the Incremental Generation Charge ("IGC") to recover the costs of the incremental generation capacity necessary to serve the combined total load, which will be reset in a subsequent rate proceeding based on the type, characteristics, size, location, and in-service date(s) of the facilities and generation resources installed to serve the load under this rate schedule. (Tr. vol. 12, p. 2625.)

[52] The LLCS-2 rate schedule is similar to LLCS-1 with three primary exceptions: (i) LLCS-2 is not available in the regions serviced under rate schedule LLCS-1; (ii) LLCS-2 is not capped at 3 GW; and (iii) the IGC is based on a formula because FPL is not able to provide a stated rate for the incremental generation capacity necessary to serve customer loads under this rate schedule. This is an optional rate for those customers that elect not to site their load within one of the three regions included in LLCS-1. (Tr. vol. 12, pp. 2625-26.)

large load customers that will have significant impacts on FPL's transmission system and generation resource plan, and to ensure that the general body of customers is protected from incremental costs incurred to serve such large load customers. As originally proposed, the LLCS Tariffs would apply to large load customers with new or incremental load of 25 MW or more and a load factor of 85% or higher. (Tr. vol. 12, p. 2624.)

The LLCS Tariffs were developed to meet the following objectives: (i) ensure that FPL has a tariff and service agreement available to serve customers of this magnitude should they request service in the future; (ii) ensure that the cost-causer bears primary responsibility and risk for the significant generation investments required to serve a customer of this size; and (iii) protect the general body of customers and mitigate risk of subsidization and stranded assets. (Tr. vol. 12, pp. 2624-25.) To meet these objectives, the originally proposed LLCS Tariffs included the following customer protections:

- Negotiated load ramp to make sure that FPL can both meet the LLCS customer load and continue to provide safe and reliable service to customers;
- IGC to recover the incremental generation costs incurred to serve the LLCS customer;
- 20-year term tied to the IGC to ensure that the LLCS customer pays for their share of the incremental generation costs;
- Minimum bill that includes both (i) 100% IGC at the load ramp demand and thereafter the contract demand regardless of actual load and (ii) 90% minimum take-or-pay demand charge;
- 2-year notice requirement before termination;
- Exit Fee for early termination equal to accelerated payment of 100% of IGC remaining to be paid under the 20-year term; and
- Performance security or collateral to backstop risk of payment of the Exit Fee upon early termination.

(Tr. vol. 12, pp. 2627-29.)

Although FPL currently does not project any LLCS customers until 2028 at the earliest, it is reasonable and appropriate to implement the LLCS Tariffs now in order to be ready to serve

these customers given the time necessary to construct both the LLCS customer and FPL facilities, as well as the ongoing interest in electric service by multiple large load customers. Simply waiting until such large load customers begin to take service before filing proposed new tariffs would erode the important customer protections in the proposed LLCS Tariffs and result in subsidization by the general body of customers until such new tariffs and rates are approved. (Tr. vol. 12, pp. 2666-67, 2674.)

Notably, two of the three NSPs (OPC and FEL) generally supported the development of the LLCS Tariffs, while the third NSP (FAIR) did not directly address the LLCS Tariffs. Indeed, OPC witness Wilson was generally complimentary of FPL's proposed LLCS Tariffs stating that FPL "had wisely moved to get out in front of" new large load customers and agreed that a large load tariff is needed before customers are willing to contract for power. (Tr. vol. 21, pp. 4741, 4760.) Likewise, FEL witness Rábago opined that FPL's proposed LLCS Tariffs "are a good start and, if properly applied, will protect the public interest." (Tr. vol. 17, p. 3884.) Significantly, other than FEL witness Rábago's generic concerns about rates applied to general large load customers, none of the NSPs took any specific issue with or offered any recommended modification to FPL's proposed LLCS Tariffs in their direct testimony.

Four different intervenors submitted direct testimony proposing modifications to FPL's proposed LLCS Tariffs. FEIA, which represents data centers and developers of data centers, recommended that the LLCS rates be reduced to be more competitive with other jurisdictions and opposed the collateral requirement and minimum take-or-pay demand charge as being commercially unreasonable. (Tr. vol. 15, pp. 3386-89.) Walmart, FIPUG, and FEA generally supported the LLCS Tariffs with certain recommended modifications. (Tr. vol. 10, pp. 2175-76; Tr. vol. 16, p. 3533; Tr. vol. 17, pp. 3936-37.) Both FIPUG and Walmart questioned whether the

25 MW demand threshold is too low and could unintentionally include more traditional commercial and industrial customers. (Tr. vol. 10, p. 2176; Tr. vol. 16, pp. 3478, 3532.) FIPUG also questioned whether the rates under the LLCS tariffs were too high. (Tr. vol. 16, pp. 3478, 3531-32.) Finally, FEA proposed that the termination notice for the LLCS tariffs be increased from 2 years to 5 years, the minimum take-or-pay demand charge be reduced, and questioned the Performance Security amount included in the LLCS Service Agreement. (Tr. vol. 17, pp. 3936-37.)

FPL addressed each of these recommendations and concerns in its rebuttal testimony. As explained therein, many of the modifications and concerns raised by the intervenors were based on an incorrect assumption that FPL has the capacity today to serve the LLCS customers, as well as a misunderstanding of the LLCS Tariffs and rates and the fact that the IGC and other rate components will be reset in subsequent rate cases based on the type, characteristics, size, location, and in-service date(s) of the facilities and generation resource(s) installed to serve the LLCS customer loads. (Tr. vol. 12, pp. 2664, 2673-79.) However, in response to certain concerns by the intervenors, FPL proposed in its rebuttal to make limited modifications to the LLCS Tariffs.

With respect to concerns regarding the 25 MW threshold for the LLCS tariffs and based on more recent data, including the engineering and system impact studies requested by potential LLCS customers, FPL proposed to set the threshold for the LLCS tariffs at 50 MW or more of new or incremental load with a load factor of 85% or more. (Tr. vol. 12, pp. 2672-73.) Additionally, based on the contract demands and likely load ramps requested in the ongoing engineering and system impact studies for potential LLCS-1 customers, FPL proposed to update and reprice the LLCS-1 tariff rates based on the capacity additions needed to serve 1 GW of load by the end of 2029, rather than the entire 3 GW of load available to be served under that rate schedule. Under

this proposal, the IGC and other rate components of the LLCS-1 will be re-priced in subsequent base rate proceedings up to the maximum 3 GW load under the LLCS-1 tariff. (Tr. vol. 12, pp. 2684-85.) In response to FEIA's concerns that the Performance Security amount or collateral equal to the entire IGC over the 20-year term was commercially unacceptable, FPL proposed to set the collateral amount based on and reflective of the LLCS customer's credit rating relative to the investment. (Tr. vol. 12, pp. 2685-86.) Finally, in response to FEIA's concern that the 90% take-or-pay minimum demand charge was commercially unreasonable, FPL proposed a modest reduction in the minimum take-or-pay demand charge from 90% to 70% given the additional protections of FPL's proposed CIAC tariff and existing Performance Guarantee Agreement ("PGA") mechanism, both of which help backstop the non-CIAC amount to be recovered from the customer. (Tr. vol. 12, pp. 2686-87.)

To resolve the multiple differing and competing positions regarding the proposed LLCS Tariffs, the Proposed Settlement Agreement provides that the LLCS Tariffs should be adopted with certain minor modifications that were agreeable among the Signatory Parties, including all intervenors that actually submitted direct testimony raising concerns and recommendations regarding the proposed LLCS Tariffs. Specifically, the Proposed Settlement Agreement provides that the LLCS Tariffs should be approved with the following modifications:

- The LLCS Tariffs will apply to any customer with new or incremental load of 50 MW or more and a load factor of 85% or higher.
- The minimum take-or-pay demand charge for the LLCS Tariffs will be 70%, but LLCS customers will still be required to pay 100% of the IGC during the entire 20-year term of the LLCS Service Agreement, as well as be subject to exit fees for early termination that are equivalent to accelerated payment of 100% of the IGC to be paid over the remaining term of the LLCS Service Agreement.
- The LLCS base, non-fuel energy, and demand charges will be based on the final revenue requirements in the Proposed Settlement Agreement.

- The IGC for the LLCS-1 rate schedule will be based on the capacity additions needed to serve the 1 GW of load by the end of 2029 and updated to reflect the return on equity agreed to in the Proposed Settlement Agreement.
- The performance security amount included in the LLCS Service Agreement will be modified to better reflect the customer's credit rating relative to the incremental generation investment required to serve that customer to help mitigate the potential risk associated with a LLCS customer that breaches or otherwise terminates the agreement and is required to pay the Exit Fee under the LLCS Agreement. Specifically, a LLCS customer rated BBB or above will be required to post a performance security or collateral equal to five years of the IGC and a LLCS customer rated below BBB will be required to post ten years of IGC.
- The Proposed Settlement Agreement also includes changes to FPL's internal policy on the timing and process for an applicant seeking service under the LLCS Tariffs to accept the results of the engineering and system impact studies, execute the Construction and Operating Agreement, and enter the LLCS Service Agreement reserving capacity on FPL's system for the applicant's LLCS project.

(Tr. vol. 20, pp. 4639-41.)

The LLCS Tariffs, as modified by the Proposed Settlement Agreement, are a reasonable compromise of multiple differing and competing positions, and will continue to meet the purpose and objectives of the LLCS Tariffs to: (i) ensure that FPL has a tariff and service agreement ready and available to serve customers of this magnitude should they request service in the future; (ii) ensure that the cost-causer bears primary responsibility and risk for the significant generation investments required to serve a customer of this size; and (iii) protect the general body of customers and mitigate the risk of subsidization and stranded assets. Accordingly, the LLCS Tariffs are a key public interest element of the Proposed Settlement Agreement.

Importantly, the NSPs support adoption of the LLCS Tariffs as modified by the Proposed Settlement Agreement with certain limited exceptions.[53] First, OPC and FEL oppose the reduction in the minimum take-or-pay demand charge from 90% to 70%. (Tr. vol. 21, pp. 4762-64; Tr. vol. 22, pp. 5061-62). Second, FEL opposes the increase in the size threshold for the LLCS Tariffs

[53] See paragraph 6 of the Position Statement jointly sponsored by the NSPs and attached as exhibits to their respective testimonies. (CEL Ex. 1297, pp. 41-42.)

from 25 MW to 50 MW. (Tr. vol. 22, p. 5062.) Third, FEL opposes the update in the IGC rate based on 1 GW rather than 3 GW. (Tr. vol. 22, p. 5062.) Fourth, it appears that the NSPs support the up-front performance security amount of 100% of the IGC over the 20-year term of the LLCS Service Agreement as originally proposed in FPL's February 28, 2025, filing. (CEL Ex. 1297, pp. 41-42.) And finally, OPC recommends that an additional tariff be developed to allow large load customers to be fully interruptible, as well as to include provisions allowing large load customers to bring their own generation to the FPL system. (Tr. vol. 21, pp. 4765-66.) FPL fully rebutted each of these concerns in its settlement rebuttal testimony.

With respect to the minimum take-or-pay demand charge of 70% under the Proposed Settlement Agreement, FPL explained that OPC and FEL overlook that the minimum take-or-pay provision only applies to the demand charges, which recovers a portion of the fixed transmission, distribution, and customer costs incurred to provide service to the LLCS customers. Consistent with FPL's original filing, a LLCS customer is still required to pay 100% of the IGC, which recovers the incremental cost of the generation resources built to serve the LLCS load, over the 20-year term of the LLCS Service Agreement. Meaning, if the LLCS customer reduces their load, they are still obligated to pay 100% of the IGC, which rate does not change with fluctuations in demand. Further, if they terminate the LLCS Service Agreement prior to the end of the 20-year term, they are required to pay an Exit Fee that is equivalent to an accelerated payment of 100% of the IGC for the remaining term of the LLCS Service Agreement. Additionally, the LLCS customers will be subject to either FPL's proposed CIAC tariff modification (pay 100% total project costs up-front and receive a bill refund up to the CIAC amount due) or the existing PGA, both of which help backstop the fixed T&D costs to be recovered from the customer through base

rates over a four-year period.[54] The collective combination of these protective measures will provide adequate safeguards for the general body of customers in the event the LLCS customer's contract demand does not fully materialize and/or their demand subsequently drops, or the customer leaves the system. (Tr. vol. 23, pp. 5211-14.) As FPL witness Cohen explained, FPL's customer safeguards are among the most robust and protective of the general body of customers. (Tr. vol. 23, p. 5212.)

With respect to FEL's concerns regarding the threshold for the LLCS Tariffs, FPL explained that it is reasonable to utilize the 50 MW threshold as opposed to the originally proposed 25 MW threshold based on more recent inquiries from customers requesting large loads and more recent information from completed engineering studies. (Tr. vol. 23, pp. 5214-15.) Indeed, FPL explained that most of the LLCS customer requests are seeking service for loads in excess of 100 MW. (Tr. vol. 23, p. 5214.) Notably, despite FEL's apparent opposition to the LLCS threshold, one of the NSPs, in fact, agrees that the 50 MW threshold is reasonable. (Tr. vol. 21, p. 4763.)

Although FEL raises concerns with the IGC pricing for the LLCS-1 tariff based on 1 GW rather than the full 3 GW maximum load, FPL fully explained the basis for this reasonable and appropriate update to the IGC pricing in its rebuttal testimony. (Tr. vol. 12, pp. 2684-85.) Specifically, based on the contract demands and likely load ramps requested in these studies, FPL reasonably expects to only serve a combined total load of approximately 1 GW under the LLCS-1 tariff by the end of 2029 and, therefore, re-priced the IGC for the LLCS-1 tariff based on the capacity additions needed to serve the 1 GW of load by the end of 2029 rather than based on the entire 3 GW of load available to be served under the LLCS-1 rate schedule. Further, FEL overlooks

[54] Per Rule 25-6.064, Florida Administrative Code, the customer's responsibility for the CIAC amount due is determined by the difference in the total T&D costs incurred to extend service minus four-years of expected annual revenues to be recovered from the customer through base rates.

that all rate components of the LLCS Tariffs, including the IGC, will be re-priced in the next base rate case to reflect actual and forecasted costs and revenues at that time.[55] (Tr. vol. 23, pp. 5215-16.)

The NSPs' Position Statement does not adopt the performance security amount in paragraph 6(e) of the Proposed Settlement Agreement. Thus, it appears that the NSPs support the up-front performance security amount of 100% of the IGC over the 20-year term of the LLCS Service Agreement as originally proposed in FPL's February 28, 2025 filing. For the reasons explained in FPL's settlement direct testimony, the level of Performance Security amount in paragraph 6(e) of the Proposed Settlement Agreement is more commercially reasonable. (Tr. vol. 20, pp. 4640-41.) Importantly, the NSPs overlook that the Performance Security mitigates the potential risk associated with a LLCS customer that breaches or otherwise terminates the agreement and is required to pay the Exit Fee under the LLCS Service Agreement, which is equal to 100% of the IGC to be paid over the remaining term of the LLCS Service Agreement. Meaning, the LLCS customer that breaches or terminates the LLCS Service Agreement is still obligated to pay the full Exit Fee, and the Performance Security is intended to be a commercially reasonable amount of collateral to help mitigate the risk the LLCS customer does not have sufficient liquidity, assets, or resources to pay the required Exit Fee.

Finally, with respect to OPC's proposal for additional tariffs to allow large load customers to be fully interruptible and bring their own generation to the FPL system, FPL fully addressed these proposals in its settlement rebuttal testimony. As explained therein, the LLCS customers are permitted to bring their own generation consistent with the requirements of Florida law, the Commission's rules, FPL's tariff, and any operating limitations or constraints on FPL's system.

[55] If the Proposed Settlement Agreement is approved, the next rate case is expected to be filed in 2029 for rates effective in 2030.

(Tr. vol. 23, pp. 5217-18.) However, FPL explained that it is not appropriate to allow LLCS customers to receive interruptible service because FPL would still need to build the incremental generation required to serve the customer's peak load, and customers that are willing to receive interruptible service typically only do so for a discounted rate, which may result in a shortfall of revenues associated with the incremental generation being recovered from these customers. (Tr. vol. 23, pp. 5216-17.)

In summary, the NSPs' opposition to the LLCS Tariffs as modified by the Proposed Settlement Agreement is unfounded, unsupported, and ignores the collective combination of important safeguards to protect the general body of customers from the incremental generation costs needed to serve the LLCS customers. FPL needs to be ready, willing, and able to partner with large load customers that seek to locate in Florida but, at the same time, protect its general body of customers from higher costs. FPL's proposed LLCS Tariffs as modified by the Proposed Settlement Agreement are one of the strictest, if not the strictest, in the entire country as far as protecting a utility's general body of customers. (Tr. vol. 23, pp. 5219-20.) For these reasons, the LLCS Tariffs are an important and key public interest element of the Proposed Settlement Agreement.

8. CIAC Tariff

In its original filing, FPL proposed to modify its CIAC tariff to change the way it backstops the non-CIAC amount of the total project T&D costs it recovers in base rates from a customer that will require significant investments to install new or upgraded facilities to serve the customer's new or incremental load.[56] Under the proposed new CIAC tariff provision, the applicant pays the CIAC amount upfront, pays the non-CIAC amount upfront, and receives a bill credit up to the non-

[56] *See* Footnote 54, *supra*.

CIAC amount over a five-year period similar to paying base revenues over that same period, and FPL is permitted to retain the differential, if any, at the end of the five-year period to keep the general body of customers whole. As originally proposed, the new CIAC tariff provision would apply to all new non-governmental applicants with new or incremental projected load of 15 MW or more or that require new or upgraded facilities with a total estimated cost of $25 million or more at the point of delivery. (Tr. vol. 3, pp. 438-43; Tr. vol. 12, pp. 2631-34.)

FIPUG witness Pollock challenged several aspects of the Company's proposed CIAC tariff modification, including the threshold triggering the application of the new CIAC tariff provision. FIPUG posited that the applicability threshold should be 50 MW in order to better reflect those customers that have the most measurable impacts on FPL's system. (Tr. vol. 16, pp. 3477, 3527.) FIPUG witness Pollock also questioned whether the current CIAC construct remained suitable and questioned its applicability to only non-governmental customers and the financial risk it placed on the CIAC applicant. (Tr. vol. 16, pp. 3521-28.)

In rebuttal, FPL acknowledged there is no "singularly correct" CIAC threshold, and noted that the tariff modification is not intended as a barrier to entry into FPL's service area for large customers, but rather it is designed as a tariff mechanism to responsibly accommodate them. (Tr. vol. 3, pp. 462, 465.) FPL also defended the applicability of the tariff to only non-governmental customers, explaining that governmental entities carry less financial risk and are subject to budgeting and appropriations approved by their governing body and may be prohibited from incurring obligations or making expenditures in certain circumstances. (Tr. vol. 12, pp. 2659-60.)

Under the Proposed Settlement Agreement, these new CIAC tariff provisions will apply to all new non-governmental applicants that require new or upgraded facilities with a total estimated cost of $50 million or more at the point of delivery. This was a compromise of competing and

divergent interests and is one part of a multi-faceted comprehensive agreement. While the monetary threshold is higher than FPL's original proposal, the CIAC tariff provision as modified by the Proposed Settlement Agreement will help protect the general body of customers from the risks associated with the significantly high costs incurred to install new or upgraded facilities to serve a customer's new or incremental load. (Tr. vol. 20, p. 4639.)

FEL witness Rábago challenges the CIAC modification offered by the Proposed Settlement Agreement on the ground that it reduces protections for the general body of customers. (Tr. vol. 22, pp. 5063-64.) This contention, however, misses the fact that the settlement is a negotiated compromise and discounts the risk mitigations that FPL has available to address those applicants requiring less than $50 million in investment. For example, FEL witness Rábago overlooks that applicants below the $50 million threshold for the new CIAC tariff, as modified by the Proposed Settlement Agreement, are still subject to FPL's existing PGA tariff if there is uncertainty that the applicant's projected load or estimated annual revenues used to calculate the applicant's CIAC amount will, in fact, materialize. Under the PGA, the applicant pays the CIAC upfront, posts collateral in an amount equal to the non-CIAC amount, and repays the non-CIAC amount through base revenues, and FPL can draw on the collateral at the end of a four-year period to cover the differential (if any). (Tr. vol. 23, pp. 5221-22.) Notably, under both the PGA and the proposed CIAC tariff, the applicants end up paying the exact same CIAC and non-CIAC amounts, all things being equal. The primary difference is whether the applicant posts collateral for the non-CIAC amount under the PGA or is required to pay the non-CIAC amount upfront and receive a monthly bill credit up to the non-CIAC amount. The end result is the same – the general body of customers is made whole. (Tr. vol. 23, p. 5222.)

