

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of FPL SolarTogether Program and Tariff, by Florida Power & Light Company. | Docket No. 20190061-EI
| Filed: January 30, 2020

**FLORIDA POWER & LIGHT COMPANY'S
POST-HEARING BRIEF AND STATEMENT OF POSITIONS**

Florida Power & Light Company (“FPL”), pursuant to Order Nos. PSC-2019-0272-PCO-EI, PSC-2019-0399-PCO-EI and PSC-2019-0431-PCO-EI and the instructions from the presiding officer files its Post-hearing Brief and Statement of Positions with the Florida Public Service Commission (“Commission”).

INTRODUCTION

On January 14 and 15, 2020, this Commission held a hearing on FPL’s Petition for Approval of its community solar program known as FPL SolarTogether (“SolarTogether” or the “Program”) and the associated tariff that reflects the settlement reached by FPL, the Southern Alliance for Clean Energy (“SACE”), Walmart and Vote Solar. Three FPL witnesses and one witness for the Office of Public Counsel (“OPC”) provided live testimony, while the prepared testimony of three remaining witnesses for FPL, along with witnesses for SACE, Walmart, Vote Solar and the Commission Staff, were entered into the record by stipulation. While many aspects of the Program were explored, the driving forces behind FPL’s petition are not debatable: FPL is listening intently to its customers and is developing innovative solutions to satisfy their needs in a manner that benefits all.

This type of forward-thinking by FPL, together with this Commission’s constructive regulation, has resulted in favorable long-term results for customers. Over the past two decades, FPL has, for example, systematically transformed its fleet, tearing down aging, oil-fired and gas-fired plants and replacing them with ultra-efficient clean facilities, terminating out-of-the-money

contracts to purchase power from coal plants, and, looking even further across the horizon, FPL is planning to install more than 30 million solar panels by 2030. Many of these undertakings involved risks, and some of these efforts were the first of their kind. But the payoff thus far has been indisputable: billions of dollars of savings and low electric rates for FPL's customers and significant reductions in air emissions for all Floridians.

SolarTogether is a product of the same vision, focusing on customers, the State of Florida, and our environment. A growing number of FPL's five million customers want to make a tangible difference in the world by sourcing their power consumption from renewable sources while also participating in solar's increasingly favorable economics. SolarTogether makes that possible. By making relatively modest monthly payments, participants may subscribe to blocks of capacity generated by the Program-dedicated, cost-effective solar facilities, and they can claim the associated environmental attributes. In exchange for the monthly payment, participants will receive a monthly credit based on the projected fuel and emissions savings resulting from the energy associated with their subscription. The participants' payments are designed to cover slightly more than the total net fixed costs of the SolarTogether solar facilities and program administrative costs, and over time, participants are projected to achieve overall savings. What sets the Program apart from other community solar programs is that the general body of customers – including the millions of customer accounts not directly paying for the fixed cost of the solar facilities over time – are projected to share in the savings.

The SolarTogether Tariff expands access to solar to all customers regardless of size, location or income levels. Participation is open to national retailers, large municipalities that employ thousands of Floridians, and individual residential customers whether they reside in a downtown condominium or rent a house in the suburbs. The proposed Tariff also opens the door to customers who never before believed they would be able to consider a solar option based on

their income. And, because the Program is projected to result in savings, not generate costs, even customers who do not enroll are expected to enjoy the benefits.

As more fully described below, SolarTogether and the associated Settlement Tariff are in the public interest and should be approved.

I.
Customers' Desire for Expanded Solar
Access Aligns with Florida's Renewable Energy Policy

A. Florida has a History of Supporting the Advancement of Solar

In 2006, the Florida Legislature declared it the policy of this State to promote the development of renewable energy, and it recognized the potential for renewable energy to increase fuel diversity, lessen dependence on natural gas, minimize fuel cost volatility, improve environmental conditions, and encourage investment within Florida. § 366.92, Fla. Stat. (2019). In the early years of this policy, the State enacted legislation that allowed FPL to construct Florida's first large-scale solar generation facility at a cost of approximately \$5,600 per kW, far from economic but recognized as a valuable investment in renewable energy. Tr. 70 (Valle). Since then, the costs to deliver solar-powered energy have steadily declined. Tr. 68 (Valle).