Obviously the larger the dollar amount, the greater the risk, which is why FPL submits that

the $50 million threshold is a reasonable concession for the CIAC tariff provision under the Proposed Settlement Agreement.

9. Electric Vehicle Charging Programs

The Proposed Settlement Agreement carries forward FPL EV programs that have served customers well. These programs include FPL's: (i) Commercial Electric Vehicle Charging Services Rider (CEVCS-1); (ii) Electric Vehicle Charging Infrastructure Rider (GSD-1EV); (iii) Electric Vehicle Charging Infrastructure Rider (GSLD-1EV); (iv) Utility-Owned Public Charging for Electric Vehicles (UEV); and (v) Residential Electric Vehicle Charging Services (RS-1EV).

In its original filing, FPL requested to make the UEV Tariff permanent and increase the market-based charging fee from $0.30 to $0.35 per kWh, a rate that is market-based and comparable to the EV pricing options offered by non-utility providers in FPL's service area. FPL designed the market-based pricing to allow for recoverability of all costs and expenses over the life of the assets. (Tr. vol. 6, p. 1240.) The Company also proposed to make permanent the GSD-1EV and GSLD-1EV demand limiter optional pilot tariffs as permanent tariffs. The tariffs would be available to qualifying customers that operate public EV fast charging stations and serve to appropriately set demand charges based on utilization of these charging stations. (Tr. vol. 6, p. 1241.)

FPL's Residential EV Charging Services Rider Pilot (the "EV Home Program") offers a voluntary tariff ("RS-1EV") for residential customers, providing them with EV charging services at a fixed monthly rate. (Tr. vol. 6, p. 1241.) In its as-filed case, FPL proposed a new EV Home Program pricing structure (RS-2EV) that aligns costs with customer usage patterns to ensure compliance with legal requirements that require all program costs and expenses be recovered from program participants over the life of the EV charging assets with no cost impact on the general body of customers over the term of the service agreement. This approach allows FPL to provide

a voluntary charging service for residential EV customers and will provide an opportunity to better learn about charging behaviors and load control potential, while maintaining CPVRR neutrality. FPL's goal is to offer energy solutions that benefit both the customers and the overall grid, preparing the Company for future EV adoption and growth. (Tr. vol. 6, pp. 1242-44.)

For the current RS-1EV Program, FPL proposed a multi-year transition of existing customers to the new proposed RS-2EV Program with a gradual annual price increase over four years ($7 increase to the monthly charge in 2026, followed by a $5 increase to the monthly charge in each year from 2027 to 2029, totaling $22). This phased approach is designed to soften the immediate impact on participating customer bills. The annual increases for the current program would commence on January 1, 2026, with a planned termination of the RS-1EV Program pilot on December 31, 2029, at which time all RS-1EV Program customers would be transitioned to the RS-2EV Program if they desire to remain an FPL residential EV charging customer. Prior to December 31, 2029, RS-1EV Program customers may voluntarily elect to transition to the RS-2EV Program at any time following its approval by the Commission or cancel the RS-1EV service subject to the tariff's requirements. (Tr. vol. 6, p. 1243.)

The CEVCS-1 is a voluntary tariff designed for commercial customers who intend to electrify fleet vehicles and require EV charging services. This pilot involves the installation of FPL-owned, operated, and maintained EV supply equipment on customer premises. This tariff structure avoids subsidization by the general body of customers by properly ensuring that participants pay a fixed monthly charge to recover all costs and expenses over the asset's lifespan. In the original filing, the Company sought approval to make this rate permanent and to expand the tariff offering beyond the existing pilot's "fleet" limitation, broadening access for commercial users. (Tr. vol. 6, p. 1244.)

Both Electrify America and EVgo claimed that the UEV tariff is not market-based and should be increased to $0.50 per kWh. (Tr. vol. 18, pp. 4049-53, 4060, 4068-73.) Fuel Retailers opposed FPL's proposal to make the UEV tariff permanent, challenging FPL's proposed UEV rate analysis that there would be no subsidy by the general body of customers and claiming it would result in a chilling effect on private investment in public EV charging. (Tr. vol. 18, pp. 4199-4201.) Walmart recommended an adjustment to the UEV rate for 2027 based on the equivalent percentage change that the Commission approves in this docket for the demand limiter GSLD-1EV tariff rate. (Tr. vol. 10, pp. 2112, 2128.)

FPL responded that its proposed UEV rate is market-based and priced comparable to the EV pricing options offered by non-utility third party public EV charging providers in FPL's service area. FPL also demonstrated that there will be no subsidy by the general body of customers for this program because the program is revenue positive over the life of the program assets through 2040, *i.e.*, program revenues exceed costs for the life of the assets, and that the proposed program is not dependent on the existence of any federal tax incentives, subsidies, or grants. (Tr. vol. 6, pp. 1266-67; CEL Ex. 296.)

Proposals also were offered by Electrify America, EVgo, and Walmart seeking changes to FPL's proposed demand limiter (GSD-1EV and GSLD-1EV) tariffs. These proposed changes would result in further reductions to demand charges for FPL's electric service to third party EV charging stations, based on proposals for increasing the billed demand hours from 75 to 150, a phased volumetric discount based on charger load factor, or transitioning to a two-part rate structure (base charge and energy charge). (Tr. vol. 10, pp. 2122-28; Tr. vol. 18, pp. 4043-46, 4060, 4063-68.) Walmart also proposed that the GSLD-1EV be uncapped so that loads of 2,000 kW or greater could take service under this tariff schedule. (Tr. vol. 10, p. 2128.) FPL contended

that these proposed changes would increase the risk of cross-subsidization from the general body of FPL customers, burdening all utility customers – including non-EV owners and drivers – to support third-party EV charging operational costs. (Tr. vol. 6, pp. 1268-69.) Fuel Retailers supported FPL's demand limiter programs becoming permanent. (Tr. vol. 17, p. 4206.)

EVgo also recommended the implementation of a "make-ready" program to incentivize installation of public EV fast chargers whereby a utility's general body of customers pays for some portion of the cost of utility infrastructure needed for a third party to install EV charging stations. (Tr. vol. 18, pp. 4078-79, 4087-96.) FPL contested EVgo's position on its proposed make-ready program, highlighting that if an EV charging station developed under a make-ready program was not successful with its operation and utilization, there is a risk of a stranded asset without stringent utility oversight. (Tr. vol. 6, pp. 1269-70.)

Fuel Retailers also challenged FPL's proposed residential EV charging tariff (EV Home (RS-1EV and RS-2EV)) and commercial EV charging tariff (CEVCS-1) to the extent that these programs could create subsidies by the general body of customers. (Tr. vol. 18, p. 4207.) FPL countered this point, contending that the proposed pricing structures for both the residential and commercial EV charging tariffs are designed to ensure that the EV charging customers fully pay for equipment, installation, and energy over the life of the EV charging assets. (Tr. vol. 6, pp. 1271-72.)

The Proposed Settlement Agreement modifies several of FPL's EV programs proposed in FPL's petition for base rate increase (original filing), establishing a comprehensive EV program framework designed to encourage infrastructure development while benefiting all customers. Under the Proposed Settlement Agreement, FPL's Demand Limiter GSD-1EV and GSLD-1EV Tariffs will become permanent *(i.e.*, non-pilot) and continue supporting third-party EV charging

infrastructure development with enhanced flexibility. FPL will create an additional Demand Limiter GSLD-2EV Tariff for customers exceeding 2,000 kW demand, expanding options for larger charging operations. This would build on the success of FPL's current demand limiter programs and accommodate technology changes, including larger vehicle batteries, faster charging stations, and larger installations of chargers. This new rate schedule will become effective when the new rate is established in FPL's upgraded billing system, and this offering (GSLD-2EV) will be permanent once it comes online. Until such time as this new rate schedule is established, existing customers will be allowed to exceed 2,000 kW of demand and remain on the GSLD-1EV rate schedule. (Tr. vol. 20, pp. 4648-49.)

Under the Proposed Settlement Agreement, FPL's UEV Tariff rate will increase to $0.45/kWh in 2026 with scheduled increases of $0.02/kWh in 2027, $0.01/kWh in 2028, and $0.01/kWh in 2029, establishing updated pricing for public EV charging. These rate increases are expected to slightly slow the utilization curve for FPL's public EV fast chargers. (CEL Ex. 296.) However, even with lower charger utilization, increased UEV rates are expected to benefit customers by maintaining competitive pricing while ensuring the program operates without requiring any support from the general body of customers by the end of the useful lives of the assets.[57] FPL also committed to not initiate further new investment in or construction of public EV fast-charging infrastructure for the term of the Proposed Settlement Agreement, other than maintenance of existing ports and other existing FPL-owned public EV fast-charging infrastructure. FPL will, however, be permitted to complete any ongoing construction of public EV fast-charging infrastructure initiated prior to the term of the Proposed Settlement Agreement, for a total not to exceed 585 FPL-owned ports. (Tr. vol. 20, pp. 4649-50.)

[57] See Exhibit TO-9 (CEL Ex. 1286) for updated UEV revenue projections.

Under the Proposed Settlement Agreement, FPL will invest $20 million over four years (2026-2029) to enable a "Make-Ready" program ($19 million) for public direct current fast charging ("DCFC") infrastructure and ($1 million) for Level 2 charging (Public, Workplace, Fleet, and Multifamily dwellings) infrastructure, providing credits to qualifying projects to reduce costs for third-party public EV fast charging providers. Credits will be awarded based on the lesser of the approved credit amount in the tariff or the actual demonstrated Make-Ready expenses incurred by the applicant. The program will provide financial credits to third-party commercial customers building public DC fast charging stations across three capacity tiers, which provides direct current electrical energy to charge electric vehicles at power levels of 50 kW or greater. Stations with 250+ kW capacity will receive up to $50,000 base credit per port, capped at $300,000 per site. Stations with 150-249 kW will receive up to $30,000 base per port, capped at $180,000 per site. Smaller stations of 50-149 kW will receive up to $20,000 base per port, capped at $120,000 per site. In addition, FPL's Make-Ready program will provide financial credits to commercial customers building Level 2 charging stations for Public, Workplace, Fleet, and Multifamily dwellings with a maximum credit of $1,200 per port. (Tr. vol. 20, pp. 4650-51.)

This Make-Ready program will benefit customers by enabling the deployment of essential public DCFC and Level 2 EV charging infrastructure without requiring FPL to own and operate the charging stations directly. Revenues from this Make-Ready program are expected to offset credits and all program costs over the life of the participating customers' EV charging assets. (CEL Ex. 1287.) The cost recovery for the Make-Ready program will be structured as a regulatory asset for FPL, amortized over 48 months beginning in the month following each credit FPL provides, ensuring transparent cost recovery while leveraging private investment to expand charging availability. Qualifying sites will begin construction on or after January 1, 2026. (Tr. vol. 20, p.

4650.)

Finally, under the Proposed Settlement Agreement, the CEVCS-1 Tariff for commercial EV charging will continue as a pilot program with no changes to eligibility or other requirements, ensuring FPL continues to gather valuable operational data and customer insights without expanding program scope or changing eligibility requirements, *i.e.*, program will remain available only to fleet commercial customers. This measured approach benefits customers by allowing FPL to refine the program based on real-world performance data, optimize charging infrastructure deployment strategies, and develop best practices for commercial EV charging services. By maintaining the pilot status, FPL can continue learning about commercial charging patterns, grid impacts, and customer needs with no financial impact to the general body of customers over the life of the pilot. (Tr. vol. 20, p. 4651.)

All costs for the investment in these EV charging programs are expected to be paid for by program revenues, and not borne by FPL's general body of customers, by the end of life for these EV charging services assets, consistent with the requirements of Section 366.94(5), Florida Statutes. (Tr. vol. 20, p. 4652.)

FEL Witness Rábago raises two challenges the EV programs presented in the Proposed Settlement Agreement. First, he criticizes the Make-Ready provision on the ground that it may lead to subsidization by the general body of customers and would wrongfully influence the EV charging market. (Tr. vol. 22, pp. 5065-66.) However, FEL witness Rábago fundamentally mischaracterizes the program's structure and its public interest benefits. The Make-Ready program is revenue positive – meaning FPL's $20 million investment in Make-Ready credits is expected to be fully recovered through increased electricity sales from the charging infrastructure it enables, with a net benefit to customers over the life of the assets. The revenue projections

demonstrate that electricity sales will exceed program costs over the asset lifespan. (CEL Ex. 1287.) This is not a subsidy or "handout" as alleged by FEL Witness Rábago but, instead, is an investment in Florida's electric infrastructure that benefits all customers. Rather than "wrongfully influencing" private markets, the program strengthens them by encouraging diverse participants to enter Florida's EV charging market, which enhances competition rather than distorts it. Credits will be awarded on a first-come, first-served basis using objective criteria with caps per port and site, ensuring fair access for all qualified participants. (Tr. vol. 23, p. 5237.)

Second, despite the NSPs' Position Statement supporting Commission approval of FPL's proposed demand limiter tariffs, FEL witness Rábago asserts that FPL's Demand Limiter GSD-1EV and GSLD-1EV Tariffs risk subsidization by the general body of customers and represent overreach by FPL into the EV charging industry. (Tr. vol. 22, p. 5066.) These contentions mischaracterize these demand limiter tariffs. These tariffs provide temporary rate incentives (discounts for standard demand charges) that are eliminated as EV charging stations increase utilization and consistently reach a load factor above 10%, at which point the EV charging stations no longer qualify for the demand limiter. As the EV charging stations grow and become profitable, these temporarily discounted demand charges naturally transition to standard commercial rates. The resulting increased revenues are expected to have a favorable benefit to the general body of FPL customers over the life of the assets. To date, FPL's existing demand limiter program has proven successful at appropriately incentivizing new customers to install new EV charging stations while allowing them to transition to full demand charges as their utilization grows. (Tr. vol. 23, p. 5238.)

FPL submits that the EV program proposals, as modified by the Proposed Settlement Agreement, are a reasonable and measured compromise that will ensure cost-effective service

delivery to FPL customers and support economic growth through collaborative customer and stakeholder engagement.

10. Cost Allocation Methodology for Cost Recovery Clause Factors

As part of the collective compromise on the differing cost allocation proposals, the signatory parties agreed to modify the revenue allocation methodology to be used for clauses during the term of the Proposed Settlement Agreement. Under the Proposed Settlement Agreement, effective January 1, 2026, all clause factors will be calculated and filed for approval using the 4 CP and 12% Average Demand methodology for Production Plant and 4 CP for Transmission Plant. This change will have no impact on residential customers' allocated share of clause costs, while certain other classes will experience increases or decreases. (Tr. vol. 20, p. 4636.)

The record demonstrates that the clause allocation methodology in the Proposed Settlement Agreement is a reasonable compromise and in the public interest for four reasons. First, the 4 CP methodology is recognized in the utility industry as a reasonable cost allocation approach alternative for allocating Production and Transmission Plant costs based on each customer class's contribution to the system's peak demand during the four coincident peak hours of the year. Second, the 12% energy cost weighting for Production Plant recognizes the role that energy plays in the selection of Production resources. Third, the 4 CP is an accepted cost allocation method that other Florida IOUs employ. Fourth, this compromise was essential to achieving the broader benefits of the Proposed Settlement Agreement. (Tr. vol. 20, p. 4636.)

FEL witness Rábago contends that no party advocated for the 4 CP and 12% allocation methodology in the clauses and that the methodology shifts clause costs away from CI rate classes and to the RS and GS rate classes. (Tr. vol. 22, pp. 5066-68.) These contentions miss the mark on two different levels. First, 4 CP was proposed by several parties (Tr. vol. 18, pp. 3981, 3991;

Tr. vol. 16, p. 3473, 3489; Tr. vol. 17, pp. 3708, 3722) and adding in a 12% energy weighting recognizes the part energy plays in resource selection, which is another concession of the competing energy-weighted allocation proposals by the parties. (Tr. vol. 23, p. 5208.) Second, the 4 CP and 12% allocation method produces results that are not substantially different than the current 12 CP and 1/13th method with very little incremental bill impact. More precisely, the projected 2026 bill impact of using the 4 CP and 12% allocation method for all clauses is $0.00 for a typical 1,000 kWh residential customer. (Tr. vol. 23, p. 5208; CEL Ex. 1338.)

In sum, the clause factor allocations presented in the Proposed Settlement Agreement are a reasonable compromise among the signatory parties that enables the numerous public interest benefits provided by the agreement, with little to no incremental impact bill impact.

11. Storm Cost Recovery Mechanism

In its as-filed case, FPL proposed to continue the SCRM framework established in FPL's 2010 Rate Settlement and continued in the each of the three settlement agreements that followed, with an update that reflects the circumstances FPL has experienced over several storm seasons. Specifically, FPL proposed to continue the SCRM with a limited increase of the baseline cap to $5 per 1,000 kWh on monthly residential bills, an increase from the interim cost recovery cap of $4 per 1,000 kWh on monthly residential bills (or roughly $390 million annually) that FPL had been operating under since its 2010 settlement agreement.[58] The increased cap reflects that FPL's restoration costs have substantially exceeded that amount during multiple storm seasons since the mechanism's cap was originally established, incurring over a billion dollars of costs in 2017, 2022,

[58] If FPL incurs storm costs related to a named tropical storm, the Company will be begin collecting a surcharge limited to $5 per 1,000 kWh on monthly residential bills (roughly $500 million annually) 60 days after filing a petition for recovery. The interim recovery period would be based on 12 months, and if costs related to named storms exceed that amount in any one year, the Company may request recovery of the additional amount, with the timing of the additional amount to be determined by the Commission. (Tr. vol. 11, p. 2308; CEL Ex. 129.)

and 2024. (Tr. vol. 11, pp. 2307-08.)

Under the Proposed Settlement Agreement, the Signatory Parties agreed as part of a multi-faceted compromise to continue FPL's SCRM as originally proposed in the as-filed case. The SCRM is key to operating under a multi-year rate plan, which the Commission itself has recognized:

> We find that the storm recovery mechanism serves an important public interest, especially in the context of the four-year rate plan. The ability to quickly seek approval and begin collecting a surcharge for storm recovery reduces regulatory lag and creates a more stable post-storm financial environment. This surcharge is followed by a final true-up hearing to ensure the correct amounts have been charged and collected. Finally, substantially affected parties are afforded a point-of-entry to participate in this hearing and contest the proposed recovery, ensuring that any aggrieved ratepayer has the opportunity to be heard.

Order No. PSC-2024-0078-FOF-EI at 27. FPL submits that the Commission should similarly find the SCRM contained in the Proposed Settlement Agreement is in the public interest.

Notably, no intervenor opposed allowing FPL to continue the SCRM. In fact, OPC witness Schultz testified that "the current framework can work well and should be continued." (Tr. vol. 15, p. 3316.) However, he recommended that the Commission reject FPL's request to increase the storm reserve component of the mechanism from $220 million to $300 million, stating that the current level (which is actually set at $150 million) is adequate and that other jurisdictions do not have a similar mechanism. (Tr. vol. 15, pp.3316-17; Tr. vol. 19, 4447.) OPC witness Schultz's opposition to increasing the storm reserve should be rejected for multiple reasons.

First, OPC witness Schultz ignores the importance of having ready access to funds in the immediate wake of a storm. (Tr. vol. 11, pp. 2309-10.) Second, FPL faces more hurricane risk than any other utility in the country, and its service area includes major metropolitan areas at the tip of the Florida peninsula that are highly susceptible to severe weather events. (Tr. vol. 11, pp.

2297-98.) Over the last four-years, FPL has experienced two hurricane seasons that have each caused greater than $1 billion in storm restoration costs, well beyond the current level of the storm reserve. This history demonstrates that FPL's request for a $300 million reserve is reasonable, yet likely still not adequate in comparison to FPL's storm exposure. (Tr. vol. 19, pp. 4447-48.) Finally, despite OPC witness Schultz's apparent opposition to increasing the storm reserve, paragraph 12(c) of the NSPs' Position Statement supports the adoption of the SCRM in the Proposed Settlement Agreement, including the increase of the storm reserve to $300 million. (CEL Ex. 1297, p. 46.)

12. SoBRA Base Rate Adjustments 2027, 2028, 2029

The Proposed Settlement Agreement includes a SoBRA mechanism similar to that included in FPL's 2021 Settlement Agreement, but with the addition of battery storage installations. The Proposed Settlement Agreement also adds a solar-specific SoBRA for the year 2027. (Tr. vol. 20, pp. 4608, 4617-18; CEL Ex. 1283, p. 14.)

In FPL's original filing, FPL proposed a 2028/2029 SoBRA mechanism to address cost recovery for up to 3,278 MW_{AC} of cost-effective solar and 1,200 MW of cost-effective battery storage facilities and cost recovery associated with the one-time flow through of ITCs and the subsequent conclusion thereof in the following year. (Tr. vol. 11, p. 2267; CEL Ex. 131, p. 1.) The SoBRA was proposed to address recovery of the incremental base revenue requirements for new reliable, cost-effective solar generation and battery storage facilities in the later years of the four-year plan, *i.e.*, 2028 and 2029, upon a demonstration of either an economic need or resource need in those years. The revenue requirements and adjustment factors associated with the solar and battery storage facilities would be calculated consistent with prior FPL SoBRAs. (Tr. vol. 11, pp. 2315-16.)

Intervenor witnesses opposed FPL's proposed SoBRA mechanism because of the

uncertainty of the future costs of solar and battery storage, as well as questions about the need for the resources. (Tr. vol. 14, p. 2973; Tr. vol. 15, pp. 3317-19; Tr. vol. 17, p. 3707.) FPL rebutted these positions by noting that the SoBRA mechanism does not pre-approve any particular project and that the need and costs of the planned generation additions will ultimately be determined at a future date in a proceeding in which intervenors may elect to participate. (Tr. vol. 19, pp. 4410, 4445-46.)

The Proposed Settlement Agreement addresses the competing positions of the parties and imposes additional requirements on FPL concerning its SoBRA additions. Specifically, the settlement compromise reached among the signatory parties (i) moves FPL's 2027 solar projects into a SoBRA, (ii) adds a cost/benefit ratio test for solar projects, and (iii) identifies components to be excluded from the revenue requirement calculation. (Tr. vol. 20, pp. 4608, 4617.) Under the Proposed Settlement Agreement, FPL's 1,192 MW of 2027 solar additions are excluded from the general base rate increase and instead will be subject to the SoBRA, with a strict cost-effectiveness showing required. FPL is also permitted to petition for up to 1,490 MW of solar generation in 2028 and 1,788 MW of solar generation in 2029. Solar additions for all three years will be subject to the processes and proof demanded by the SoBRA mechanism as modified by the Proposed Settlement Agreement. (Tr. vol. 20, p. 4618.)

As set forth in the original base rate petition, FPL may obtain approval for a SoBRA if it demonstrates an economic need or a reliability need. The Proposed Settlement Agreement imposes additional economic criteria FPL must satisfy for solar projects. In particular, FPL must show that, compared to not installing the projects, the planned solar projects reduce the cumulative present value of revenue requirements within 10 years and have a cost-benefit ratio of 1.15 to 1.0. These additional strictures provide all customers greater certainty that savings will be realized and

will materialize sooner. (Tr. vol. 20, p. 4618.)

As with the original petition, FPL will recover the revenue requirements associated with the solar and battery storage projects, as well as the impact of the conclusion of the one-year ITC flow-through accounting treatment associated with the battery storage projects placed in service the prior year. The Proposed Settlement Agreement clarifies that the capital expenditures upon which the revenue requirement calculation is based will exclude land costs identified as plant held for future use in FPL's 2026 and 2027 Projected Test Years minimum filing requirements. This addition to the Proposed Settlement Agreement benefits all stakeholders by providing greater clarity that land costs will not be recovered through the SoBRA Factor if those costs are already recovered in base rates through plant held for future use. (Tr. vol. 20, pp. 4618-19.)

OPC witness Schultz challenged the SoBRA mechanism under the Proposed Settlement Agreement due to concerns about Commission oversight and the need for the facilities being determined after construction has started. (Tr. vol. 22, pp. 4995-97.) However, OPC witness Schultz misunderstands the SoBRA mechanism and the process by which SoBRA projects must be approved. Under the express terms described in Paragraph 13 of the Proposed Settlement Agreement, FPL cannot recover costs associated with any resource addition without prior Commission approval. (Tr. vol. 23, p. 5175; CEL Ex. 1283, pp. 14-18.) Under the Proposed Settlement Agreement, as in prior settlements, the SoBRA proceeding is filed the calendar year before the projects enter service. For example, a petition for approval to recover the costs of the 2027 solar projects must be filed in 2026. That petition must provide the estimated project costs and must describe the economic analysis supporting the projects. The Commission likewise determines whether to approve the SoBRA cost recovery request during that prior calendar year. Thus, the "need" is demonstrated – and ruled upon – before construction is complete. (Tr. vol. 23,

p. 5176.)

OPC witness Schultz also notes that the SoBRA framework lacks cost caps, which he views as indicative of a lack of customer protection. (Tr. vol. 22, pp. 4996-97.) Although OPC witness Schultz correctly notes that there are no cost caps, he conspicuously omits the fact that there are other safeguards in place – safeguards that OPC has previously accepted as being in the public interest. Specifically, the Proposed Settlement Agreement requires FPL to demonstrate a cost-effectiveness ratio of 1.15 to 1.0 and that savings are expected to be realized within 10 years. These mandatory factors are designed to deliver greater benefits to customers sooner. (Tr. vol. 23, p. 5177.)

Although OPC witness Schultz correctly notes that actual costs that exceed FPL's original estimate will be reflected in its earnings surveillance reports, he overlooks that any such costs will not be included in the determination of base rates in FPL's next base rate proceeding if the Commission determines they were imprudent. Customers thereby remain protected against recovery of imprudent costs. (Tr. vol. 23, p. 5177.)

FEL witness Rábago also challenges the economic analyses that underly FPL's proposed resource additions on the basis that they contain the assumption of a future imposition of carbon costs. (Tr. vol. 22, p. 5068.) However, FPL's 2026 and 2027 anticipated resource additions are economic regardless of whether carbon costs are ultimately assessed. (Tr. vol. 5, pp. 1097-1100; Tr. vol. 23, p. 5178.)

In conclusion, the SoBRA protections and requirements under the Proposed Settlement Agreement are additional to those under previously-approved SoBRA mechanisms and represent a compromise that well supports the public interest.

13. Federal or State Tax Law Changes

The tax law change mechanism proposed by FPL in its original filing, and which is carried into the Proposed Settlement Agreement, is a critical feature in allowing FPL to operate within a multi-year rate plan. The impacts of changes in tax law or regulation outside of FPL's control could substantially impact the four-year plan by either increasing or decreasing the revenue requirements materially. For that reason, FPL's as-filed case proposed a tax law change mechanism to fairly effectuate changes through an adjustment to base rates in whatever direction new tax laws or regulations dictate. The mechanism is intended to ensure continued regulatory support for a utility's efforts to make favorable tax elections for the benefit of customers when they are available and that the outcome of changes to tax law and regulations flow to customers and the utility in a neutral manner. (Tr. vol. 11, pp. 2317-18.)

The tax law change mechanism proposed in this case is functionally the same as the one contained in FPL's 2021 Settlement Agreement, which the Commission found to be in the public interest. Specifically, the Commission made the following finding concerning the mechanism:

> Allowing an adjustment to the revenue requirement to account for a tax change without the need for a full rate case is in the public interest. Any decrease can be quickly flowed to the ratepayers. Any upward adjustment allows FPL to keep its earnings at the level we are approving in this Order, which will in turn allow the Company to continue providing service at present-day cost and value. We review any such changes and corresponding adjustments when FPL files a petition seeking approval for its proposed treatment of tax changes. Substantially affected persons – ratepayers – would have a point-of-entry at that time to present any evidence and argument regarding the proposed treatment.

Order No. PSC-2024-0078-FOF-EI at 28.

The proposed tax law change mechanism will work like the tax change mechanism found to be in the public interest in FPL's 2021 Settlement Agreement. That is, if a permanent change in federal or state tax law or regulations (referred to as the "new tax law") occurs, FPL will submit

within 60 days of the effective date of the change in law a petition to open a separate docket for the purpose and limited scope of addressing the base revenue requirement impact of the new tax law. FPL will submit the calculations reflecting the impact on base revenue requirements and ask the Commission to establish an expedited procedural schedule that will allow intervenors time to review and, if necessary, respond to FPL's filing. FPL will be authorized to adjust base rates upon confirmation by the Commission that FPL appropriately calculated the impacts. (Tr. vol. 11, p. 2318; CEL Ex. 1283, p. 19.)

While no intervening party directly challenged the proposed mechanism, FEL witness Rábago claimed that the tax law change mechanism eliminates risk. (Tr. vol. 17, pp. 3864-65.) However, FPL witness Bores testified in response that the tax law change mechanism does not eliminate risk, nor does it render FPL less risky than peer utilities. Further, the tax law change mechanism essentially places FPL on equal footing with DEF and TECO, both of which have authority to initiate a similar process, as well as any other utility in the country that is not subject to an unqualified rate freeze. (Tr. vol. 19, p. 4434.)

The NSPs appeared to suggest that the original petition did not include a provision for a corporate income tax change. (Tr. vol. 22, p. 4976.) This, however, is not correct. (Tr. vol. 11, pp. 2317-20; Tr. vol. 23, p. 5184; CEL Ex. 132.) Moreover, the NSPs' Position Statement essentially adopts the same framework, with the exception being the exclusion of a provision that addresses impacts to the Tax Adjustment Mechanism ("TAM") based on changes in the corporate income tax rates, which lends further support for the conclusion that the mechanism, like the one that preceded it in FPL's prior settlement, is in the public interest. (Tr. vol. 23, pp. 5184-85.)

14. Capital Recovery Schedules

The Proposed Settlement Agreement extends capital recovery schedules to 20 years, as opposed to the 10-year capital recovery schedule proposed in FPL's as-filed case, resulting in a

rate reduction for customers. The change in capital recovery schedules results in a reduction to base amortization expense of $9.4 million in 2026 and $11.9 million in 2027. The extended amortization period was one element that facilitated a reduction in revenue requirements, which benefits customers immediately.

The NSPs challenge the amortization period extension by claiming that it results in a violation of the matching principle, causing future customers to pay for the retirement of facilities never used to serve them, thereby resulting in intergenerational inequity. (Tr. vol. 22, pp. 5033, 5048; CEL Ex. 1297, p. 18.) The claim that the change in capital recovery schedule violates the matching principle fundamentally misunderstands the regulatory environment in which utilities operate. The matching principle in a regulated environment is not rigid; it allows for Commission discretion in balancing multiple factors including rate stability, intergenerational equity concerns, and the overall public interest. There is no Commission rule that dictates a specific capital recovery schedule period. Both 10 years and 20 years can be reasonable depending on the circumstances and the overall context. This is exactly what occurred in FPL's 2021 Settlement Agreement whereby the parties agreed to move capital recovery to 20 years, and the same principle applies here. (Tr. vol. 23, p. 5180.)

The intergeneration inequity argument similarly fails. This argument ignores the fundamental reality of utility operations and customer benefits. Specifically, it fails to recognize that the assets that will replace the retired assets will provide cost and/or reliability benefits such that future customers will benefit for many years from the decision to retire the assets in question. (Tr. vol. 20, p. 4612.) Indeed, the Commission rejected the intergenerational inequity argument when considering the capital recovery schedule extensions proposed in FPL's 2021 rate proceeding, and it should do so on similar grounds here. In that case, where similar amortization

period extensions were agreed upon, the Commission rejected the intergenerational inequity arguments, determining that "[t]he customers who will pay these costs over the twenty-year period will be those who realize benefits from retiring the plants in question and replacing them with upgraded generation" and found the extension of the amortization period "to be fair and to benefit the general body of ratepayers, while also resulting in rates that are fair, just, and reasonable." Order No. PSC-2024-0078-FOF-EI at 25.

The Commission routinely exercises its discretion to approve recovery periods that balance multiple factors, including rate impacts, customer benefits, and overall settlement objectives. This regulatory flexibility is not only permitted but essential for crafting comprehensive agreements that serve the public interest while ensuring utilities can recover prudently incurred costs. (Tr. vol. 23, p. 5180.) Ultimately, customers benefit from this compromise. Future customers receive tangible benefits from the replacement assets that are necessitated by the early retirement of previous assets, and they also benefit from avoiding the costs and service disruptions that would have occurred if FPL had continued operating aging, less efficient, or less reliable equipment until its natural retirement date. The overall system improvements, enhanced reliability, and operational efficiencies that result from strategic asset replacements provide value that extends well beyond the original asset's planned life, justifying the extended recovery period. (Tr. vol. 23, p. 5181.)

Ultimately, the capital recovery schedule extensions under the Proposed Settlement Agreement create lower revenue requirements for all customers without offending any regulatory rule or principle, and will serve the public interest.

15. Depreciation and Dismantlement

The Proposed Settlement Agreement adopts FPL's 2025 Dismantlement Study as originally filed. The Proposed Settlement Agreement also adopts FPL's 2025 Depreciation Study but with an adjustment to the depreciable life of the Scherer Unit 3 generating plant from 2035 as

filed to 2047. Finally, the Proposed Settlement Agreement clarifies that FPL's next dismantlement and depreciation studies shall be filed with FPL's next general base rate proceeding.[59]

FPL engaged an outside, independent expert consultant, Gannett Fleming, to perform the 2025 Dismantlement Study. (Tr. vol. 7, p. 1599.) As part of the Dismantlement Study, Gannett Fleming conducted a detailed review of the fossil, solar, and battery storage assets in FPL's fleet to get a more precise view of the current cost of dismantling those facilities. Gannett Fleming obtained and reviewed plant-specific engineering drawings, performed numerous plant site visits, interviewed Company personnel, reviewed prior dismantlement costs for FPL, and reviewed the results of dismantlement studies for similar units for other utilities. (Tr. vol. 4, pp. 686-87.) Based on this information and their professional experience, Gannett Fleming developed labor and materials and equipment costs for each major dismantlement activity. Gannett Fleming estimated the salvage value of the materials that would be left at each site after completion of the dismantlement activities. (Tr. vol. 4, pp. 686-90.) The resulting dismantlement cost estimates developed by Gannett Fleming represent "the costs for the ultimate physical removal and disposal of plant and site restoration, minus any attendant gross salvage amount, upon final retirement of the site or unit from service" in accordance with Rule 25-6.04364, Florida Administrative Code.

The 2025 Dismantlement Study resulted in an estimated cost, net of salvage, of $559,219,951 for FPL's fossil generating fleet, $1,266,207,984 for its solar fleet, and $315,503,186 for its battery storage assets that are projected to be in service over the four-year

[59] Rules 25-6.0436(4)(a) and 25-6.04364(3), Florida Administrative Code, require FPL to file studies at least once every four years "or pursuant to Commission order and within the time specified in the order." FPL's next studies are currently due to be filed in 2029. Under the Proposed Settlement Agreement, these studies will not be due until the time that FPL petitions to reset its base rates in a general base rate proceeding. This timing aligns the review of FPL's next depreciation and dismantlement studies with the review of FPL's next base rate petition. Providing that the filing date for the studies could be deferred until FPL's next rate petition would help facilitate the possibility that the rate petition could be delayed to a later date. (Tr. vol. 20, pp. 4620-21.)

period through 2029, all of which are expressed in 2024 dollars. (Tr. vol. 4, p. 690.) The resulting annual dismantlement accrual is $106.4 million, of which $96.2 million relates to base rate assets. This is a net increase of approximately $58.7 million ($59.6 million increase for the base rate portion), over the current annual accrual from the 2021 Settlement Agreement included in FPL's 2026 Projected Test Year and 2027 Projected Test Year. (Tr. vol. 7, p. 1561.)

Gannett Fleming also performed the 2025 Depreciation Study. Since its last depreciation study in 2021, FPL has worked closely with its depreciation consultant, Gannett Fleming, to incorporate updated technical data into the 2025 Depreciation Study. (Tr. vol. 7, p. 1551.) The annual deprecation for accounts included in the 2025 Depreciation Study was calculated by the straight line method using the average service life procedure and the remaining life basis. The straight-line method, average service life procedure is a commonly used depreciation calculation procedure that has been widely accepted in jurisdictions throughout North America and is consistent with prior Commission Orders. (Tr. vol. 4, pp. 644-46.) The service life and net salvage estimates used in the depreciation calculations were based on informed judgment which incorporated the statistical analyses of the Company's historical data; a review of management's plans, policies and outlook; general knowledge of the property studied; and a general knowledge of the electric utility industry, including the service life and net salvage estimates from studies of other electric utilities. (Tr. vol. 4, pp. 647-48.) The methods used for the estimation of service lives and net salvage are also generally consistent with prior Commission orders. Each of the methods, procedures, and techniques used in the 2025 Depreciation Study are also consistent with those used in the 2021 Depreciation Study and the Company's current depreciation rates approved in the 2021 Settlement Agreement. (Tr. vol. 4, p. 646.)

The total increase in depreciation expense for the 2026 Projected Test Year as a result of

the 2025 Depreciation Study is $180.4 million, which includes a $135.5 million increase related to base rate assets and a $44.9 million increase related to cost recovery clauses. (Tr. vol. 7, p. 1552.) For the 2027 Projected Test Year, there is an increase of $190.3 million in depreciation expense as a result of the 2025 Depreciation Study, of which $141.8 million relates to base rate assets and $48.5 million relates to cost recovery clauses. (Tr. vol. 7, p. 1552.)

FPL's 2025 Depreciation and Dismantlement Studies were challenged on a limited basis by FEA and OPC. FEA witness Andrews disputed the 2035 retirement date used for Scherer Unit 3 in FPL's 2025 Depreciation Study and recommended the previous retirement date of 2047 be maintained. (Tr. vol. 18, pp. 4027-30.) OPC witness Dunkel proposed unsupported top-down adjustments for both depreciation and dismantlement. For the depreciation study, OPC witness Dunkel's only specific criticisms were related to a small subset of the reserve adjustments and the service lives of three groups of solar assets and proposed continuing to use the current depreciation rates approved in FPL's 2021 Settlement Agreement. (Tr. vol. 14, pp. 3057-66, 3071-73.) For dismantlement accruals, OPC witness Dunkel proposes two changes related to FPL's dismantlement study: (1) a negative 25% contingency applied to the 2025 Dismantlement Study and (2) using OPC's weighted average cost of capital ("WACC") as the discount rate for dismantlement accruals.[60] (Tr. vol. 14, pp. 3043, 3057.)

In rebuttal, FPL explained in detail the many reasons why OPC witness Dunkel's criticisms of certain reserve adjustments and service lives for three groups of solar assets should be rejected, and why his top-down adjustments to the depreciation study were not appropriate. (Tr. vol. 4, pp. 706-20; Tr. vol. 14, pp. 3057-66.) Notably, in paragraph 16 of their joint Position Statement, the

[60] OPC witness Schultz also proposed removing $810,454 from the accrual related to the Environmental Cost Recovery Clause ("ECCR"). (Tr. vol. 15, p. 3304.) FPL demonstrated this was based on a misunderstanding that the ECRC dismantlement accrual adjustment represents a decrease rather than an increase, and OPC's witness Schultz's proposal was not correct. (Tr. vol. 7, pp. 1585-86.)

NSPs have abandoned OPC witness Dunkel's inappropriate and unsupported depreciation adjustments and, instead, support adopting FPL's 2025 Depreciation Study as filed. (CEL Ex. 1297, p. 53.)