FPL broke cost barriers in 2016, building 224 MW of the State's first cost-effective solar centers and essentially tripling the amount of solar in Florida. Tr. 70 (Valle). This breakthrough led to the proposal and approval of the Solar Base Rate Adjustment ("SoBRA") mechanism as part of FPL's 2016 Rate Settlement, which has facilitated the construction of 1,192 additional megawatts¹ of solar in FPL's territory between 2017 and 2020 at an average cost of \$1,413 per kW – 75% lower compared to just a decade ago. Tr. 70 (Valle).

The Commission also has supported programs and tariffs that allow customers to participate voluntarily in programs involving solar generation. In the early years of implementing

¹ All references to capacity are measured in alternating current.

this policy, the Commission focused on customer-owned renewable generation and the adoption of net metering rules. Later, in 2014, the Commission approved SolarNow, a voluntary solar program that provides FPL customers the opportunity to participate in the construction of small-scale, community-based solar projects by contributing \$9 per month. Tr. 70 (Valle). Customer participation in SolarNow has grown to more than 50,000 today. In addition, participation in net metering has reached about 17,000. Tr. 174 (Valle).

The participation numbers demonstrate the strong customer support for FPL's existing voluntary programs. Tr. 63. But customers have expressed that these efforts are not enough. Tr. 100 (Valle). The desire for renewable generation is part of the social consciousness now. Ex. 61 (p. 73). Together with the attractive economics of cost-effective solar, customers increasingly want solar to power their own load, and they want to partake in the benefits that solar can provide. Tr. 102 (Valle); Ex. 61 (p. 16). Customers have turned to FPL for solutions. The significant decrease in costs and the substantially favorable economics associated with utility scale solar versus rooftop or other net-metered solutions have positioned FPL to respond. Tr. 163 (Valle); Tr. 462 (Deason).

To that end, FPL developed SolarTogether, an aptly named innovative program that brings together all FPL customers – participants and non-participants alike – to share in the many benefits brought about by increases in solar power. Tr. 68 (Valle). As will be demonstrated below, the Program, while unique, is rooted in the Commission's long-standing commitment to ensuring cost-effectiveness and protecting customers, and, similar to SolarNow, the SolarTogether Program would be an optional tariff pursuant to which customers can choose to make voluntary payments that directly support the construction of solar in Florida. Tr. 72 (Valle).

B. SolarTogether was Developed in Response to Customer Requests and Input

Over the past several years, FPL has met with numerous customers who have inquired about the availability of renewable programs to meet their energy goals. FPL also has proactively performed market research through one-on-one customer meetings and focus groups to find out what customers of all types and sizes want. Tr. 100 (Valle). These customers have included cities, counties, national retailers and large industrial customers. Tr. 47 (Valle). Some of these customers have made the policy decision to become 100% renewable by a certain date. Others are pursuing renewable energy, where available, to lower their electricity bill over time. But for many, both objectives are important. While the rationale might vary among them, it is clear that customers want a greater percentage of the energy they consume to come from renewable sources and they want to enjoy both the sustainability and financial benefits of solar energy. Tr. 47 (Valle).

Conversations with customers confirmed that existing options, either self-built or offered by FPL, currently fall short of satisfying their needs. FPL witness Valle explained by way of example that many of the large municipal and county customers that occupy numerous buildings and want to be 100% renewable have indicated that they do not want to take on the burden of owning multiple private generation systems. Tr. 163 (Valle). Others have inventoried their roofs and determined that only a small percentage are even suitable for solar. Tr. 163 (Valle). While net metering could potentially provide a partial solution for these customers, it is not a comprehensive answer.

Mr. Valle testified that customers have expressed a willingness to pay a premium for an FPL product and they understand it will take some time to realize savings. Tr. 686 (Valle). At the same time, they want certainty with respect to their “payback period.” Tr. 688-89 (Valle). This demand for certainty stems from customers’ belief that renewables ultimately will save them money. Tr. 686 (Valle). SolarTogether makes that prospect available even for those customers

who cannot afford solar panels or do not have ownership of or access to a roof for the installation of panels. *Id.*

II. **SolarTogether Allows Customers To Participate in Solar Directly, Voluntarily and Cost-Effectively**

A. Program Design

SolarTogether and the associated Tariff allow participants to subscribe to a share of capacity from new solar facilities and receive a bill credit for their share of energy produced. Tr. 44 (Valle).

Enrollment. SolarTogether enrollment is entirely voluntary and participants control their level of commitment. Tr. 50 (Valle). Participants choose the subscription level that suits their needs up to 100% of their usage, they can terminate their subscription at any time with no penalties, or continue their participation – even if they relocate – as long as they remain an FPL customer, and they are permitted to increase or decrease their subscription levels. Tr. 61 (Valle). The Tariff also provides participants the option to have the renewable energy credits (“REC”) associated with their subscription retired on their behalf, thus allowing them to claim the environmental attributes. Tr. 61 (Valle)

Size. A study published by the Smart Electric Power Alliance cited initial enrollment as the greatest challenge that utility community solar programs have faced. Tr. 62 (Valle). FPL therefore tested the market to ensure its program would be appropriately sized to accommodate the potential market demand. In late 2018, FPL offered pre-registration for commercial, industrial and governmental customers. Tr. 62 (Valle). Over 200 customers committed to slightly more than 1,100 MW of capacity. Tr. 64 (Valle). Based on that showing and on the residential interest in solar access demonstrated through SolarNow and net metering participation, FPL sized the Program at 1,490 MW. Tr. 104, 170 (Valle).

Capacity Allocation. The 1,490 MW will consist of 20 new solar facilities that will enter commercial operation in 2020 and 2021 as five projects. Tr. 197 (Brannen). FPL will allocate the available capacity by customer class to ensure customers of all types and sizes have an opportunity to participate. Initially, seventy-five percent of the capacity, or approximately 1,117.5 MW, will be allocated to commercial, industrial and governmental customers to approximate the pre-registration demand. Tr. 57, 96 (Valle). The remaining 25% of capacity, or 372.5 MW, is allocated to residential and small business customers with 10% of the 372.5 MW preserved for low-income customers. Tr. 57, 674 (Valle). This will enable approximately 74,500 residential and small business customers to participate, assuming a subscription of 5 kW each (5 kW = 100% consumption by a customer using 1,000 kWh per month). Tr. 58 (Valle).

The capacity from the new solar facilities will be available on a first-come, first-served basis as each project enters commercial service. Tr. 59 (Valle). FPL will collect enrollment information in order to evaluate demand from various customer types. If warranted, FPL will reassign unsubscribed capacity between the groups and adjust the allocation as appropriate so that allocation aligns with demand and capacity does not remain unused. Tr. 57, 79 (Valle). At the Commission's direction, FPL will report enrollment and allocation data. Tr. 79 (Valle).

Cost and Benefits. As will be detailed in Section II.B., SolarTogether is cost-effective and projected to generate \$249 million in Cumulative Present Value of Revenue Requirements (CPVRR)² customer savings. Tr. 238 (Sim); Tr. 334 (Bores). The Program is structured so that the participants are paying slightly more than 100% of the net fixed costs while receiving just over half of the benefits. Tr. 337 (Bores). Conversely, the general body of customers will not pay for any of the fixed cost of the solar centers, but is projected to receive almost half of the benefits. Tr.

² All cost and savings calculations arising from FPL's resource planning analysis expressed herein are measured in CPVRR.

76 (Valle). Two separate line items will appear on participants' bills to reflect their cost and the benefit: a Subscription Charge and Subscription Credit, respectively. Tr. 54 (Valle). FPL calculated the Subscription Charge and Subscription Credit to achieve a 7-year simple payback. Tr. 323 (Bores).

(i) *Cost/Subscription Charge*. The SolarTogether pricing is designed to recover 104.5% of the Program's net base revenue requirements from the participants through a levelized per-kW Subscription Rate ("Subscription Rate"). Tr. 76 (Valle); Tr. 337, 421 (Bores). The total base revenue requirements associated with constructing and operating the 20 solar facilities and SolarTogether administrative costs are projected to be \$1.80 billion. Tr. 202 (Brannen); 336 (Bores); Ex. 36. Adding the 20 solar facilities is projected to avoid generation capital and fixed and variable operations and maintenance ("O&M") costs, transmission interconnection costs, and start-up costs, thereby creating projected base savings of \$545 million. Tr. 336-37 (Bores). The resulting net base revenue requirements is \$1.259 billion. Tr. 337 (Bores). Ex. 36. In order to recover an incremental 4.5% toward the Program base revenue requirements, participants will contribute a total of \$1.315 billion. Tr. 337 (Bores).