Likewise, FPL explained in detail that OPC's proposed negative contingency[61] and WACC-based discount rate[62] for the dismantlement study are unreasonable and inconsistent with Commission rules, precedent, and industry practice. (Tr. vol. 4, pp. 724-31; Tr. vol. 7, pp. 1581-85.) FPL's methods – positive contingency and accrual discounting consistent with inflation escalation – better ensure fair, timely, and complete cost recovery. Notably, in paragraph 17 of their joint Position Statement, the NSPs have abandoned OPC witness Dunkel's inappropriate and unsupported dismantlement adjustments and, instead, support adopting FPL's 2025 Dismantlement Study as filed. (CEL Ex. 1297, p. 53.)

FPL's depreciation and dismantlement parameters and resulting expense and accruals are well supported in the as-filed record and the Proposed Settlement Agreement reflects that fact, by adopting the 2025 Depreciation Study and 2025 Dismantlement Study. (CEL Ex. 1283, pp. 21-22.) For the purposes of reaching a compromise of the differing positions among the Signatory Parties, FPL agreed to make one change to the 2025 Depreciation Study to extend the retirement

[61] In support of his negative contingency factor, OPC witness raised three specific criticisms of the dismantlement study: Gannett Fleming's experience as it relates to dismantlement studies; scrap prices used in the study and the related allegation that transportation costs are double-counted; and the use of average cost estimates that were used for each of FPL's solar sites. (Tr. vol. 14, pp. 3055-57.) FPL fully rebutted each of these criticisms in detail and explained why none of these alleged issues support the use of a negative contingency factor. (Tr. vol. 4, pp. 727-28. 731-43.)

[62] The compound inflation rate – not the cost of capital – has consistently been used as the discount rate by other Florida investor-owned utilities. (Tr. vol. 7, pp. 1581-85.) For example, the dismantlement studies filed by TECO and DEF in 2023 and 2024, respectively, both used the compound inflation rate as the discount rate when calculating dismantlement accruals. Notably, the methodology used by TECO in its dismantlement study was approved by the Commission in a fully litigated rate proceeding. *See* Commission Order No. PSC-2025-0038-FOF-EI issued on February 3, 2025, in Docket Nos. 20240026-EI, *et al.*

date for Scherer Plant Unit 3 from 2035 as filed to 2047,[63] which is consistent with the current approved depreciable life established in FPL's 2021 Settlement Agreement. (Tr. vol. 23, p. 5179.)

Although the NSPs support adopting the 2025 Depreciation Study and 2025 Dismantlement Study, they oppose the extension of the retirement date of the Scherer Unit 3 under the Proposed Settlement Agreement. However, this challenged provision of the Proposed Settlement Agreement lowers settlement rates by simply leaving in place a retirement date already reflected in FPL's rate setting. This results in a reduction to base depreciation expense of $6.7 million in 2026 and $6.8 million in 2027 relative to the amounts included in FPL's original filing. (Tr. vol. 20, p. 4611.) Furthermore, the NSPs overlook that FPL will file a comprehensive depreciation study as part of its next base rate case, which is anticipated to occur in approximately four years. At that time, all depreciation parameters, including estimated service lives and net salvage rates, will be reviewed and updated based on the most current information available. (Tr. vol. 23, p. 5179.)

Considering the respective positions of the parties and the benefits provided by the Proposed Settlement Agreement, the agreements reached concerning FPL's 2025 Depreciation Study and 2025 Dismantlement Study further support a finding that the Proposed Settlement Agreement, when taken as a whole, is in the public interest.

[63] The originally proposed retirement date for Scherer Unit 3 was based on most recent information available from the plant operator, Georgia Power, at the time the 2025 Depreciation Study was prepared. (Tr. vol. 7, pp. 1586-87.) However, FPL also acknowledged that Georgia Power could make a future change to the estimated retirement date of Scherer Unit 3 and, if so, the effect of any such change will be incorporated and trued-up in a subsequent depreciation study. (Tr. vol. 7, p. 1588.)

16. Sale of Excess ITCs and PTCs

The Proposed Settlement Agreement enables FPL to sell excess ITCs and PTCs to third parties at a discount decreases FPL's deferred tax asset balance. This action results in a $39 million lower cumulative revenue requirement for customers by the end of 2027.

As detailed in the as-filed case, FPL's 2026 and 2027 Projected Test Year forecasts assume, consistent with Internal Revenue Code ("IRC") guidelines, that FPL will apply the full value of the tax credits it generates each year up to 75% of FPL's standalone federal income tax liability. (Tr. vol. 8, p. 1743.) FPL projects in the 2026 Projected Test Year and the 2027 Projected Test Year that its tax credits will exceed the established 75% cap. Unapplied tax credits result in tax credit "carryforwards," which FPL projects will grow to $324 million in 2026 and to approximately $1.2 billion in 2027. (Tr. vol. 8, pp. 1743-44.)

FPL proposed to eliminate the carryforward by selling[64] any excess credits to third parties at a discount and applying the proceeds against the tax credit carryforward balance.[65] (Tr. vol. 8, p. 1744.) The record establishes that selling the tax credits at a discount is a benefit to customers by lowering the cumulative revenue requirement by $39 million for customers by the end of 2027. (CEL Ex. 106.) Additionally, FPL committed that any portion of an eligible credit that is not transferred will remain as a deferred tax asset and will be applied to the subsequent years' standalone federal income tax liability. (Tr. vol. 8, p. 1744.)

Despite the projected revenue requirement benefit for customers, FEL witness Rábago

[64] The IRC allows eligible taxpayers to transfer all, or a portion of tax credits, including PTCs and ITCs, to unrelated taxpayers for cash. (Tr. vol. 8, p. 1743.)

[65] Specifically, FPL proposed to sell its excess ITCs at a 92% value, or an 8% discount, and its excess PTCs at a 95% value, or a 5% discount. In determining the discount rate, FPL relied on an independent third party's tax credit market analysis. (Tr. vol. 8, p. 1744.) The higher market sales discount percentage on the ITC as compared to the PTC is due to the inherent uncertainty with final construction costs and in-service dates on ITC eligible projects such as battery storage, whereas the PTC is based on actual production volumes for projects already in-service. (Tr. vol. 8, pp. 1744-45.)

opposed FPL's proposal to sell the excess ITCs and PTCs to third parties and argued that a normalization approach is preferable to the flow-through method proposed by FPL. However, the record demonstrates that FPL's approach will result in substantial revenue requirements reductions compared to FEL witness Rábago's normalization approach of $649 million in 2026 and $365 million in 2027. Indeed, 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. (CEL Ex. 333.) While normalization would create less year-to-year volatility, it would delay passing significant benefits to customers. (Tr. vol. 8, p. 1815.)

FEL witness Rábago opposed selling the ITCs at a discount, claiming that customers are "denied" 8% of the value of the ITCs. However, FEL witness Rábago misunderstands that transferring the ITCs 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 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. (Tr. vol. 8, p. 1816.)

Far from "denying" customers anything, FPL's proposal for handling excess tax credits benefits customers by mitigating upward pressure on revenue requirements that would otherwise result from deferring the excess credits. The IRS limits the level of credits that can be applied on a tax return at 75% of the taxpayer's liability. Without transferability, credits in excess of the 75% cap would become deferred tax assets that increase revenue requirements by $39 million by the end of 2027. FPL's proposal to sell excess tax credits at a discount is beneficial to customers. (Tr.

vol. 8, p. 1816.)

Given the substantial customer benefits, the Signatory Parties agreed to FPL's proposed approach to transferring the excess tax credits in the Proposed Settlement Agreement. The NSPs opposed providing these important benefits to customers for the same reasons stated in FEL witness Rábago's direct testimony. (Tr. vol. 22, pp. 5070-71.) For the reasons explained above and in FPL's rebuttal testimony, the NSPs' position would delay passing significant benefits to customers and should be rejected. (Tr. vol. 23, p. 5178; CEL Ex. 1333, p. 1.)

17. Rate Stabilization Mechanism

The RSM is a key feature of the Proposed Settlement Agreement that is essential to the four-year rate agreement. Simply put, FPL cannot commit to the four-year settlement agreement without the RSM. It is unrefuted that FPL must continue to invest on behalf of its customers in 2028 and 2029. In the absence of the RSM, FPL projects that it would need to seek additional cash-based rate relief by filing subsequent base rate proceedings. Customers benefit substantially through the avoidance of two years of additional general base rate increases during the second half of the Minimum Term of the Proposed Settlement Agreement. (Tr. vol. 20, p. 4617.)

i. FPL's Tax Adjustment Mechanism Under Its Original Petition

FPL's original petition proposed a TAM that operated in the same way as FPL's current RSAM and predecessor non-cash mechanisms that have significantly benefitted customers over the past 15 years. (Tr. vol. 11, pp. 2312-13.) Like the RSAM, the TAM will allow FPL to avoid general base rate increases in 2028 and 2029 by recording monthly debits or credits associated with operating income tax expense to maintain its ROE within the authorized range. (Tr. vol. 8, p. 1766; Tr. vol. 11, p. 2313.) FPL initially sized the TAM at $1.717 billion – exactly what FPL would need to cover its incremental revenue requirements in 2028 and 2029 at the midpoint with

non-cash (*i.e.*, without getting a cash increase through subsequent base rate increases) (Tr. vol. 8, pp. 1771-72, 1778; CEL Ex. 113.) Mathematically, this means the TAM cannot cause FPL to earn above the midpoint ROE over the four-year term. The TAM was necessary and critical to FPL's ability to commit to a four-year term in its as-filed case. (Tr. vol. 11, pp. 2311-14.)

The funding source for the TAM mimics that of the RSAM. Whereas the RSAM Reserve was made up of a "theoretical surplus" of dollars associated with depreciation expense collected from customers, the TAM Amount consists of dollars associated with future tax obligations. (Tr. vol. 8, 1728, 1897.) These "prepayments" create what are known as deferred tax liabilities or DTLs that arise from timing differences between tax accounting rules and regulatory ratemaking. DTLs benefit customers in the form of credits that decrease operating income tax expense. (Tr. vol. 8, pp. 1770-71.) Utilities, including FPL, traditionally flow DTLs to customers on a normalized basis over the remaining useful life of assets, approximately 30 years on average. (Tr. vol. 8, p. 1824.) Under the TAM, FPL will accelerate this timeline to flow the benefits back to customers over the four-year period from 2026 through 2029. (Tr. vol. 8, p. 1767.)

The NSPs repeatedly mischaracterized the TAM as "double recovery" of the same tax obligation. It is not. FPL recovers from customers only the tax amount due – dollar for dollar – not twice the amount of the obligation. (Tr. vol. 1, pp. 101-03; Tr. vol. 8, pp.1876-78; Tr. vol. 11, pp. 2373-74.) Concisely, FPL has recovered the amounts due, but no payments are yet due to the IRS. From 2026 through 2029, FPL will repurpose those dollars to offset incremental costs prudently incurred for customers in lieu of additional cash increases.[66] (Tr. vol. 8, pp. 1828, 1877; Tr. vol. 23, p. 5167.) The customers are thus at "zero" in terms of contributions towards the subject

[66] The NSPs "double recovery" argument disregards that FPL must make necessary and prudent investments in 2028 and 2029 in order to continue to provide safe and reliable service to customers, and that such reasonable and prudent investments are recoverable from customers. The NSPs' failure to acknowledge these necessary and prudent investments is factually incorrect and fatal to their "double recovery" argument.

tax obligations. Over the ensuing 30 years, FPL will recover from customers the tax amount that ultimately will be due. Clear accounting entries will track FPL's use and will allow stakeholders to verify that no double collection occurs. (Tr. vol. 8, pp. 1824, 1876-77; Tr. vol. 23, .p. 5169.)

During cross examination, FPL witnesses Pimentel, Laney, and Bores used a simplified $1.00 example to illustrate that use of the TAM is not double recovery because FPL must incur reasonable and prudent costs to serve customers and is entitled to recover those costs, either now through a cash increase or later under the non-cash TAM. In summary:

- FPL needs to invest $1.00 in its system.
- The expenditure is reasonable and prudent, so it is recoverable from customers.
- FPL will incur the cost whether it is recovered through cash increase in rates or non-cash TAM (using DTLs).
- FPL has two options to recover the $1.00 investment:
    - Option 1 - no TAM: Increase customer rates now to recover the $1.00 and use accrued DTLs to pay tax liability when due = customer pays $1.00.
    - Option 2 - TAM: Use $1.00 of non-cash TAM to pay for investment and not raise rates now, and have customers pay the $1.00 for the future tax liability over 30 years = customer pays $1.00.
- Under either scenario, the investment is still needed and recoverable, and customers are essentially only paying $1.00 (now vs. later) = no double recovery.

(Tr. vol. 1, pp. 101-03; Tr. vol. 8, pp.1876-78; Tr. vol. 11, pp. 2373-74.)

ii. Rate Stabilization Mechanism in the Proposed Settlement Agreement

The Proposed Settlement Agreement includes a modified mechanism referred to as the RSM that will serve the same purposes the TAM was designed to achieve but, as a compromise among the Signatory Parties, is made up of a trio of funding sources. Like the TAM and similar predecessor mechanisms, the four-year term of the Proposed Settlement Agreement depends on the existence and approval of the RSM. Without it, FPL's increasing revenue requirements in 2028 and 2029 would cause FPL's ROE to fall below the bottom of the proposed range without

additional general base rate cash increases. (Tr. vol. 20, p. 4617; Tr. vol. 23, pp. 5163-65; CEL Ex. 1335.)

The RSM is funded by three components:

- A reduced TAM. The Proposed Settlement Agreement reduces the size of the TAM to $1.155 billion. This level of DTLs no longer suffices on its own to allow FPL to cover FPL's incremental revenue requirements on a non-cash basis in 2028 and 2029 at the midpoint ROE;
- The RSAM Carryover Amount as of January 1, 2026. At the time FPL filed its original petition, it projected no RSAM Reserve balance would remain. Through the course of 2025, however, additional cost savings have manifested, thus lowering the amount of the RSAM Reserve the Company was required to use. FPL is therefore positioned to use the remaining balance of the RSAM Reserve (*i.e.*, the RSAM Carryover Amount) for the benefit of customers over the term of the Proposed Settlement Agreement; and
- ITCs associated with FPL's 522 MW NWFL battery storage facilities scheduled to enter service by December 2025, which is estimated to generate $143 million in ITCs. Under its original petition, FPL proposed a one-year "flow through" of the entire ITC amount as a reduction to 2025 revenue requirements. As a compromise, FPL will flexibly amortize the final ITC (once known) over the Term rather than applying the full amount in 2025. This compromise creates an additional funding source that will help FPL address revenue requirements through 2029 without additional general base rate increases.

(Tr. vol. 20, 4614-17.)

In order to properly implement the RSM, FPL requests authority to establish regulatory assets and liabilities necessary to effectuate flexible amortization consistent with accounting rules. As explained by FPL witness Laney, DTLs reside in FERC Account 282, which must at all times represent the Company's tax obligations to be paid in the future. Establishing a regulatory liability for the TAM Amount allows FPL to keep Account 282 intact and amortize the amount over the four-year period. (Tr. vol. 8, pp. 1823-24.) FPL also requests an offsetting regulatory asset that will be used to collect over a thirty-year period the tax obligation that ultimately will be paid to the taxing authorities.

The final amount of the RSM, inclusive of the three funding sources, will not be known

until early 2026. Accordingly, FPL will file an attachment to its December 2025 earnings surveillance report that sets forth the final RSAM Carryover Amount and the amount associated with the 2025 ITCs. The sum of the $1.115 billion of unprotected DTLs, the final RSAM Amount, and the 2025 ITCs will comprise the total "RSM Amount" available during the Term. (CEL Ex. 1283, pp. 22-23.)

iii. The RSM is in the Public Interest

The RSM will be subject to limitations designed to ensure compliance with FPL's four-year commitment to "stay-out" while allowing it to achieve earnings within the authorized ROE range. In addition, the RSM is designed to deliver significant near- and long-term benefits for customers, while FPL wears the risk of changing economic tides over the Term. Finally, the NSPs' arguments that FPL has used and will use non-cash mechanisms to achieve "excess earnings" and that RSM use should be limited to the midpoint ROE falter under the weight of straight mathematics and the undisputed evidence demonstrating FPL's ability to deliver superior value. Each if these key features and benefits of the RSM are further discussed below.

a. FPL's Use of the RSM will be Governed by Proven Safeguards

As with the RSAM, FPL will have discretion to amortize the RSM Amount flexibly from 2026 to 2029 by making accounting entries that involve credits to its income statement and corresponding debits to balance sheet items or vice versa. (CEL Ex. 1283, pp. 23-24.) FPL's discretion is proscribed by limitations similar to those that have been in place for many years and are familiar to the Commission and parties.

- Each month, FPL must first credit or debit the Carryover RSAM and the ITC components before it may amortize the deferred tax liabilities included in the TAM component. (CEL Ex. 1283, p. 23.)
- If FPL's ROE would fall below its authorized range, it must use enough of the RSM Amount to stay within the allowed range. (CEL Ex. 1283, pp. 23-24.)

- FPL cannot use the RSM to exceed its authorized ROE range. (CEL Ex. 1283, pp. 23-24.)
- Debits are required if its ROE would otherwise exceed the top of the authorized range. (CEL Ex. 1283, pp. 23-24.)
- The RSM Amount cannot exceed the total set forth in FPL's December 2025 ESR (as described above). Accordingly, if debits are required to avoid earnings above the authorized range but doing so would exceed the established RSM limit, the Company must apply the excess debit to increase its storm reserve as an unfunded amount. (CEL Ex. 1283, p. 24.)

b. The RSM Provides Substantial Customer Benefits.

The RSM enables FPL to provide substantial direct and indirect benefits to customers. Most significant and immediate, the RSM avoids additional general base rate cash increases for all customers through 2029. Revenue requirements in 2028 and 2029 are expected to increase by approximately $923 million and $809 million, respectively. (Tr. vol. 23, p. 5165.) On a 1,000-kWh residential bill, this amounts to $7.39 per month in 2028 and an incremental $6.48 per month in 2029, for a total of $13.86 in the second year without the RSM. (Tr. vol. 23, pp. 5165-66.) This increase is 140% greater than what customers would experience by the end of the Term with the RSM, inclusive of anticipated SoBRA additions. (Tr. vol. 23, p. 5166.) Avoiding additional cash rate increases also benefits customers by providing them a greater understanding of what to expect in terms of base rates over the next four years, irrespective of changing economic conditions.

The RSM allows FPL to continue to attract the capital necessary to make smart investments for the benefit of customers during the stay-out period. Indeed, RSM dollars – even though they are non-cash – can be amortized only to offset prudently incurred investments or expenses. Customers benefit from the RSM-enabled investments designed to maintain the superior levels of reliability they have come to expect, expand service to new areas, generate long-term savings, and serve numerous other needs. (Tr. vol. 23, pp. 5169-70.)

The indirect benefits facilitated by the RSM are also of utmost importance. The RSM

makes FPL's four-year stay out commitment financially possible, thereby allowing FPL to focus on improving operations and value instead of planning for and preparing for serial rate cases each year. (Tr. vol. 23, p. 5166.) Customers have been well-served by FPL's ability to manage its business over longer planning horizons. Compared to customers of peer utilities, FPL customers have saved billions of dollars in annual O&M costs over many years. Those cost savings not only exist today but also are embedded in the low bills projected through 2029 and will continue to provide savings even further into the future. (Tr. vol. 23, pp. 5165-67.)

c. FPL, Not Customers, will Bear the Risks of "Unknowns" Over the Next Four Years

The four-year stay out enabled by the RSM also protects customers from unknown risks that may manifest during the Term. Any upward pressure on costs through 2029 will be borne by the Company. This is precisely what occurred during the term of FPL's 2021 Settlement Agreement – the RSAM allowed customers to avoid bill increases amid significant rises in interest rates and inflation. Under the Proposed Settlement, FPL will continue to absorb risks related to escalating interest rates, tariffs, global conflicts, and associated customer impacts. (Tr. vol. 23, p. 5166.) This is true not only for years 2028 and 2029, but also for 2026 and 2027 given that FPL's projected revenue requirements currently underestimate future interest rates. The reduced cash increases under the Proposed Settlement Agreement further underscore how customers benefit when the risk is shouldered solely by FPL.

d. Use of the RSM Should Not be Limited to the Midpoint ROE.