To calculate the Subscription Rate, FPL divided the \$1.315 billion by the present value of the available nameplate capacity over the 30-year period (16,289 MW) to develop a levelized annual rate of \$80.76 per kW-year, or the monthly rate of \$6.73/kW. Tr. 338 (Bores). Pricing was then increased to \$6.76 under the SolarTogether Settlement in order to cover the low income component. The Subscription Rate will be multiplied by a participant's subscription level to produce the total Subscription Charge that will appear on the participant's bill. Tr. 338 (Bores). *See also* Joint Motion To Approve Settlement Agreement, ¶ 11.

During the hearing, some confusion arose regarding the pricing reflected on Staff's Exhibit 46 (FPL's response to Staff Interrogatory 234(a)), which some interpreted to mean that participants would have to pay \$9.23/kW per month in order to pay 100 percent of the program costs. Tr. 142, 425. FPL witness Bores clarified that misreading, explaining that the \$9.23 does not account for the capacity deferral or other projected base benefits, which lower the net base revenue requirement and decrease the corresponding monthly/kW subscription charge to \$6.73 (or \$6.76 to cover the low income component). Tr. 425-26 (Bores); Tr. 142 (Valle).

FPL is proposing to recover the Program net base revenue requirements through current base rates. Tr. 325 (Bores). The difference between the levelized Subscription Charges and the actual base revenue requirements each month will be allocated to the general body of customers, will be reflected as base rate recoverable costs (early years) or benefits (beginning 2027) and will be included within FPL's earnings surveillance reports. Tr. 325, 424 (Bores). Base rates will not change during the term of FPL's current Rate Settlement Agreement. Tr. 415 (Bores). At the time of the next base rate review, FPL will include in base rates both revenue related to the projected levelized Subscription Charges from participants and the projected base revenue requirements. Tr. 326 (Bores).

(ii) *Benefits/Subscription Credit*. Unlike other community solar programs in the country, SolarTogether shares the Program benefits with the general body of customers. Tr. 456 (Shannon). FPL proposes to assign 55% of the \$249 million in projected net savings to participants and 45% to the general body of customers. Tr. 336 (Bores). This results in \$137 million for participants and \$112 million for the general body of customers. Tr. 336 (Bores). Moreover, by having allocated more than 100% of the base

revenue requirements to participants through the fixed Subscription Charge, half of the projected benefits that accrue to the general body of customers are fixed. Tr. 336 (Bores). For the life of the Program, these fixed base benefits will not be subject to future fuel or emissions cost fluctuations. Tr. 337 (Bores).

The Subscription Credit is based on projected avoided fuel, emissions and gas transportation costs, with the annual rate calculated using an escalation factor. Utilizing the expected annual generation from the 20 solar facilities, FPL calculated the dollars per kWh benefit (“Benefit Rate”) that allowed for 55% of the expected total CPVRR net benefit to be allocated to participants, while allowing participants to achieve the target seven-year simple payback. Tr. 339 (Bores). In the first year of enrollment, participants would receive a Benefit Rate of \$0.034047 for every kWh produced by their subscribed capacity. *See* Settlement Tariff, attached to Joint Motion for Settlement Agreement, at Sheet No. 8.934. The Benefit Rate will then escalate at 1.70% annually. Tr. 339 (Bores). The Benefit Rate will be multiplied by the actual generation associated with the participant’s subscription level, resulting in the Subscription Credit that will appear on the participant’s bill. Tr. 339 (Bores). FPL proposes to recover this Subscription Credit through FPL’s fuel cost recovery clause, partially offsetting system savings resulting from the facilities. Tr. 328 (Bores).

B. The Cost of the SolarTogether Program is Reasonable and the Solar Generation Is Cost-Effective

The testimonies of FPL witnesses William Brannen and Dr. Steven Sim demonstrate that the cost for FPL’s 20 SolarTogether facilities is reasonable and the solar generation is cost-effective. Tr. 202-03 (Brannen), 238 (Sim). The projected capital cost for the SolarTogether Projects is below the 2020 SoBRA project capital cost (\$1,378/kW), and FPL ensured that the reasonableness of the cost by conducting a thorough competitive bidding process for the costs of

equipment and construction. Tr. 198, 202, 205 (Brannen); Order No. PSC-2019-0484-FOF-EI at 4. Moreover, FPL's economic analyses established that the FPL resource plan with the proposed SolarTogether generation of 1,490 MW is cost-effective as compared to not constructing these solar facilities, saving customers an estimated \$249 million. Tr. 237-38 (Sim); Exs. 31 and 32.

1. The Projected Solar Together Cost Is Reasonable

The cost for SolarTogether, including all five projects and each of the individual 20 solar facilities, is reasonable. As of the filing of the Petition in this proceeding, FPL estimated the total construction cost of the projects, including land, scheduled to enter into service in 2020 and 2021 will not exceed \$1.79 billion or \$1,202 per kW. Tr. 202 (Brannen). Removing Allowance for Funds Used During Construction ("AFUDC") from Projects 3, 4 and 5 reduces these figures to \$1.752 billion or \$1,176/kW. This includes all costs associated with the SolarTogether projects: solar panels and equipment, land (that was not already included in rate base), and associated interconnection infrastructure. Tr. 197, 201-02 (Brannen). FPL fully expects to meet its budget projection for these facilities consistent with FPL's track record of constructing solar projects at or under the budgeted cost and based on the thorough solicitation process and permitting evaluation discussed further below. Tr. 196-97 (Brannen); Tr. 159 (Valle).

To ensure the reasonableness of its capital costs, FPL undertook a competitive bidding process from late 2018 through 2019 for the equipment to be installed and work to be performed at the solar facilities:

- PV panels: FPL solicited proposals from 17 industry leading suppliers and secured all panels for SolarTogether Projects 1 and 2 from the lowest cost bidder, which also demonstrated high product quality and strong financial security. Bid evaluations for Projects 3, 4, and 5 are underway but have not been completed. Tr. 203 (Brannen).

- PCUs: FPL solicited proposals from nine power conversion unit (“PCU”) suppliers, received bids from seven of those suppliers, and was able to secure all required PCUs from the lowest cost bidders capable of performing the work under each Project’s schedule requirements. Tr. 204 (Brannen).
- Step-up Transformers: FPL solicited proposals from seven industry-leading manufacturers, received bids from six of those manufacturers, and was able to secure the supply of all the required transformers with the lowest cost bidder for five of the six facilities that comprise SolarTogether Projects 1 and 2, with an existing spare step-up transformer being used for the one remaining Center at a slightly lower cost than those obtained through the bidding process. Tr. 204 (Brannen). FPL has nearly completed the bid process for SolarTogether Project 3, and Projects 4 and 5 remain in progress. Tr. 204 (Brannen).
- Substation and Interconnection Facilities: FPL solicited proposals from 16 industry-recognized contractors for construction of the substation and interconnection facilities. Tr. 204 (Brannen). FPL received bids from five of those contractors, with at least two contractors submitting a proposal for each Center. Tr. 205 (Brannen). FPL selected the two lowest cost bidders capable of performing the work on the required schedule for SolarTogether Projects 1 and 2. Tr. 205 (Brannen). FPL has nearly completed the bid process for SolarTogether Project 3, and Projects 4 and 5 remain in progress. Tr. 204-05 (Brannen).
- Engineering, procurement, and construction: FPL also solicited proposals for engineering, procurement, and construction (“EPC”) services from seven industry-recognized contractors, which also includes the supply of the balance of equipment and materials. Tr. 203 (Brannen). Four of these contractors submitted bids, resulting

in at least three proposals from different contractors for each of the 20 SolarTogether sites. Tr. 204 (Brannen). One EPC contractor was selected for Project 1, and another was selected for Project 2. Separate contracts were executed for each of these projects. Tr. 203 (Brannen). Two EPC contractors were selected to build the six facilities that comprise Project 3. Individual EPC agreements were executed for each of the six sites. Ex. 62 (Brannen dep. at Ex. 3 p. 41, bates no. 09302). Each of these was determined to be the lowest-cost contract and qualified bidder. Tr. 203 (Brannen). Bid evaluation remains in progress for SolarTogether Projects 4 and 5. Tr. 204 (Brannen).

The bids received from the PV panel, PCU, transformer, and interconnection and substation suppliers, as well as the bids from the EPC contractors, were high quality and extremely competitive. Tr. 202 (Brannen). More than 98% of the construction costs for these facilities resulted from the competitive RFP solicitations. Tr. 202, 205 (Brannen). This competitive bidding process brought market forces to bear and provides assurance that the equipment and EPC costs are reasonable.

Witness Brannen also explained that FPL has minimized construction cost and schedule risks for the SolarTogether facilities. Tr. 205 (Brannen). In addition to competitively bidding 98% of the costs, FPL thoroughly evaluated the sites for the 20 SolarTogether facilities and completed or has nearly completed permitting for 18 of the 20 sites, with the remaining two in locations where FPL has a successful track record of permitting generation projects. Tr. 205 (Brannen).