Opposition to the RSM (and the TAM) has focused heavily on allegations that the RSM will guarantee "excessive profits" and assertions that FPL's use of the mechanism should be capped at the midpoint ROE.[67] However, the NSPs presented no evidence to support this

[67] (Tr. vol. 22, pp. 4998, 5000-01, 5055-57, 5060, 5101, 5106.)

argument. Simply put, there is no persuasive reason to change what has worked so well for customers for over a decade.

First, FPL's historical success speaks for itself. The Company has implemented similar non-cash mechanisms since at least 2011 and, without a "midpoint restriction" on its use, has consistently achieved superior levels of reliability and excellent customer service while keeping residential bills well below the national average. The NSPs presented no facts or evidence indicating that changing the fundamental structure of the mechanism would still allow FPL to deliver the same results.

Second, it is mathematically impossible to achieve, let alone exceed, midpoint earnings over the four-year term based on the estimated RSM Amount. (Tr. vol. 23, p. 5164.) While the TAM proposed in FPL's original petition was sized to earn at the mid-point in 2028 and 2029, the RSM Amount under the Proposed Settlement Agreement falls short by several hundred million dollars. (Tr. vol. 23, pp. 5163-64.) Therefore, if nothing else happens over the next four years, the RSM alone cannot drive earnings above the midpoint through the period. To reach midpoint earnings under the Proposed Settlement Agreement, FPL must create and implement incremental operational efficiencies that do not exist today. (Tr. vol. 23, pp. 5163-64.) To achieve earnings at the top of the authorized range, FPL must generate more savings than it has previously achieved, all of which inure to the long-term benefit of customers.

Relatedly, achieving base rate earnings above the midpoint provides an incentive for FPL to effectively manage the business while allowing for additional book returns for investors in the near-term but creating long-term value for customers in the form of lower operating expenses. (Tr. vol. 23, p. 5168.) Restricting its use would dampen the built-in cost performance incentives that saved residential customers $24 per month or $300 in 2023 alone compared to average performing

utilities. (Tr. vol. 1, p. 67; Tr. vol. 11, p. 2264.) Capping the RSM at the midpoint could also compromise FPL's ability to attract capital and maintain financial stability throughout an extended stay-out period. (Tr. vol. 23, pp. 5167-68.) For example, under FPL's 2021 Settlement Agreement, interest rates rose from 1.5% to 5%, which dramatically changed investor expectations. (Tr. vol. 11, pp. 2280-83, 2455; Tr. vol. 23, p. 5161.) FPL's ability to earn above the midpoint when needed ensured FPL could attract capital at reasonable terms for essential investments.

18. Asset Optimization Program

FPL's existing Asset Optimization Program[68] has long been approved as an incentive mechanism for FPL to seek out efficiencies and savings (or, "gains") ultimately for the benefit of customers. The Proposed Settlement Agreement modifies the existing program in two ways that facilitate the four-year stay out: (i) first, it changes where the customer portion is recognized during the Term and, (ii) second, it creates a fourth sharing threshold. More specifically, during the term of the Proposed Settlement Agreement, FPL will recognize in base rates the customers' share of the gains, recognized in the month in which they are generated. Additionally, the Proposed Settlement Agreement further provides that 100% of any annual gains in excess of $150 million will be provided to all customers through the Fuel Cost Recovery Clause. (Tr. vol. 20, p. 4616.)

Broadly, the Asset Optimization modification offered in the Proposed Settlement Agreement was challenged by the NSPs on the basis that the changes result in FPL automatically recognizing an additional $90.5 million each year. (Tr. vol. 22, pp. 5001-02.) However, such a contention is premised on the unfounded expectation that FPL will achieve far more gains than it

[68] FPL's Asset Optimization Program was approved by Order PSC-2021-0446-S-EI as amended by Order PSC-2021-0446A-S-EI and supplemented by Order PSC-2024-0078-FOF-EI.

has in prior years. (Tr. vol. 23, p. 5171.) The NSPs also overlook that counterparties are not required to enter optimization transactions and no gains are guaranteed. (Tr. vol. 23, p. 5171.) The Asset Optimization Program incentivizes FPL to continue working hard to find opportunities, but FPL bears the risk that optimization opportunities will not materialize. That risk grows greater over the four-year settlement period.

FEL witness Rábago also incorrectly presumes that future Asset Optimization Program gains will exceed levels attained in previous years because FPL will be able to engage in the sale of more renewable energy credits as it places more solar units in service. This assertion, however, is unsupported and based on invalid assumptions about either the renewable energy credits ("REC") market or FPL's REC inventory. Specifically, for additional solar units to result in higher gains from REC sales, one or more of the following must be true: (1) there must be unfulfilled market demand for RECs; (2) future market prices for RECs must be equal to or greater than past levels; and (3) FPL has no excess RECs in its "inventory." (Tr. vol. 23, p. 5171.) None of these assumptions stand up to market realities. For instance, the record indicates that the demand for RECs is currently on the decline and is not expected to improve. (Tr. vol. 23, p. 5171.) In addition, even under the assumption that a more robust market existed in prior years, FPL's existing solar fleet already generated more RECs than the Company could sell. Adding more solar units would increase FPL's inventory but would not enhance gains due to weak demand. (Tr. vol. 23, pp. 5171-72.) Additionally, aside from the weakened REC market, FPL is not long on capacity and energy due to the growth in its own capacity needs. Accordingly, FPL does not anticipate material incremental gains from the wholesale power market. This means that FPL is taking risk on the amount of gains it can generate and ultimately recognize in base rates during the term of the Proposed Settlement Agreement. (Tr. vol. 23, p. 5172.)

FEL witness Rábago also suggests that all optimization gains should count toward base revenues, and that any claim FPL has on shareholder gains is "illusory." The Commission approved FPL's 2021 Settlement Agreement, which established the existing Asset Optimization Program as ongoing and confirmed its sharing thresholds. FEL twice appealed the Commission's order. The Florida Supreme Court first affirmed the Asset Optimization Program's legal validity and subsequently affirmed that the 2021 Settlement Agreement, inclusive of the ongoing Asset Optimization Program, is in the public interest. The Proposed Settlement Agreement only modifies where the customer portion of the gains are recognized and creates a fourth sharing threshold. No other modification is before the Commission, let alone what would amount to a flat-out dissolution of the Asset Optimization Program if Mr. Rábago's recommendation were adopted. (Tr. vol. 23, p. 5172.)

At hearing, Commission Staff appeared to question whether the Asset Optimization Program under the Proposed Settlement Agreement could reduce the likelihood of customers benefiting from the program. FPL witness Bores clarified that the modified mechanism was introduced in lieu of higher cash rate increases in 2026 and 2027, which assures that customers benefit. FPL therefore incurs additional risk under the proposed modifications to the Asset Optimization Program to continue to achieve savings as it previously has – a risk that is elevated given the REC and wholesale market challenges described above. (Tr. vol. 21, pp. 4931-35.)

19. Long Duration Battery Storage Pilot

The Proposed Settlement Agreement will enable FPL to test alternative storage technologies through the implementation of its proposed long duration energy storage pilot. FPL plans to implement a long duration battery pilot to explore solutions such as sodium ion, nickel hydride, and iron flow batteries that it can deploy to serve its customers, focusing on components that are widely available and manufactured in the U.S. (Tr. vol. 6, p. 1236.) Under the pilot

project, FPL will deploy two long-duration battery storage systems, each capable of dispatching up to 10 MW of power and storing a total of 100 megawatt-hours of energy. Expected learnings from this pilot include: (1) validating the performance and grid reliability of long-duration energy systems; (2) evaluating alternative storage technologies as complements to conventional lithium-ion batteries; (3) developing criteria for vendors regarding safety and delivery schedules; (4) optimizing charging operations to leverage low-cost solar energy during periods of reduced load; and (5) optimizing discharging operations to complement conventional batteries during extended periods of high load. (Tr. vol. 6, p. 1236.) FPL estimates that the pilot project can be put in service in 2027 at an estimated cost of approximately $78 million. The capital cost of the project is partially offset by ITC credits, thereby significantly reducing the net impact to customers. (Tr. vol. 6, p. 1237.)

No intervenors submitted evidence challenging the long-duration battery storage pilot. In fact, the Position Statement jointly offered by the NSPs fully adopts the pilot as proposed by FPL, which further supports a finding that the long-duration battery storage as part of the overall comprehensive settlement is in the public interest. (CEL Ex. 1297, pp. 53-54.)

20. Land for Solar Facilities and Sale of Property Held for Future Use

The Proposed Settlement Agreement addresses FPL's PHFU by limiting the purchase of additional properties used exclusively for solar over the term of the settlement and requiring FPL to use best commercial efforts to sell property amounting to a total value of $200 million reflected in plant held for future use.

The record in this proceeding demonstrates that FPL's practices concerning PHFU is consistent with property acquisition principles that the Commission has long endorsed. In a 1971 Order, the Commission stated the following:

> Suitable sites for generation plants, transmission lines, and substations, are becoming more and more difficult to obtain. Long-range planning for adequate and reliable electric energy requires that every effort be made by electric utilities to make prudent acquisitions of suitable sites for necessary expansion and development. This is a vital part of long-range planning for consumer service and protection.... Prudence requires acquisition of suitable land sites long before definite plans can be developed for specific use.[69]

FPL has consistently acquired property consistent with these principles.

FPL's current land portfolio is adequate to support the 72 additional solar sites planned through 2029 and can accommodate approximately 12,300 MW of additional solar capacity through mid-2035 – providing approximately 5.5 years of solar growth beyond the time period discussed as part of this current rate case proceeding. Given Florida's challenging land development environment with ongoing residential, commercial, and other competing land uses, securing suitable properties now protects customers from future price inflation and availability constraints. (Tr. vol. 6, pp. 1257-58.) Additionally, all of the properties held and to-be-held to support FPL's future transmission and distribution infrastructure are projected to be used and in-service within the next ten years. (Tr. vol. 3, pp. 456, 475, 479-82, 486-87, 534, 537-38.) If FPL were to wait to acquire property for future needs until the need was imminent, the Company would frequently be left with limited or perhaps no suitable choices and potentially face higher costs (*e.g.*, less preferred and more contested corridors, and/or paying higher prices to sellers who are aware of the time pressure faced to acquire the necessary properties). (Tr. vol. 3, pp. 454-55.)

OPC witness Schultz recommended four areas for exclusions (or disallowance) for FPL's generation-related PHFU: (i) properties held for more than 10 years but now projected to be in-

[69] *In Re: Investigation of the Earnings & Rates & Charges of Fla. Power & Light Co. for the Purpose of Requiring Such Adjustments, if Any, As May Be Appropriate & Proper As A Result of the Facts Developed Through Said Investigation*, Order No. 5280, Docket No. 9777-EU (FPSC Dec. 7, 1971).

service within the next decade; (ii) properties not identified in FPL's 2025 TYSP; (iii) properties listed with "TBD" or "various" in-service dates; and (iv) properties intended for acquisition post-December 31, 2024. (Tr. vol. 15, pp. 3222, 3229.) OPC witness Schultz also contested T&D parcels into three categories: (i) properties that have been held by FPL for longer than 25 years; (ii) properties that are forecasted to be acquired in 2025-2027; and (iii) properties that are denoted as "various." (Tr. vol. 15, pp. 3227, 3230-32.) The challenges by witness Schultz, even in the absence of a settlement agreement, are not credible and ignore the record evidence, which reinforces the need for each property challenged by OPC witness Schultz.

With regard to FPL's generation-related PHFU, FPL's strategy for land acquisition is integrated with its long-range generation planning process outlined in the 2025 TYSP, but not limited by the current 10-year period in the TYSP.[70] FPL provided with its rebuttal testimony a listing of FPL's solar and battery PHFU, including all sites owned or under option for purchase and all PHFU properties that witness Schultz recommended for exclusion, and detailed the commercial operation dates for all projects associated with the PHFU. (Tr. vol. 6, p. 1255; CEL Ex 295.) This listing included all properties which had listed commercial operation dates as "TBD" or "various." (Tr. vol. 6, pp. 1260.) FPL's generation-related PHFU have specific planned uses adequate to meet FPL's forecasted generation need of 17,433 MW in FPL's 2025 TYSP and a total of 18,625 MW of new solar additions, which reasonably accounts for unknown contingencies and is consistent with FPL's long-range approach for land acquisition for future generation needs. (Tr. vol. 6, pp. 1255-56.)

OPC witness Schultz's challenges to FPL's T&D properties were also fully rebutted. All of the T&D properties challenged by OPC witness Schultz that FPL has held for more than 25

[70] *See In Re: Application for a rate increase by Tampa Electric Company*, Docket No. 920234, Order No. PSC-93-0165-FOF-EI (F.P.S.C. Mar. 29, 1993) (rejecting an arbitrary 10-year time limit for PHFU holdings).

years have a specific planned use within the next ten years or have been removed from PHFU. (Tr. vol. 3, p. 456.) Also, each of the properties forecasted to be acquired by FPL are projected to be in service by no later than January of 2031 to support needed T&D infrastructure. (Tr. vol. 3, p. 457.) With regard to the T&D PHFU designated as "various," the record demonstrated the necessity and planned uses of each individual property, which are all projected to be in service within 10 years. (Tr. vol. 2, pp. 456, 486; CEL Ex. 288.)

In effort to reach a cumulative resolution of all issues in this proceeding, the Signatory Parties agreed to certain modifications on the PHFU issue as part of the Proposed Settlement Agreement. Under the Proposed Settlement Agreement, FPL is not permitted to purchase any new land used exclusively for solar during the Minimum Term, with the exception of the property identified as the "Duda" property in CEL Ex. 295. FPL will use best commercial efforts to sell property amounting to a total value of $200 million reflected in PHFU. All sales of PHFU by FPL will be at fair market value, with gains or losses treated in accordance with standard Commission policy. This is a reasonable compromise for the purpose of reaching an overall settlement and providing the many benefits of the Proposed Settlement Agreement.

The NSPs opposed the settlement provision concerning PHFU on several different grounds, none of which impugn the public interest of the PHFU provision or the Proposed Settlement Agreement as a whole. The NSPs allege four principal concerns with the PHFU settlement provision: (i) there is a "loophole" allowing FPL to continue purchasing land during the Minimum Term (Tr. vol. 22, pp. 4990-91, 5004); (ii) land acquired prior to FPL's next general base rate proceeding should be recorded below the line and excluded from rate base until a prudence determination is made (Tr. vol. 22, p. 4977; CEL Ex. 1297, p. 54); (iii) FPL should be required to utilize best commercial efforts to sell the long-held properties (Tr. vol. 22, p. 4977);

and (iv) that FPL's agreement to use commercial best efforts to sell property amounting to $200 million merely represents the sale of "surplus" property (Tr. vol. 22, pp. 4990-91, 5004-05). Each of these contentions are without merit and ignore the evidence of record.

As to the first contention, the Proposed Settlement Agreement does not prevent FPL from acquiring land for other utility purposes such as transmission, distribution, or other non-solar generation uses if operationally necessary during the Minimum Term of the Proposed Settlement Agreement. This is not a "loophole" as characterized by OPC witness Schultz but, instead, it is evidence of prudent utility practices to acquire land for other utility purposes as needed. (Tr. vol. 23, p. 5232.) Further, under the Proposed Settlement Agreement, any hypothetical future land acquisition that is not allowed during the Minimum Term of the Proposed Settlement Agreement, specifically land used exclusively for solar or hybrid solar-battery projects[71] (with the exception of the Duda property), will go through FPL's normal process and be subject to future Commission review, providing the same customer protections that exist today. (Tr. vol. 23, pp. 5232-33.)

As to the second contention, the NSPs' position that any land acquired prior to FPL's next general base rate proceeding be recorded below the line and excluded from rate base pending a prudence determination is neither reasonable nor in the best interest of FPL's customers. This approach would fundamentally alter established regulatory principles and create an unworkable constraint on FPL's ability to serve customers reliably. (Tr. vol. 23, p. 5233.) Additionally, this misplaced notion would appear to require the Commission to review and preapprove every land purchase that the Company makes for the benefit of customers, no matter how big or small, in one-off pre-purchase prudence determination dockets. Taken to its illogical conclusion, the NSPs'

[71] FPL witness Oliver clarified that under the PHFU provision of the Proposed Settlement Agreement, FPL will not acquire property that is exclusively used for solar generation or a hybrid combination of solar generation and energy storage batteries during the Minimum Term of the settlement agreement. (Tr. vol. 20, pp. 4661-62.)

proposal suggests that the Commission should review and determine prudence for everything that FPL buys before FPL is allowed to recover costs for those purchases. Such a concept would impose impractical regulatory constraints on efficient utility operations, all to the detriment of customers. Said simply, the NSPs' position is not necessary, defies established regulatory principles, and leads to impractical conclusions about the way that FPL should run its business. (Tr. vol. 23, pp. 5233-34.)

The third contention, concerning the NSPs' challenge to the long-held properties being unaffected by the Proposed Settlement Agreement, ignores the record evidence. As explained above, all properties challenged by OPC witness Schultz that have been held for more than 22 years (all of which are transmission and distribution properties) have specific planned uses within the next ten years, as testified by FPL witness Jarro. (Tr. vol. 3, pp. 456, 475, 479-82, 486-87, 534, 537-38; CEL Ex. 288, p. 1.) Similarly, the three generation properties recommended for exclusion by OPC witness Schultz have specific planned uses within the ten-year period of FPL's current 2025 TYSP. (Tr. vol. 23, pp. 5235; CEL Ex. 295.)

Lastly, the NSPs incorrectly claim that FPL's agreement to use commercial best efforts to dispose of certain land is merely the sale of "surplus" property. The properties to be sold under the Proposed Settlement Agreement are not "surplus" as alleged by OPC witness Schultz but, rather, are targeted assets that FPL is willing to divest as one-part of a multifaceted compromise among the Signatory Parties. The specific property that FPL will seek to sell is not identified publicly in the Proposed Settlement Agreement to preserve FPL's negotiating leverage in order to secure the best sale value for the targeted land parcel(s), which ultimately benefits FPL customers. FPL will begin in earnest in early 2026 to actively market and sell land to meet this commitment in good faith. This commitment amounts to a total value of $200 million, which will be removed

from the PHFU balance, which will directly benefit customers. FPL's commitment represents genuine divestiture efforts designed to achieve the best possible value for customers and is not merely a token gesture. (Tr. vol. 23, pp. 5236-37.)

By adjusting the Company's land portfolio through strategic divestiture while maintaining essential holdings for reliable service delivery, this balanced approach demonstrates responsible stewardship of customer investments and reasonable compromise through the settlement process. For these reasons, the PHFU provision of the Proposed Settlement Agreement is reasonable and in the public interest.

21. Vandolah

The Proposed Settlement Agreement contains a term that is designed to ensure that the acquisition of Vandolah benefits all FPL customers, as opposed to exclusively benefitting only data centers or other large load customers. (CEL Ex. 1283, p. 26.)

On April 9, 2025, during the pendency of the proceeding, FPL entered into a purchase and sale agreement to acquire Vandolah, a natural gas/oil-fired electric generation facility in Wauchula, Florida with a summer net capacity of approximately 660 MW. (Tr. vol. 5, p. 1036.) Currently, Vandolah is interconnected only to the transmission facilities of DEF, and all of the Vandolah site's capacity and energy are fully and exclusively committed for sale to DEF under a long-term tolling agreement that remains in effect through May 31, 2027. (Tr. vol. 5, p. 1037.)

The transaction to acquire Vandolah is not expected to close until June 1, 2027, following the expiration of the DEF tolling agreement, and that closing date is conditioned on approval from FERC. (Tr. vol. 5, p. 1037.) The capacity provided by Vandolah will displace 400 MW of four-hour batteries scheduled to enter service in 2028 and 475 MW of gas combustion turbines

scheduled to enter service in 2032.[72] (Tr. vol. 5, p. 1038.) However, given the timing and the uncertainty of FERC's approval, FPL must still have its planned solar and battery storage additions in 2026 and 2027. (Tr. vol. 5, p. 1037.)