2. SolarTogether is Cost-Effective

FPL determined the SolarTogether projects are cost-effective based on a rigorous economic analysis that is consistent with analyses previously used by FPL to determine cost-effectiveness for its universal solar projects approved for cost recovery by the Commission in FPL's 2016 rate

case and the 2017-2020 SoBRA projects. Tr. 245 (Sim). Other than recognizing characteristics particular to solar generation, the cost-effectiveness analysis methodology used in this proceeding by FPL is the same methodology FPL uses in all of its resource planning analyses that it presents to the Commission. Tr. 247 (Sim).

The test for cost-effectiveness of the SolarTogether facilities is whether they lower the system CPVRR for FPL's electric system as compared to the system CPVRR without the facilities. The analyses performed by FPL demonstrate that adding the proposed 1,490 MW of solar PV generation to FPL's fleet is solidly cost-effective because it lowers the system CPVRR by \$249 million, even after including the administrative costs associated with the SolarTogether Program. Tr. 237-38, 247 (Sim); Exs. 31 and 32.

To evaluate cost effectiveness, FPL compared resource plans that include and exclude the proposed solar generation for SolarTogether: the "SolarTogether Plan" and the "No ST Plan," respectively. Both plans use the same major system assumptions, including FPL's official long-term fuel forecast developed using the Company's standard forecasting methodology and FPL's official load forecast, including system peaks and net energy for load, both of which were used in the Company's 2019 Ten-Year Site Plan. Tr. 221-22, 235-38 (Sim). FPL also utilized a carbon dioxide ("CO₂") price projection forecast provided by ICF, recognized as an experienced industry leader in the field of CO₂ price forecasting and used by FPL in its resource plans filed with the Commission since 2007. Tr. 222-23, 235-38 (Sim).

The No ST Plan does not include any solar generation beyond that already in service as of the end of 2020, in other words, only solar generation projects through the 2020 SoBRA projects and not including the SolarTogether facilities in 2020 and 2021 or any future solar beyond 2020. Tr. 223 (Sim). By conducting an economic analysis using these specific resource plans, FPL is able to isolate the benefit of the SolarTogether facilities on FPL's system, again a sound

methodology FPL has employed for all of its universal solar projects approved by the Commission to date. Tr. 237 (Sim). FPL resource needs, starting in 2020 and increasing in each year thereafter, are met by combined cycle units, combustion turbines, and batteries in the No ST Plan. Tr. 237-38 (Sim).

The SolarTogether Plan adds the 20 solar facilities with a total nameplate capacity of 1,490 MW. Each facility has an average summer firm capacity value – the expected output during the peak load hour in the summer³ - of 49% of the nameplate rating. Therefore, FPL assumes that at the time of summer peak the 20 74.5 MW solar facilities have a total firm capacity value of 735 MW. As a result of adding this firm capacity, SolarTogether defers the timing and reduce the size of future generation additions, thus meeting a resource or reliability need for additional resources in 2020, 2021, and beyond to meet the approved reserve margin criteria. Tr. 224, 234 (Sim).

Specifically, these cost-effective solar resources allow FPL to fully meet its reserve margin criteria in 2020 (where FPL has a need for approximately 20 MW of additional capacity), in 2021 (where FPL has a need for 250 MW of additional capacity), and in 2022 (where FPL has a need for 400 MW of additional capacity). That need grows to more than 4,700 MW by 2030. SolarTogether will provide 220 MW in 2020 and 515 MW in 2021 to meet those resource needs. Tr. 234 (Sim); Ex. 30.

Based on the assumptions for each resource plan analyzed, FPL determined the generation system costs, consisting primarily of fuel, variable operations & maintenance (“O&M”), and emissions, using an hourly production costing model UPLAN, which FPL has used in prior Commission proceedings including the 2017-2020 SoBRA project approvals. The output of each

³ FPL’s summer peak typically occurs in August from 4 p.m. to 5 p.m. Solar installations have little, if any, firm capacity value at the time of winter peak because FPL’s winter peak typically occurs from 7 a.m. to 8 a.m. when the sun generally is not shining. Tr. 224-26 (Sim).

UPLAN model run is imported into FPL's Fixed Cost Spreadsheet ("FCSS") Model, which adds fixed costs such as capital, capital replacements, and fixed O&M. The FCSS model is used to calculate the CPVRR cost for each resource plan. Tr. 227 (Sim). Next, to determine the cost impact of the proposed solar generation, FPL subtracted the CPVRR cost of the SolarTogether Plan from the CPVRR of the No ST Plan. Tr. 227 (Sim).

In its rebuttal testimony filed on September 23, 2019, FPL updated its economic analysis, resulting in \$249 million CPVRR in projected cost savings for a total net increase in savings of \$110 million CPVRR. Tr. 238 (Sim); Ex. 32. These updates addressed requests from Commission Staff to include the 2020 SoBRA projects and FPL's proposed 2019 demand side management ("DSM") goals in both the SolarTogether and No ST resource plans. In addition, FPL's plans were updated to reduce revenue requirements due to the removal of AFUDC for SolarTogether Project 3, 4, and 5 as discussed by FPL witness Bores in his rebuttal testimony. Tr. 235 (Sim); Tr. 334-36 (Bores).⁴ This economic analysis demonstrating the benefits for the SolarTogether Program is likewise supportive of the Settlement Agreement and associated tariff, which FPL has asked the Commission to approve in this proceeding and only differs from the Program presented in FPL's rebuttal testimony with the addition of a low-income carve out from the residential/small business allocation for the Program. Tr. 673-74 (Valle).

III. **The SolarTogether Program and** **Settlement Tariff is in the Public Interest**

A. Legal Standard

The legal system "favors the settlement of disputes by mutual agreement between the contending parties." *Ameristeel Corp. v. Clark*, 691 So. 2d 473, 478 (Fla. 1997). This general

⁴ FPL also analyzed the SolarTogether Program using the rate impact measure test, which showed that the Program was cost-effective from that perspective as well, with a cost-benefit of 1.03. Tr. 300 (Sim).

rule applies equally to administrative proceedings. *See* § 120.57(4), Fla. Stat. (“Unless precluded by law, informal disposition may be made of any proceeding by stipulation, agreed settlement, or consent order.”); Order No. PSC-13-0023-S-EI. Indeed, the Commission has a “long history of encouraging settlements, giving great weight and deference to settlements, and enforcing them in the spirit in which they were reached by the parties.” *In re Florida Power & Light Company*, Order No. PSC-05-0902-S-EI at 6, Docket No. 050045-EI (F.P.S.C. Sept. 14, 2005).

The legal standard for the Commission’s determination is whether the settlement agreement is in the public interest. *See, e.g.*, Order No. PSC-05-0902-S-EI at 6 (“In conclusion, we find that the Stipulation and Settlement establishes rates that are fair, just, and reasonable and that approval of the Stipulation and Settlement is in the public interest. Therefore, we approve the Stipulation and Settlement.”). The Commission has broad discretion in deciding what is in the public interest, and it may consider a variety of factors in reaching its decision. *See In re: The Woodlands of Lake Placid, L.P.*, Order No. PSC-04-1162-FOF-WS, at p. 8, Docket No. 030102-WS (F.P.S.C. Nov. 22, 2004); *In Re: Petition for approval of plan to bring generating units into compliance with the Clean Air Act by Gulf Power Co.*, Order No. PSC-93-1376-FOF-EI at 15, Docket No. 921155-EI (F.P.S.C. Sept. 20, 2003).

B. FPL’s Proposed Settlement Agreement is in the Public Interest

There is no strict or exhaustive set of “public interest” criteria, and the Commission’s determination of whether a proposed settlement agreement is in the public interest will rest on the particular facts before it. In this case, there are at least four significant regulatory and public policy considerations relevant to a determination that the settlement and resulting Program are in the public interest: (1) regulation should be responsive to the needs of customers and open to new and innovative ways to meet those needs and to realize benefits for customers; (2) costs should be appropriately assigned; (3) resulting rates should be fair, just and reasonable, and (4) regulation

should advance Florida's environmental and renewable energy policies. SolarTogether's myriad benefits manifestly satisfy these considerations and support a finding that the Program and the Tariff are in the public interest.