During OPC's cross examination of FPL witness Pimental, the Public Counsel indicated his support for FPL's acquisition of Vandolah. (Tr. vol. 1, p. 83.) Notwithstanding that support, OPC's questioned at hearing whether the Vandolah facility should displace proposed 2027 generation and storage resource facilities. (Tr. vol. 5, pp. 1089-97.) FPL explained the risk to customers should the Vandolah transaction not close or become available on its anticipated timeline, reflecting that resource planning timelines are long and facilities are not developed and constructed instantaneously to address system needs. (Tr. vol. 5, pp. 1096-97.) FPL further clarified that any changes to resource needs attributable to the closing of the Vandolah transaction would be reflected in the applicable subsequent SoBRA proceedings. (Tr. vol. 5, pp. 1094-95.)

The acquisition of Vandolah under the Proposed Settlement Agreement will benefit all customers. The Proposed Settlement Agreement indicates that, if acquired, the Vandolah facility will be integrated into FPL's overall generation portfolio to serve all customer classes and to help meet FPL's forecasted load growth and resource adequacy criteria. This additional clarification ensures that Vandolah will be a system resource that will benefit all of FPL's customers and is thus in the public interest. (Tr. vol. 20, pp. 4606-07; CEL Ex. 1283, p. 26.) Notably, in paragraph 24 of their joint Position Statement, the NSPs support the acquisition of Vandolah and conclude that dispatching as a system asset to serve all customers will benefit the general body of customers. (CEL Ex. 1297, pp. 54-55.)

[72] Unless there is additional demand to serve customer load that would necessitate installation of this capacity based on an additional resource need.

22. Natural Gas Hedging

The Proposed Settlement Agreement incorporates a provision that prohibits FPL from financially hedging natural gas during the Term. (CEL Ex. 1283, p. 27.) Similar provisions have been included in prior FPL multi-year rate settlements that were found by the Commission to be in the public interest.

The agreed-upon prohibition against financial hedging was first included in FPL's 2016 Settlement Agreement, and it was again agreed upon in FPL's 2021 Settlement Agreement. Thus, this agreed-upon prohibition has been found to be in the public interest within the totality of previous settlement agreements. (Tr. vol. 20, p. 4606.) Notably, the NSPs support this settlement provision in paragraph 25 of their joint Position Statement. (CEL Ex. 1297, p. 55.)

While there may be benefits to customers in reducing fuel price volatility through financial hedging, in consideration of the overall context of this Proposed Settlement Agreement, FPL believes it is reasonable to continue not to use natural gas financial hedges prospectively through the term of the Proposed Settlement Agreement. (Tr. vol. 20, p. 4606.)

23. Disconnection Policy

The Proposed Settlement Agreement formally establishes a protection for customers that prohibits disconnections for non-payment during certain extreme hot and cold weather conditions. Regarding hot weather, FPL will not disconnect customers for nonpayment of bills if they are located in an FPL operational district with a forecasted 95-degree temperature or warmer for the day based on FPL's meteorological forecasts, or where a heat advisory is issued by the National Weather Service. FPL also will not disconnect power for nonpayment of bills for any residential customer in an FPL operational district with a forecasted temperature of 32 degrees or cooler for the day, based on FPL's meteorological forecasts. (Tr. vol. 20, pp. 4605-06; CEL Ex. 1283, p. 27.)

FEL witness Marcelin criticizes the policy as insufficiently accounting for humidity. (Tr. vol. 22, p. 5028.) This concern, however, is unfounded. Under the Proposed Settlement Agreement, disconnections are prohibited when a heat advisory has been issued by the National Weather Service. According to the National Weather Service, heat advisories take into account heat index values, which, in turn, take into account the effects of humidity. Thus, contrary to Mr. Marcelin's protest, the proposed disconnection policy does account for humidity. (Tr. vol. 23, p. 5174.)

Despite FEL witness Marcelin's criticism, the NSPs fully support this settlement provision in paragraph 26 of their joint Position Statement. (CEL Ex. 1297, p. 55). This policy under the Proposed Settlement Agreement will benefit customers by protecting them from disconnection during challenging temperature conditions. This is one of many benefits of the Proposed Settlement that, when taken as a whole, is in the public interest.

24. Payment Assistance Contribution

The Proposed Settlement Agreement expands the availability of payment assistance for FPL customers by providing $15 million of funding for customers who qualify for payment assistance based on the United Way's ALICE criteria. This additional funding made available through the Proposed Settlement Agreement is an immediate and tangible benefit for FPL's customers who are in need of assistance.

FPL has a long history of charitable giving for the benefit of its customers. For more than 30 years, FPL has sponsored the FPL Care To Share program, which combines donations from NextEra Energy shareholders, NextEra Energy employees, and FPL customers. Over the past ten years, FPL Care To Share has provided an average of $2.4 million annually to help customers in need. (Tr. vol. 4, p. 838.) Additionally, FPL has a dedicated team that works directly with assistance agencies to develop plans to support the Company's more vulnerable customers. (Tr.

vol. 4, p. 838.) In 2024, the Company's low-income customers received over 93,000 assistance payments from numerous agencies and FPL's Care To Share, representing nearly $49 million credited toward their electric bills. (Tr. vol. 4, p. 838.)

The additional payment assistance funding made available through the Proposed Settlement Agreement aims to reach FPL residential customers in need who would not qualify for federal government assistance through LIHEAP or EHEAP.[73] (Tr. vol. 20, p. 4605.) The additional $15 million over four years would essentially match the ALICE criteria-based assistance disbursed during 2022 through 2025 from FPL's Care To Share alone. Also, the entire $15 million of funding under the Proposed Settlement Agreement is incremental to the assistance that will continue to be available through government assistance and FPL's Care To Share. (Tr. vol. 20, p. 4605.)

Despite the clear customer benefits associated with the additional $15 million of customer assistance under the Proposed Settlement Agreement, FEL witness Marcelin complains that the fund is not large enough and suggests that it should be sized at $1.6 billion and paid for by FPL's shareholders. (Tr. vol. 22, p. 5024.) FEL's position is unreasonable. The $15 million allocated for customer assistance is estimated to support tens of thousands of customers. The funding is incremental to governmental support as well as the voluntary contributions from customers, employees, and shareholders that helped more than two hundred thousand customers during the current four-year settlement term (2022-2025) alone. (Tr. vol. 23, p. 5173.) Also, FEL witness Marcelin's contention that the fund be shouldered by shareholders has no place in the proceeding, as the Commission does not have jurisdiction to dictate a utility's charitable donations. (Tr. vol.

[73] The Asset Limited Income Constrained, Employed or ALICE criteria is broader than that of LIHEAP/EHEAP as it includes households that earn above the federal poverty level but not enough to afford basic necessities. (Tr. vol. 20, p. 4604.)

23, pp. 5173-74.) Lastly, any suggestion that the fund should be sized at $1.6 billion is illogical, as $1.6 billion would serve to increase revenue requirements by $400 million per year, which is equivalent to the entire 2027 incremental revenue requirement set forth in the NSPs' Position Statement. (Tr. vol. 23, p. 5174.)

Moreover, despite FEL witness Marcelin's complaints, the NSPs fully support the payment assistance provision of the Proposed Settlement Agreement, including the size and how it is funded, in paragraph 27 of their joint Position Statement. (CEL Ex. 1297, p. 55.) This uncontested new addition to FPL's request provides more assistance to FPL's residential customers than is available to them today and further promotes the public interest benefits of the Proposed Settlement Agreement. This additional payment assistance contribution is one of many benefits of the Proposed Settlement Agreement that, when taken as a whole, is in the public interest.

25. Support Proposal for Large Customer Opt-out of ECCR

Under the Proposed Settlement Agreement, FPL has agreed to support a petition that commercial and industrial customers may file in the future to opt out of certain energy efficiency programs if they can show that through self-funded energy efficiency they perform on their own, verifiable energy efficiency savings will be gained without any subsidization from the general body of FPL's customers. Such a provision enhances the public interest if large customers who are naturally incented to perform expensive energy efficiency measures on their own are encouraged to do so, at their own cost, without being subsidized by the general body of FPL's customers. (Tr. vol. 20, p. 4607.) No NSPs offered testimony opposing the large customer opt-out provision.

26. Minimum Bill (Exhibits B and C)

In this proceeding, FPL proposed to continue the existing minimum bill construct previously approved in the 2021 Settlement Agreement to ensure that all residential and general

service non-demand customers contribute to their fair share of fixed system costs that FPL incurs to maintain readiness to serve customer loads, regardless of actual usage. (Tr. vol. 12, p. 2620.) FPL submitted evidence demonstrating that a total cost-based minimum bill could be as high as $69.71 per month for residential and $80.79 per month for general service non-demand customers. (CEL Ex. 8 – MFR E-14 2026 Project Test Year, Attachment 15.) To continue moving the minimum bill towards a cost-based rate, FPL proposed a modest increase the minimum bill from the current $25 per month to $30 per month. (Tr. vol. 12, p. 2620.) Under the Proposed Settlement Agreement, the Signatory Parties agreed to adopt the $30 monthly minimum bill as proposed by FPL.[74]

FEL witness Rábago opposed the minimum bill arguing that it requires customers to pay for a service they do not use and for costs they did not cause, and that the minimum bill is economically regressive and forces low use customers to subsidize high use customers. (Tr. vol. 17, pp. 3880-83.) FEL's contentions are incorrect.

The minimum bill ensures that all residential and general service non-demand customers contribute to their fair share of fixed system costs that FPL incurs to maintain readiness to serve customer loads, regardless of actual usage.[75] This readiness includes infrastructure required for reliable service (*e.g.*, wires, poles, and transformers), which are essential to connect and serve electricity to all customers, including those with low or zero usage. (Tr. vol. 12, p. 2651.) By having a minimum bill, unavoidable fixed costs are appropriately distributed, ensuring that every

[74] Although the Proposed Settlement Agreement does not have a provision that expressly addresses the adoption of the $30 per month minimum bill, the agreed upon minimum bill is reflected in the RS and GS rate schedules included in Appendices B and C of the Proposed Settlement Agreement. (CEL Ex. 1283, pp. 113-14, 126, 129, 1049-50, 1062, 1065.)

[75] In 2026, approximately 370,000 residential and 110,000 general service customers are expected to have a base bill that is less than $30 per month. These are customers using less than 233 kWh and 224 kWh per month, respectively. This usage is essentially equivalent to only running a water heater and no other appliances for the month. The vast majority of customers will have usage that exceeds the low threshold for the minimum base bill over the proposed four-year term. (Tr. vol. 12, pp. 2620-21.)

customer contributes fairly, irrespective of their usage level. . (Tr. vol. 23, p. 5223.) In absence of the minimum bill, FPL would need to increase the residential base charge, which would impact all customers, including low-income customers, not just those with low or zero usage.[76] (Tr. vol. 12, p. 2620.) Indeed, in approving the minimum bill in the 2021 Settlement Agreement, this Commission found that the minimum bill reasonably allocated fixed costs, specifically finding as follows:

> We agree that low usage customers and seasonal residents rely on the same portions of the system as other customers. As the evidence shows, adding a minimum base bill ensures that those customers contribute to the costs of that system. We find that the minimum base bill more reasonably allocates fixed costs not covered by the base bill among all of these customers, and that recovering this amount results in rates that are fair, just, and reasonable.

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FEL witness Rábago also asserts that FPL, through the minimum bill, is inappropriately attempting to recover fixed costs through a fixed charge and concludes that rate design should not mimic cost structure. (Tr. vol. 17, p. 3882.) This argument, however, illustrates that witness Rábago misconstrues the nature of fixed costs. As noted by FPL witness Cohen, recovering fixed costs through a fixed charge is exactly in line with several key ratemaking principles. (Tr. vol. 12, p. 2652.) Specifically, fixed costs are those necessary to maintain the readiness and availability of utility infrastructure regardless of consumption levels. By recovering these costs through a fixed charge, each customer contributes fairly to the expenses incurred by the utility to provide consistent and reliable service. The fixed, minimum bill approach prevents low-usage customers, such as seasonal or part-time occupants, from being subsidized by those who consume more since all benefit from the same infrastructure. (Tr. vol. 12, pp. 2652-53.)

[76] FPL's proposed residential base charge in 2026 will be $10.92, which is the lowest among all Florida investor-owned utilities and below the average in Florida. (Tr. vol. 12, p. 2620.)

Despite FEL witness Rábago's apparent objection to any minimum bill, the NSPs supported the continuation of the minimum bill, but at the current $25 rate because it could impact low-income and low energy users. (CEL Ex. 1297, pp. 13, 39). The NPSs opposition to the modest increase in the minimum bill from the current $25 per month to $30 per month is nothing more than a repeat of FEL witness Rábago's arguments objecting to the minimum bill, which were fully addressed and rebutted as explained above. In short, the minimum bill ensures that all residential and general service non-demand customers contribute to their fair share of fixed system costs that FPL incurs to maintain readiness to serve customer loads, regardless of actual usage. (Tr. vol. 23, p. 5223.) Moreover, the unrefuted record evidence demonstrates that a cost-based minimum bill would be significantly higher than the $30 per month agreed to the Proposed Settlement Agreement.

The minimum bill agreed to in the Proposed Settlement is a reasonable compromise based on the evidence of record that continues to move towards a cost-based rate, while better ensuring all residential and general service non-demand customers contribute towards their fair share of fixed system costs, which do not vary with usage of electricity. For these reasons, as well as those previously articulated by the Commission in approving the minimum bill in the 2021 Settlement Agreement, the cost-based protections of the minimum bill is one of many benefits of the Proposed Settlement Agreement that, when taken as a whole, is in the public interest.

C. Legal Issues

In accordance with the instruction provided by Commission Staff during the hearing (Tr. vol. 23, p. 5286), FPL is herein addressing five legal issues raised by the NSPs and identified in the Prehearing Order, Order No. PSC-2025-0298-PHO-EI. Additionally, FPL will address two additional legal issues that it anticipates will be raised by the NSPs' briefs: (i) the Commission's

authority to approve the Proposed Settlement Agreement among the Signatory Parties; and (ii) the Commission's decision to deny the NSPs' attempt to settle this base rate proceeding with themselves and without the petitioner, FPL.

Given that four of the five issues raised by the NSPs relate to the Commission authority in the proceeding, it is appropriate to address the Commission's legal authority as a preliminary matter. As a creature of the legislature, the "[C]ommission derives its power solely from the legislature." *Citizens of State v. Graham*, 191 So. 3d 897, 900 (Fla. 2016).[77] As such, the Commission's powers, duties, and authority are those that are conferred expressly or impliedly by statute of the State.[78] "The legislature granted the [Commission] exclusive jurisdiction over matters respecting the rates and service of public utilities." *Citizens I*, 146 So. 3d 1143, 1150 (Fla. 2014) (quoting *Fla. Pub. Serv. Comm'n v. Bryson*, 569 So. 2d 1253, 1254 (Fla. 1990)). Section 366.04, Florida Statutes, provides the Commission with jurisdiction to regulate and supervise each public utility with respect to its rates and service, and prescribe a rate structure for all public utilities.[79] Thus, the plain language of the statutes clearly provides that the "Commission independently determines rates of public utilities subject to the conditions set forth in [C]hapter 366." *Citizens I*, 146 So. 3d at 1150.

"A statutory grant of power or right carries with it by implication everything necessary to

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[77] Citing *United Tel. Co. of Fla. v. Fla. Pub. Serv. Comm'n*, 496 So. 2d 116, 118 (Fla. 1986); and *Sprint-Florida, Inc. v. Jaber*, 885 So. 2d 286, 290 (Fla. 2004).

[78] *Cape Coral v. GAC Utils., Inc.*, 281 So. 2d 493, 496 (Fla. 1973); *City of West Palm Beach v. Fla. Pub. Serv. Comm'n*, 224 So.2d 322 (Fla.1969); *Southern Gulf Utilities, Inc. v. Mason*, 166 So.2d 138 (Fla.1964); *Fogarty Bros. Transfer, Inc. v. Boyd*, 109 So.2d 883 (Fla.1959); *Florida Tel. Corp. v. Carter*, 70 So.2d 508 (Fla.1954); *Florida Motor Lines Corporation v. Douglass*, 150 Fla. 1, 7 So.2d 843 (1941); *Florida Motor Lines, Inc. v. Railroad Commission etc.*, 101 Fla. 1018, 132 So. 851 (1931); *State ex rel. Wells v. Western Union Telegraph Co.*, 96 Fla. 392, 118 So. 478 (1928); *State ex rel. Burr v. Jacksonville Terminal Co.*, 90 Fla. 721, 106 So. 576 (1925); *State ex rel. Burr v. Jacksonville Terminal Co.*, 71 Fla. 295, 71 So. 474 (1916); *State ex rel. Railroad Commissioners v. Atlantic Coast Line R. Co.*, 60 Fla. 465, 54 So. 394 (1911).

[79] *See also* Section 366.05(1), Fla. Stat. ("In the exercise of such jurisdiction, the commission shall have power to prescribe fair and reasonable rates and charges . . . .").

carry out the power or right and make it effectual and complete." *Deltona Corp. v. Florida Public Service Commission*, 220 So. 2d 905, 907 (Fla. 1969). While the TAM, SoBRA, SCRM, and tax law change mechanism included in the Proposed Settlement Agreement are not specifically mentioned in Chapter 366, such ratemaking and accounting mechanisms are routinely evaluated and approved by the Commission in the ratemaking process and, thus, are clearly within the Commission's express and implied powers to consider and approve in setting just and reasonable rates.

To the extent that the NSPs attempt to claim that prior mechanisms approved by the Commission were the product of a settlement and the Commission is somehow without authority to independently approve such mechanisms outside of a settlement, any such argument is without legal merit. Preliminarily, FPL notes that any such argument is meaningless as the mechanisms presently before this Commission are the product of a settlement agreement. Notwithstanding, the Commission's jurisdiction and authority under Chapter 366 to fix fair, just, and reasonable rates is not conditioned upon whether the case is litigated as opposed to being settled. The Commission's statutory jurisdiction and authority does not and cannot change if the case is litigated as opposed to being settled. Indeed, the only difference between a litigated base rate case and a settled base rate case is the Commission's standard of review. However, the standard of review does not change the Commission's statutory authority and jurisdiction; rather, it governs the standard by which the Commission will review those proposals that are properly within its jurisdiction and authority to hear and decide. Simply put, a settlement cannot legally grant or change the Commission's jurisdiction and authority – only the legislature can do that.

1. Standing to Intervene

As indicated on page 41 of the Prehearing Order, FPL took no position on the issue of intervenor standing. However, FPL notes that each of the Signatory Parties submitted testimony

and/or responses to discovery in support of their respective standing to participate in this proceeding, as summarized on pages 40-46 of the Prehearing Order.

2. Authority to Approve the Tax Adjustment Mechanism

The NSPs argued that the Commission is without authority to approve the TAM included in the RSM under the Proposed Settlement Agreement. In support, OPC argues that FPL will use the TAM to earn at the top of the range and accelerating the amortization of the DTLs is unprecedented, constitutes double recovery, and contradicts the matching principle.[80] FEL similarly claims that the TAM will appropriate customer monies paid toward income tax expense and reallocate them to inflate FPL's earnings. Finally, FAIR simply concludes that the Commission is without authority to approve the TAM but offers no reasoning, justification, or basis for this conclusion. The NSPs' opposition to the TAM is both without legal merit and contrary to the record evidence.

As explained above, accounting mechanisms, such as the TAM, are the type of thing the Commission routinely considers and decides in the ratemaking process. Indeed, the Commission has approved substantially similar accounting mechanisms in FPL's last four rate cases. Most recently, as part of FPL's 2021 Settlement Agreement in Docket No. 20210015-EI, the Commission approved the Company's use of the RSAM. As explained above in Section III.B.17 and demonstrated by the record evidence, the TAM has a similar design to the RSAM and will serve a similar purpose. (Tr. vol. 8, p. 1768.)

Notably, the Commission's authority to authorize the RSAM was challenged by FEL and FAIR in appeal to the Florida Supreme Court, and the Court found that the RSAM is an accounting mechanism the Commission could lawfully approve. *See FAIR*, 371 So. 3d at 907 n.2 (noting that

[80] See NSPs' positions are set forth on page 47-48 of the Prehearing Order.

to the extent appellants preserved their challenge to the Commission's statutory authority to approve a similar mechanism, the RSAM, none of the statutory arguments gave the Court reason to set aside the order approving the accounting mechanism). In the subsequent appeal of the Commission's Supplemental Final Order re-affirming the 2021 Settlement Agreement, the Florida Supreme Court again found the Commission's rationale for approving the RSAM on the basis of maintaining rate stability over the course of a multiyear rate plan to be appropriate for making its public interest determination. *See Fla. Rising, Inc. v. Fla. Pub. Serv. Comm'n*, 415 So. 3d 135, 144 (Fla. 2025). Thus, similar to the Commission's authority to approve an RSAM accounting mechanism, the clearly has authority under Chapter 366 to approve a TAM type of accounting mechanisms in deciding just and reasonable rates of a utility.

Notably, the NPSs rightfully do not claim that the Commission is without legal authority to approve a ratemaking accounting mechanism, such as the TAM. Such an argument would be directly contrary to the recent and controlling decisions by the Florida Supreme Court discussed above. Rather, the NSPs' arguments are based solely on their claims that the TAM is a new mechanism, will result in double recovery of the tax expense, and will inflate FPL's earnings. The fact that an accounting mechanism is new does not somehow render the Commission without authority to approve said mechanism – such a conclusion simply leads to nonsensical and unproductive results. Furthermore, for the reasons fully explained in detail in Section III.B.17 above, the NSPs claims of purported double-recovery and inflated earnings from the TAM are patently incorrect and contrary to the record evidence. Accordingly, the NSPs' position that the Commission is without legal authority to approve the TAM is legally and factually indefensible and must be denied.

3. Authority to Approve the Solar Base Rate Adjustment Mechanism

The NSPs claim that the Commission is without authority to approve the SoBRAs included in the Proposed Settlement Agreement. In support, OPC claims that the Commission has not approved a SoBRA in the absence of a settlement, and that the SoBRA is premature and not ripe because FPL is not asking for recovery of the costs associated with the 2028 and 2029 solar and battery facilities in this case. FEL and FAIR, on the other hand, simply claim that the Commission is without authority to approve the SoBRAs but offer no reasoning or justification for their position.[81] The NSPs' opposition to the Commission's authority to approve the SoBRAs is without merit.

OPC's attempt to claim that the Commission can only approve a SoBRA-type mechanisms in a settlement is legally untenable for the reasons explained above. Moreover, OPC's claim that a SoBRA has not been approved outside a settlement is meaningless as the SoBRAs currently before this Commission are the product of a settlement agreement.

Likewise, OPC's reliance on the fact that the SoBRA rates will not take effect until a future date is misplaced and contrary to established precedent. Indeed, the Commission has approved SoBRA mechanisms in FPL's last two base rate proceedings,[82] as well as for other Florida IOUs.[83] Likewise, the Commission has previously approved substantially similar GBRA mechanisms since

[81] The NSPs' position is set forth on pages 48-49 of the Prehearing Order.

[82] *See* Order Nos. PSC-2021-0446-S-EI and PSC-2021-0446A-S-EI in Docket No. 20210015-EI (approving FPL's 2021 Settlement Agreement authorizing SoBRAs for future increases in base rates); Order No. PSC-16-0560-AS-EI in Docket No. 160021-EI (approving FPL's 2016 Settlement Agreement authorizing SoBRAs for future increases in base rates).

[83] *See, e.g., In re: Petition for rate increase by Duke Energy Florida, LLC*, Order No. PSC-2024-0472-AS-EI, Docket No. 20240025-EI (FPSC Nov. 12, 2024) (approving a settlement authorizing a SoBRA mechanism to increase base rates at a future time); *In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company*, Order No. PSC-2017-0456-S-EI, Docket Nos. 20170210-EI and Docket No. 20160160-EI (FPSC Nov. 27, 2017) (approving a settlement authorizing a SoBRA mechanism to increase base rates at a future time).

at least 2005.[84] In each of these proceedings, the mechanisms were approved in a base rate proceeding with the SoBRA and GBRA base rate increases taking effect at a later date following a subsequent hearing.

The Commission's authority to implement FPL's prior SoBRA mechanism, which was substantially similar to the SoBRA mechanism in the Proposed Settlement Agreement as explained in Section III.B.12 above, was challenged in FEL's and FAIR's appeal of FPL's 2021 Settlement Agreement. Notably, the Florida Supreme Court found no basis in that challenge to set aside the settlement. *See FAIR*, at 907 n.2 (noting that to the extent appellants preserved their challenge to the Commission's statutory authority to approve a SoBRA mechanisms, none of the statutory arguments gave the Court reason to set aside the order approving the mechanism).

Notably, the OPC has previously agreed to SoBRAs in FPL's 2021 Settlement Agreement, as well as for other Florida IOUs.[85] OPC cannot, on one hand, agree that such mechanisms are in the public interest and ask that they be approved by the Commission and, on the other hand, argue with any credibility that the Commission is without authority to approve such mechanisms. Accordingly, the NSPs' position that the Commission is without legal authority to approve the SoBRAs is legally incorrect and contrary to established precedent.

4. Authority to Approve the Storm Cost Recovery Mechanism

The NSPs claim that the Commission is without authority to approve the SCRM included in the Proposed Settlement Agreement. In support, OPC asserts that it is unlawful to continue the SCRM from the prior FPL 2021 Settlement Agreement, and that the proposed SCRM improperly

[84] *See In re: Petition for rate increase by Florida Power & Light Company*, PSC-05-0902-S-EI, Docket No. 050188-EI (FPSC Sep. 14, 2005) (approving a GBRA construct for future incremental increases in base rates). *See also In re: Petition for rate increase by Tampa Electric Company,* Order No. PSC-2021-0423-S-EI, November 10, 2021, in Docket No. 20210034-EI (FPSC Nov. 10, 2021) (approving settlement authorizing a GBRA for a future increase in base rates).

[85] *See* Footnote, 83, *supra*.

asks the Commission to preapprove storm costs up to $5 per 1,000 kWh without a hearing as required by Sections 366.06 and 366.07, Florida Statutes. OPC also claims that, pursuant to Section 366.07, Florida Statutes, the Commission can only approve interim rates based on a showing that the utility is earning outside its range. FAIR claims that FPL has not provided evidence to support the SCRM, and FEL simply opposes the SCRM without any explanation or justification.[86] The NSPs' opposition to the Commission's authority to approve the SCRM is without merit.

OPC's contention that it is unlawful to continue a mechanism approved in a prior settlement is nonsensical and without any support in law or fact. As OPC well knows due to its agreement in FPL's 2021 Settlement Agreement to continue the SCRM originally approved in FPL's 2016 Settlement Agreement,[87] it is common regulatory practice before this Commission for utilities to request to continue mechanisms from prior settlements subject to the Commission's approval based on the evidence of record. Additionally, substantially similar storm cost recovery mechanisms have been approved for other Florida IOUs,[88] which further confirms the Commission's authority to approve the proposed SCRM.

The Commission's authority to implement FPL's prior storm cost recovery mechanism, which is substantially similar in form and function as the SCRM under the Proposed Settlement Agreement, was challenged in FEL's and FAIR's appeal of FPL's 2021 Settlement Agreement. Notably, the Florida Supreme Court found no basis in that challenge to set aside the settlement.

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[86] *See* the NSPs' positions set forth on pages 50-51 of the Prehearing Order.

[87] *See* Order No. PSC-16-0560-AS-EI in Docket No. 160021-EI (approving FPL's 2016 Settlement Agreement that initially established the SCRM); Order Nos. PSC-2021-0446-S-EI and PSC-2021-0446A-S-EI in Docket No. 20210015-EI (approving FPL's 2021 Settlement Agreement continuing the SCRM established in the 2016 Settlement Agreement).

[88] *See, e.g., In re: Petition for rate increase by Tampa Electric Company*, Order No. PSC-2025-0038-FOF-EI, Docket Nos. 20240026-EI, et al. (FPSC Feb. 3, 2025) (approving TECO's SCRM in a fully litigated base rate case).

See FAIR, at 907 n.2 (noting that to the extent appellants preserved their challenge to the Commission's statutory authority to approve a mechanism for addressing storm cost recovery, none of the statutory arguments gave the Court reason to set aside the order approving the mechanism).

OPC's concern that by approving the SCRM the Commission is somehow preapproving the storm costs without a hearing is, as OPC well knows by its participation in every single storm docket before this Commission, incorrect. Through the SCRM, which OPC has previously agreed to and supported in prior rate cases, FPL is permitted to implement an interim storm surcharge to begin recovery of the storm costs incurred, which mitigates regulatory lag and reduces the interest expense on the total storm costs to be recovered from customers, subject to true-up and approval of the final total costs by the Commission following an evidentiary hearing. There is nothing in the Proposed Settlement Agreement that modifies this well-established process for reviewing and approving the final total storm costs after a hearing before the Commission.

OPC's reliance on the "earnings test" for interim rates is also misplaced, as the SCRM and the associated storm surcharge are not base rates but, rather, a pass through of the incremental storm costs actually incurred. The storm surcharge is akin to a periodic clause that is implemented only when needed. Similar to all clauses, there is no "earnings test" associated with whether the incremental storm costs are recoverable and may be passed through to customers. Rather, the Commission's Rule 25-6.0143, Florida Administrative Code, provides the standard for determining whether the storm costs are reasonable and may be recovered through customers (*i.e.*, the Incremental Cost and Capitalization Approach or ICCA methodology). Accordingly, the NSPs' position that the Commission is without legal authority to approve the SCRM is legally incorrect and contrary to well-established practice.

5. Authority to Approve the Tax Law Change Mechanism

The NSPs claim that the Commission does not have authority to approve the tax law change mechanism included in the Proposed Settlement. In support, OPC claims that the tax law change mechanism for speculative future tax changes is premature and not ripe and, according to OPC, prohibited by the Commission's decision in Order No. PSC-2017-0099-PHO-EI. FEL and FAIR simply claim that the Commission is without authority to approve the tax law change mechanism but fail to offer any basis or reasoning for their position.[89] The NSPs' opposition to the Commission's authority to approve the tax law change mechanism is without merit.

Contrary to OPC's claim that a tax law change mechanism for future changes in tax law is prohibited by Commission policy, the Commission has approved similar tax reform adjustment mechanisms for multiple utilities.[90] The tax law change mechanism in the Proposed Settlement Agreement is functionally the same as the one contained in FPL's 2021 Settlement Agreement. The Commission's authority to implement FPL's prior tax law adjustment mechanism was challenged in FEL's and FAIR's appeal of FPL's 2021 Settlement Agreement. Notably, the Florida Supreme Court found no basis in that challenge to set aside the settlement. *See FAIR*, at 907 n.2 (noting that to the extent appellants preserved their challenge to the Commission's statutory authority to approve a mechanism for addressing changes in tax law, none of the statutory arguments gave the Court reason to set aside the order approving the mechanism). Accordingly, the NSPs' challenge to the Commission's authority to approve the tax law change mechanism included in the Proposed Settlement Agreement is without merit and must be rejected.

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[89] *See* NSPs' position as set forth on page 52 of the Prehearing Order.

[90] *See In re: Petition for rate increase by Peoples Gas System*, Order No. PSC-2020-0485-FOF-GU, Dockets No. 20200051-GU (FPSC Dec. 10, 2020) (approving a settlement with a tax reform mechanism); *Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida*, LLC, Order Nos. PSC-2022-0147-PAA-EI and PSC-2022-0179-CO-EI, Docket No. 20210016 (FPSC Apr. 15 and May 10, 2022).

6. The Commission's Authority to Approve the Proposed Settlement Agreement

In anticipation that the NSPs will attempt to argue that the Commission is without authority to approve the Proposed Settlement Agreement, FPL will briefly explain why any such argument must be rejected.

FPL anticipates that the NSPs will argue that the Commission is without authority to approve the Proposed Settlement Agreement because, according to them, the Signatory Parties do not represent a majority of FPL customers. This is incorrect as explained in the settlement rebuttal testimonies of FPL witnesses Bores and Cohen.[91] (Tr. vol. 23, pp. 5155-56, 5205-06.) Notably, the Signatory Parties represent the consumers of approximately 45% of all the electricity that FPL sells. (Tr. vol. 20, pp. 4601-02.) Moreover, the NSPs' argument is nothing more than a recast of essentially the same argument previously raised by OPC and rejected by the Florida Supreme Court in *Citizens I* when it concluded that the Commission's authority to fix fair, just, and reasonable rates pursuant to Chapter 366, is not conditioned on the approval or absence of a specific party's objections. *Citizens I*, 146 So. 3d at 1150.

FPL also anticipates that the NSPs will argue that the Commission is without authority to approve the Proposed Settlement Agreement because, according to them, the Signatory Parties do not have legal authority to sign the settlement on behalf of their members. Whether the Signatory Parties and their respective legal counsel have the legal authority to negotiate and enter a settlement agreement on behalf of their members is a matter that is beyond this Commission's jurisdiction to decide and, moreover, is a matter between the Signatory Party and its respective members.

[91] The NSPs' contention also ignores the fact that nearly half of the speakers testifying (196 of 418, or 46%) at the Commission's quality of service hearings spoke positively about FPL's initial rate increase proposal, which proposed rates higher than those contained in the Proposed Settlement Agreement. (CEL Ex. 1527, p. 3.)

7. The Commission Properly Rejected the NSPs' Attempt to Settle with Themselves and Without FPL

FPL anticipates that the NSPs may seek to reargue that the Prehearing Officer erred in denying the NSPs' attempt to unilaterally resolve the pending petition for a general base rate by settling with themselves and without the petitioner, FPL. Any such argument by the NSPs should be fully rejected for the legally sound reasons explained in Order No. PSC-2025-0345-PCO-EI denying the NSPs' self-settlement, as well as those more fully explained in FPL's responses to the NSPs' motions, which responses are incorporated as though fully set forth herein.[92] Finally, to the extent that the NSPs attempt to reargue this issue in their post-hearing briefs, any such argument is nothing more than an improper request for reconsideration of the Commissions denial of their prior motion reconsideration at the hearing.[93] *See* Fla. Admin. Code R. 25-22.0376(1) ("[t]he Commission shall not entertain a motion for reconsideration of an order disposing of a motion for reconsideration").

D. Factors the Commission Must Consider Pursuant to *FAIR*

1. Cost of Providing Service to the Class, Rate History, Value of Service, and Experience of FPL

FPL has been demonstrably successful in keeping customer bills low. For over a decade, FPL's non-fuel O&M cost per MWh has consistently been the best among its peer group of large utilities in the U.S. electric industry. (Tr. vol. 1, p. 69.) All told, FPL's operational excellence saves customers over $24 each month on a typical 1,000-kWh bill compared to an average-performing utility. (Tr. vol. 1, p. 67.) FPL's continuous and innovative cost control measures

[92] *See* FPL's Response In Opposition to Joint Motion of NSPs for Approval of a Stipulation and Settlement, filed August 29, 2025 [DN 08523-2025]; FPL's Response In Opposition to Joint Motion of NSPs Requesting Additional Rounds of Testimony, filed September 5, 2025 [DN 09148-2025]; and FPL's Response In Opposition to Joint Motion of NSPs for Reconsideration of Order No. PSC-2025-0345-PCO-EI, filed September 26, 2025 [DN 13996-2025].

[93] (*See* Tr. vol. 1, pp. 17-24.)

have provided – and continue to provide – demonstrable customer benefits.[94] Even if the 2026 base rate increase requested in FPL's original petition were authorized in full, FPL's typical bills for January 2026 would be 20% less in real terms than they were in 2006. (Tr. vol. 1, p. 69.)

This history of providing customers with low bills and high-quality service will be continued through the Proposed Settlement Agreement. Under the Agreement, the bills for all customers are projected to remain among the lowest in the nation, with FPL's projected 2026 typical residential 1,000-kWh bill remaining nearly 22% below the current national average. (Tr. vol. 20, p. 4634.) As mentioned earlier, under the Proposed Settlement Agreement, the five-year CAGR of the typical residential and CI bills are well below the rate of inflation. (Tr. vol. 20, pp. 4634-35; CEL Ex. 1285.)

As explained above, the revenue requirement under the Proposed Settlement was allocated to all rate classes on an equal percent basis, with the exception of the RS rate class that was limited to 95%. Consistent with the Commission's gradualism policy, under the Proposed Settlement Agreement no rate class will receive an increase higher than 1.5 times the system average increase in revenue, including adjustment clauses, and no rate class will receive a decrease. As further explained above, the rate class parities for all rate classes are essentially flat or modestly better than under present rates, which are the result of the 2021 Settlement Agreement that was found to be in the public interest and approved by the Commission and affirmed by the Florida Supreme Court. The impacts of the Proposed Settlement Agreement on each rate class are further detailed in Section III.B.5 of this brief and incorporated herein.

[94] FPL's success in instituting innovative measures to achieve cost-efficiencies for customers is thoroughly demonstrated in the record. For example, in response to questions from Commissioner Passidomo Smith, FPL witness Bores detailed a few non-exhaustive examples of productivity improvements that FPL implemented over the term of the 2021 Settlement Agreement. (Tr. vol. 11, pp. 2457-59.)

2. Consumption and Load Characteristics of the Various Classes of Customers

Commission Rule 25-6.0437, Florida Administrative Code, requires ratemaking proceedings be based on historical load research studies, developed using approved sampling plans. The load research used by FPL in this proceeding was based on the most recent sampling plan that was available at the time as required by Rule 25-6.0437. (Tr. vol. 7, pp. 1444-45.) The load research studies provide the CP, Group Non-Coincident Peak ("GNCP"), and Non-Coincident ("NCP") demands for the 12-month period ending December 31, 2023, for all rate classes subject to reporting under Rule 25-6.0437. Also included in the reports for the historic sampled rate classes are the 90% confidence intervals around the monthly peak demands and their percent relative accuracy. FPL's load research studies meet the target level of statistical accuracy required by the Rule for the estimate of averages of the 12 monthly CP, as well as for the summer and winter peaks of the sampled rate classes. (Tr. vol. 7, p. 1448.)

The monthly ratios of each rate class's historical CP, GNCP, and NCP to actual kWh sales was then applied to the sales forecast by rate class to derive the forecasted CP, GNCP, and NCP demands for each class. The methodology for applying historical data to forecast rate class load is the same methodology used in prior Commission rate cases and cost recovery clause filings.[95] (Tr. vol. 7, pp. 1448-49.) This information was then used to develop the cost of service study to be used as a guideline for allocating the revenue requirement. Further details on how the costs and revenues were allocated to the rate classes under the Proposed Settlement Agreement are provided in Section III.B.5 above.

Each customer class is served through different rate schedules, which are designed to reflect the differences in the usage characteristics of each customer type and the cost incurred by

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

FPL in providing service to each customer type. Rate classes are groups of individual rate schedules with like billing attributes (*e.g.*, customer type and load size) and rate design relationships. (Tr. vol. 12, pp. 2613-14.) As part of rate design, FPL estimates the billing determinants for each rate class to reflect their consumption and load characteristics using the steps outlined on page 1 of MFR E-15 and the billing unit for each rate class are provided in MFR E-13c. (CEL Ex. 8.) FPL's Electric Retail Tariff book contains rate schedules for the various types of customers served by FPL, and each rate schedule identifies the load and customer characteristics applicable to each rate class.[96]

3. Public Acceptance of Rate Structures

Rate schedules generally contain specific prices that are applied to each customer's electric usage amount. Most rate schedules incorporate a base charge, which is a fixed amount that recovers a portion of the fixed costs of providing service and does not vary with usage. Another price component is the energy charge, which for non-demand customers, is designed to recover the remainder of the fixed costs and the variable costs of providing service and varies with the amount of electricity consumed throughout the month. Some rate schedules also include a demand charge, which reflects the Company's cost of supplying service to meet the maximum demand the customers place on FPL's system. Finally, each rate schedule contains general terms and conditions that describe how the customer's monthly bills are determined. (Tr. vol. 12, pp. 2613-14.) Exhibit TCC-6 provides a narrative explanation of the proposed rate structures of FPL's major rate schedules. (CEL Ex. 143.)

For each rate class, FPL applied increases and changes proportionately. Meaning, current base charges, energy charges and demand charges, where applicable, are increased by the same

[96] The 2026 and 2027 rate schedules are provided in Exhibits B and C of the Proposed Settlement Agreement. (CEL Exs. 1279 and 1280.)

rate class percentage maintaining rate component relationships established in previous rate proceedings to help ensure rate design consistency. This approach takes into consideration customer acceptance and understanding while maintaining objectivity in administering rates. (Tr. vol. 12, pp.2617-18.)

4. FEECA Performance

FPL has a long history of promoting energy efficiency to customers through cost-effective DSM programs that focus on keeping rates low for all customers. These programs and events support the objectives embodied by FEECA and FPL's Commission-approved DSM plan. (Tr. vol. 4, p. 837.) The success of FPL's programs is well demonstrated through its DSM achievements. Among those achievements, FPL has helped more than 2 million residential customers invest in energy-efficient HVAC systems and ceiling insulation and has completed more than 4.8 million energy surveys that help residential and business customers find ways to save energy. (Tr. vol. 4, p. 858.)

Additionally, FPL's resource planning reflects the full benefit of its DSM programs. In its planning, the Company assumes 100% achievement of its DSM and energy efficiency goals, which are approved by the Commission consistent with the FEECA. Specifically, FPL accounts for the following projected DSM impacts as "line-item reductions" to the forecasts: (1) the impacts of incremental energy efficiency that have been implemented after the 2024 summer peaks have occurred; (2) projected impacts from incremental energy efficiency and load management; and (3) the impacts from previous signups in FPL's load management programs that will continue through 2034. Modeling DSM in this way reflects the full benefit associated with FPL's Commission-approved DSM programs. (Tr. vol. 5, p. 978.)

The Company's DSM efforts through the end of 2024 have resulted in a cumulative summer peak reduction of 5,695 MW at the generator and an estimated cumulative energy savings

of 102,684 GWh at the generator. Without these reductions FPL would have required the equivalent of approximately 68 new 100 MW generating units to meet its peak load. (Tr. vol. 5, p. 978.)

FEL witness Marcelin contends that FPL's energy efficiency performance as inferior to other utilities, but this comparative point, when analyzed with appropriate context, rings hollow. (Tr. vol. 17, p. 3907.) Energy savings from DSM programs in isolation is not an indicator of how well a utility optimizes its resources to meet customer demand. The Commission sets DSM goals and approves plans that, in general, should be cost-effective. The relationship between the "current state" efficiency of a utility and the level of initiatives that will be cost-effective is simple. Less efficient utilities can find more ways to become efficient. Those opportunities decrease as the utility becomes more efficient. Because FPL operates one of the most efficient generation fleets in the industry, the universe of cost-effective energy efficiency measures it can pursue is more limited. FEL witness Marcelin's across-the-board comparison that does not account for fleet efficiency is improper. (Tr. vol. 4, p. 858.)

E. Discretionary Factors that the Commission May Consider Pursuant to *FAIR*

1. The Efficiency, Sufficiency, and Adequacy of the Facilities Provided and the Services Rendered

As previously mentioned, FPL provides service to its customers with an efficiency that is industry leading. Since FPL's last rate case in 2021, the Company has achieved a total $5.8 billion of non-fuel O&M savings over the benchmarked average performance of comparable utilities. (Tr. vol. 16, p. 3625.) Within that same timeframe, FPL achieved back-to-back best-ever FPSC T&D System Average Interruption Duration Index ("SAIDI") in 2023 and 2024 and achieved particularly significant reliability improvement for FPL's Northwest customers, whose service reliability has improved by 63% since 2018. (Tr. vol. 3, 411, 416.) Nationwide, FPL's achieved

distribution SAIDI performance ranked 59% better than the national average. (Tr. vol. 3, p. 416; CEL Ex. 47.) This is a clear demonstration that FPL has delivered outstanding reliability to its customers at tremendously low cost.

The record also demonstrates that FPL has provided outstanding service to its customers. FPL has been recognized for its outstanding customer service in national surveys for both its residential and business segments in the areas of service satisfaction, brand trust, and product experience. For example, in J.D. Power's 2024 U.S. Electric Utility Residential Customer Satisfaction Study, FPL ranked among the best large utilities in the nation – second in the southern region and in the top decile nationally. (Tr. vol. 4, p. 830.) FPL was recognized in 2023 as a Trusted Business Partner by Escalent, based on Cogent Syndicated surveys conducted with business customers of utilities across the country. FPL ranked No. 1 in the South, fifth nationally, and was the only utility in Florida to be recognized with this honor in 2023. FPL was also recognized as an Escalent Business Customer Champion in 2021 through 2024. In 2023, FPL was the only utility in Florida to receive this recognition, scoring in the top decile in the industry and outpacing its peer utilities in several indices. In 2024, FPL scored in the top quartile of the industry nationally. (Tr. vol. 4, pp. 830-31.)

Since the last rate case, FPL has also reduced the number of complaints logged in the Commission's Consumer Activity Report. FPL and Gulf Power combined recorded 0.036 complaints per 1,000 customers in 2021, compared to 0.028 complaints per 1,000 customers in 2024, achieving a 24% reduction in complaint rate. Over the last four years, FPL had the lowest rate of logged complaints when compared to the other Florida IOUs. (Tr. vol. 4, p. 842; CEL Ex. 63.)

The efficiency, sufficiency, and adequacy of the facilities provided and the services

rendered by FPL is also well established through the ten quality of service hearings that were held by the Commission. At these hearings, a total of 428 speakers testified, with the majority of those individuals expressing appreciation for FPL's quality of service. Of the 428 speakers, 326 speakers (76%) provided positive comments about FPL's reliability, customer relations, emergency preparedness and response, energy-efficiency programs, and various other aspects of service. While 34 speakers (8%) provided negative comments relating to limited aspects of FPL's service, nearly half of the speakers testifying (196 or 46%) spoke positively about FPL's rate increase proposal.[97] (CEL Ex. 1527, p. 3.) These views, as expressed by the customers themselves, strongly support a finding that FPL provides outstanding, reliable service to its customers.

FPL expects to continue to provide outstanding service to its customers through the implementation of a new customer service platform, which will replace an obsolete platform and better protect against new cyber threats, maintain and build on the efficiencies the Company has achieved over the last 30 years, and enable FPL to continue to improve the customer experience. (Tr. vol. 4, pp. 843-51.)

2. The Cost of Providing Such Service and the Value of Such Service to the Public

As referenced above, by being the industry's top performer in O&M costs and delivering high-quality customer service with low bills, FPL provides excellent service to customers at superior value. The NSPs' attempts to challenge the value that FPL provides its customers ignore the unrefuted evidence demonstrating FPL's clear and obvious success in operational cost performance and achieving bills well below the national average. Instead, the NSPs rely on out-

[97] One-quarter (107 speakers) spoke against the proposed rate increase while 29% (125 speakers) did not state a position on the request. (CEL Ex 1527, p. 3.)

of-context pieces of evidence.

For example, OPC's counsel presented FPL witness Nichols with confidential customer communications strategy documents in an attempt to show the value that FPL delivers has declined over time. (Tr. vol. 3, pp. 893-905.) OPC's challenge, however, conflates customer perceptions of the FPL brand and customer perceptions of the FPL customer bill. (Tr. vol. 3, p. 903.) This context is particularly important because the same document referenced by OPC during the hearing actually shows that the majority of FPL customers, in both the peninsular and NWFL regions, believe FPL offers either "great value" or "good value." (CEL Ex. 487, Bates No. 006336.) Thus, the very documents that OPC contends shows a decline in customer value actually show that the majority of FPL customers find the value that FPL provides to be favorable.

3. The Ability of the Utility to Improve Such Service and Facilities

The record in this proceeding demonstrates FPL's ability to continue to improve its service and facilities to the benefit of customers over prior multi-year rate plans. As previously discussed, FPL has a record of high system reliability achievement under the prior rate settlements, having attained back-to-back best-ever SAIDI in 2023 and 2024. This performance has been achieved through operational focus and the implementation of programs and technologies such as those discussed in the testimony of FPL witness Jarro. (Tr. vol. 3, 416-19.)

One such example is the Advanced Distribution Management System, a specialized system implemented by FPL that centralizes grid-related data and leverages the smart grid network to better determine customers affected by outages, improve estimated time of restoration, and streamline notifications to customers. (Tr. vol. 3, p. 429.) Another example is FPL's advancement in smart grid technology, which helped avoid more than 1.4 million storm-related outages during the last three hurricane seasons. (Tr. vol. 3, p. 430.) Advancements such as these are an outflow of FPL's continuous focus on operational improvement, which has led FPL to be recognized in the

industry for its superior performance. For example, FPL received in 2024, for the eleventh straight year, the ReliabilityOne® award for Outstanding Reliability Performance in the Southeast Region Metropolitan Service Area. (Tr. vol. 3, p. 433.) The Company fully expects it will continue to implement initiatives to further improve on its already excellent reliability performance for customers. (Tr. vol. 3, p. 416.)

Not only has FPL demonstrated its ability to improve its T&D performance over the course of multi-year rate plans, the same can be said of its power generation efficiency. Since FPL's last rate case, the heat rate of FPL's fleet has improved from 6,763 Btu/kWh in 2021 to 6,384 Btu/kWh in 2024, a nearly 6% efficiency improvement, which has resulted in lower relative fuel charges for customers. (Tr. vol. 3, p. 566.) Additionally, since FPL's last rate case, the EFOR of FPL's generating fleet has averaged 1.31%, while the industry has averaged 10.2% through the latest available 2023 industry data. FPL's generating fleet EFOR performance has been best-in class between 2021 and 2023. (Tr. vol. 3, pp. 566-67; CEL Ex. 52.) In fact, FPL was best-in-class in 2023, not just top decile, in every key indicator used to measure the operating performance of FPL's generating fleet. (Tr. vol. 3, p. 567.) FPL's nuclear fleet has also demonstrated excellent operational performance over the course of the prior rate case settlement, with FPL achieving the highest rating in all Nuclear Regulatory Commission Performance Indicators in 2024, indicating high nuclear safety performance. (Tr. vol. 4, pp. 771-72.)

The record therefore amply shows FPL's ability to achieve high levels of performance over prior rate settlements, and the same can be anticipated under the Proposed Settlement Agreement.

4. Energy Conservation and the Efficient Use of Alternative Energy Resources

FPL is a leader in the use and cost-effective deployment of alternative energy resources and has a long history of promoting energy efficiency as detailed in Section III.D.4 above. At the time it filed its petition in this proceeding, FPL had 469 MW of utility-scale, grid connected battery

storage installed on its system at three separate locations and another 522 MW of new battery storage facilities in NWFL under construction. (Tr. vol. 5, p. 982.) As an additional benefit, the NWFL battery facilities are being sited at existing solar sites, which will reduce solar curtailment in the NWFL region and provide customers with variable cost savings. (Tr. vol. 5, p. 1038.) Additionally, as previously detailed, FPL is adding over 2,200 MW of battery storage facilities in 2026 and 2027 that will, along with FPL's 2026 and 2027 solar facilities, save FPL's customers in excess of $2 billion on a CPVRR basis. (Tr. vol. 5, pp. 988, 1002.)

In addition to battery storage, FPL had a total of approximately 7,038 MW of utility-owned solar generation as of the end of 2024, all of which are PV facilities. FPL also had 894 MW of solar generation in various stages of development to enter service in 2025. These solar projects are spread throughout FPL's system, providing energy derived from cost-effective renewable solar resources throughout FPL's service area. (Tr. vol. 5, 982-83.) FPL is also proposing to add 2,086 MW of cost-effective solar over the 2026 and 2027 time period, which will deliver to FPL's customers a fuel-free supply of energy to meet growing demand.

The Proposed Settlement Agreement also offers in 2028 and 2029, through the SoBRA mechanism discussed earlier, an additional 1,200 MW of battery storage and 3,278 MW of solar.

5. Development of Renewable Energy Resources in the State

FPL has been a leader – and plans to continue to be a leader through the Proposed Settlement Agreement – in the development of cost-effective solar resources to serve its customers. FPL leadership in this area is consistent with the aims expressed by the Florida Legislature, which has made clear that "it is in the public interest to promote the development of renewable energy resources in this state."[98]

[98] Section 366.91(1), Fla. Stat. *See also FAIR*, 371 So. 3d at 912–13.

FPL's renewable capacity to serve customers has increased from 14% generating capacity in 2022 to a projected 30% in 2026. (Tr. vol. 3, p. 564.) Implementation of these resources have added at a tremendous benefit to customers. From 2021 through 2024, FPL customers have saved approximately $942 million in avoided fuel expenses from solar installed on FPL's system. (Tr. vol. 5, p. 983.) The implementation of cost-effective solar resources, along with battery storage facilities, is anticipated to provide over $2 billion of CPVRR savings as compared to an alternative resource plan that excludes its proposed 2026 and 2027 solar and battery additions. (Tr. vol. 5, pp. 988, 1002; CEL Ex. 68.) Moreover, FPL's proposed solar and battery storage additions for the 2028 and 2029 period, which are included as part of the SoBRAs under the Proposed Settlement Agreement, are also expected to generate over $2 billion in CPVRR savings relative to a resource plan that adds only natural gas generation. (Tr. vol. 5, pp. 990, 1002; CEL Ex. 69.)

IV. CONCLUSION

The Proposed Settlement Agreement reflects a carefully balanced compromise of many differing and competing positions by parties representing a broad range of interests and customers. The Proposed Settlement Agreement will provide base rate predictability for FPL customers for a minimum of four years and will allow FPL to continue its focus on improving service, as well as creating additional efficiencies in operations and maintaining strong customer value, all while keeping customer bills well below the national average.

For the many reasons stated above, the Proposed Settlement Agreement, when taken as a whole, is in the public interest, supported by credible substantial evidence of record, and resolves all issues in this docket. Accordingly, FPL respectfully requests that the Commission approve the Settlement Agreement and issue an order finding that the Agreement: (i) is in the public interest; (ii) results in base rates and charges that are fair, just, and reasonable; and (iii) resolves all the

issues in Docket No. 20250011-EI.

Respectfully submitted this 10th day of November 2025,

By: */s Christopher T. Wright*
John T. Burnett
Vice President and General Counsel
Florida Bar No. 173304
john.t.burnett@fpl.com
Maria Jose Moncada
Assistant General Counsel
Florida Bar No. 0773301
maria.moncada@fpl.com
Christopher T. Wright
Managing Attorney
Fla. Auth. House Counsel No. 1007055
chrisopher.wright@fpl.com
William P. Cox
Senior Counsel
Fla. Bar No. 0093531
will.p.cox@fpl.com
Joel T. Baker
Senior Attorney
Fla. Bar No. 0108202
joel.baker@fpl.com
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Phone: 561-304-5253

Attorneys for Florida Power & Light Company

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 10th day of November 2025:

Shaw Stiller
Timothy Sparks
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
sstiller@psc.state.fl.us
tsparks@psc.state.fl.us

Leslie R. Newton
Ashley N. George
Thomas Jernigan
Michael A. Rivera
James B. Ely
Ebony M. Payton
Matthew R. Vondrasek
139 Barnes Drive, Suite 1
Tyndall AFB FL 32403
leslie.newton.1@us.af.mil
ashley.george.4@us.af.mil
thomas.jernigan.3@us.af.mil
michael.rivera.51@us.af.mil
james.ely@us.af.mil
ebony.payton.ctr@us.af.mil
matthew.vondrasek.1@us.af.mil
Federal Executive Agencies

William C. Garner
3425 Bannerman Road
Tallahassee FL 32312
bgarner@wcglawoffice.com
Southern Alliance for Clean Energy

Jon C. Moyle, Jr.
Karen A. Putnal
c/o Moyle Law Firm
118 North Gadsden Street
Tallahassee FL 32301
jmoyle@moylelaw.com
mqualls@moylelaw.com
kputnal@moylelaw.com
Florida Industrial Power Users Group

Walt Trierweiler
Mary A. Wessling
Patricia A. Christensen
Octavio Simoes-Ponce
Austin A. Watrous
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Rm 812
Tallahassee, Florida 32399-1400
trierweiler.walt@leg.state.fl.us
wessling.mary@leg.state.fl.us
christensen.patty@1eg.state.fl.us
ponce.octavio@leg.state.fl.us
watrous.austin@leg.state.fl.us
Attorneys for the Citizens of the State of Florida

Bradley Marshall
Jordan Luebkemann
111 S. Martin Luther King Jr. Blvd.
Tallahassee FL 32301
bmarshall@earthjustice.org
jluebkemann@earthjustice.org
flcaseupdates@earthjustice.org
Florida Rising, Inc., Environmental
Confederation of Southwest Florida, Inc., League of United Latin American Citizens of Florida

Danielle McManamon
4500 Biscayne Blvd. Suite 201
Miami, Florida 33137
dmcmanamon@earthjustice.org
League of United Latin American Citizens of Florida

Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
seaton@spilmanlaw.com
Walmart, Inc.

Nikhil Vijaykar
Yonatan Moskowitz
Keyes & Fox LLP
580 California Street, 12th Floor
San Francisco, CA 94104
nvijaykar@keyesfox.com
ymoskowitz@keyesfox.com
EVgo Services, LLC

Katelyn Lee, Senior Associate
Lindsey Stegall, Senior Manager
1661 E. Franklin Ave.
El Segundo, CA 90245
Katelyn.Lee@evgo.com
Lindsey.Stegall@evgo.com
EVgo Services, LLC

Stephen Bright
Jigar J. Shah
1950 Opportunity Way, Suite 1500
Reston, Virginia 20190
steve.bright@electrifyamerica.com
jigar.shah@electrifyamerica.com
Electrify America, LLC

Robert E. Montejo
Duane Morris LLP
201 S. Biscayne Blvd., Suite 3400
Miami, Florida 33131-4325
REMontejo@duanemorris.com
Electrify America, LLC

Robert Scheffel Wright
John T. LaVia, III
Gardner, Bist, Bowden, Dee, LaVia, Wright, Perry & Harper, P.A.
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com
Floridians Against Increased Rates, Inc.

Florida Energy for Innovation Association
1700 Flamingo Drive
Orlando, FL 32803
contact@energyforinnovation.org

Steven W. Lee
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
slee@spilmanlaw.com
Walmart, Inc.

Jay Brew
Laura Wynn Baker
Joseph R. Briscar
Sarah B. Newman
1025 Thomas Jefferson Street NW
Suite 800 West
Washington, DC 20007
jbrew@smxblaw.com
lwb@smxblaw.com
jrb@smxblaw.com
sbn@smxblaw.com
Florida Retail Federation

Lorena Holley
Florida Retail Federation
227 South Adams Street
Tallahassee, FL 32301
lorena@frf.org

Floyd R. Self
Ruth Vafek
Berger Singerman, LLP
313 North Monroe Street
Suite 301
Tallahassee, Florida 32301
fself@bergersingerman.com
rvafek@bergersingerman.com
Americans for Affordable Clean Energy, Inc., Circle K Stores, Inc., RaceTrac, Inc. and Wawa, Inc.

Robert E. Montejo
Duane Morris, LLP
201 S. Biscayne Blvd., Suite 3400
Miami, FL 33131-4325
remontejo@duanemorris.com
Armstrong World Industries, Inc.

D. Bruce May
Kevin W. Cox
Kathryn Isted
Holland & Knight LLP
315 South Calhoun St, Suite 600
Tallahassee, Florida 32301
bruce.may@hklaw.com
kevin.cox@hklaw.com
kathryn.isted@hklaw.com
Florida Energy for Innovation Association

Alexander W. Judd
Duane Morris, LLP
100 Pearl Street, 13th Floor
Hartford, CT 06103
ajudd@duanemorris.com
Armstrong World Industries, Inc.

Brian A. Ardire
Armstrong World Industries, Inc.
2500 Columbia Avenue
Lancaster, PA 17603
baardire@armstrongceilings.com

Jason Simmons
Armstrong World Industries, Inc.
300 S. Myrick Street
Pensacola, FL 32505
ijsimmons@armstrongceilings.com

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

Attorney for Florida Power & Light Company