1. SolarTogether Innovatively Meets a Significant Customer Demand

Innovation is not contrary to public interest. It therefore logically follows that being the first community solar program of its kind brought before the Commission should not eliminate SolarTogether from public interest consideration. To the contrary, regulation should be responsive to the needs of customers and the Commission should be open to new and innovative solutions that respond to customer needs and captures benefits for all customers. Tr. 463, 465 (Deason). This is particularly true and relevant for customers wanting to ensure more of their electricity needs are met by solar generation. *Id.* at 465. There was a time when customers looked at electricity as a commodity with little or no regard for where the power originated or by what technology it was generated. *Id.* FPL's years of discussions with customers confirm that is no longer so. Customers want more of their energy usage to come from renewable resources, some with a goal of 100% of their energy consumption sourced from solar, and they want to participate in the savings that can be derived from the solar installations their participation enables. If regulation can facilitate this expectation to be met in a way that protects all customers, it would be incumbent on regulation to do so. Tr. 465-66 (Deason).

SolarTogether does just that. Through this voluntary community solar program, residential and business customers can fulfill their desire to have demonstrably higher energy use from a renewable source. In fact, they can source up to 100% of their energy consumption from solar, and, if it is appropriate as part of their business plan or individual goals, they can quantify it and declare it to the world. Ex. 61 (pp. 31-32).

FPL witness Valle further explained that customers want to make this change now, they want their personal or organizational impact on sustainability to be significant, and they want the renewable energy to be sourced from within this State. Tr. 162, 690 (Valle). The SolarTogether Tariff facilitates the achievement of these goals. More traditional options do not.

In response to cross-examination, Mr. Valle explained that adding the 1,490 MW without the SolarTogether Tariff – either as traditional rate base assets or SoBRA projects – would improve the solar portion of FPL’s fuel mix by about two percent for a total of about five percent. Tr. 157 (Valle).⁵ He added that it would take multiple decades for the FPL system to be entirely renewable. That is not what customers with sustainability goals are looking for. Tr. 162 (Valle). Nor are many customers interested in a program comprised solely of RECs. *Id.* As described by Mr. Valle, RECs represent facilities already producing renewable energy, not new facilities. *Id.* And because those existing facilities, unlike the SolarTogether projects, are located mostly in other states, customers would lose the opportunity to promote economic development in Florida through local solar construction projects. *Id.*

2. SolarTogether Shares Benefits, Not Revenue Requirements, with the General Body of Customers

Customers are appropriately protected when rates recover costs allocated to customers based on their cost responsibility. Tr. 466 (Deason). The standard is that no customer or group of customers be harmed by the rates charged to or offerings made to other customers, *i.e.*, a “do no harm” standard. *Id.* In the case of the SolarTogether Program, not only is there no harm, there are substantial benefits for all customers. *Id.* Participants will pay a monthly subscription charge that

⁵ As a rule of thumb for FPL’s system, each 500 MW of utility-scale solar added to FPL’s system represents slightly less than 1% of FPL’s total energy delivery. See FPL 2019 Ten-Year Site Plan, filed April 1, 2019, at 63, n.8. On that basis, the actual increase to the solar portion of FPL’s fuel mix from SolarTogether is likely closer to 3%, such that the updated solar total for FPL’s fuel mix would be approximately 6%.

is designed to cover 104.5% of the total net Program revenue requirement. Tr. 337 (Bores). Over the life of the Program, the general body is not expected to bear any cost responsibility for the solar facilities. Tr. 155 (Valle).

The cost-effectiveness of the solar facilities planned for SolarTogether is fundamental to the Commission’s public interest determination. Tr. 462 (Deason). The Program is projected to generate \$249 million in total net system savings, with 45%, or \$112 million allocated to the general body of customers with approximately \$56 million of those consisting of fixed base benefits. Tr. 75-76 (Valle). Through this sharing mechanism, SolarTogether exceeds the “do no harm” standard. Tr. 464-65 (Deason). This is depicted in Table 1 below.

TABLE 1			
	Costs/ (Benefit)	Benefits	Net (Fav)/Unfav
Participants	\$1,315 MM	\$1,452 MM	(\$137 MM)
Gen. Body of Customers	(\$56 MM)	\$56 MM	(\$112 MM)
Total	\$1,259 MM	\$1,508 MM	(\$249 MM)

Today, there is no rate base resource option that would allow the general body of customers to realize any percentage of projected savings without bearing a commensurate share of the projected revenue requirements. Tr. 669 (Valle). In this regard, the Program is uniquely beneficial to the general body of customers.

3. Rates Resulting from SolarTogether are Fair, Just and Reasonable

The rate impact on the general body of customers resulting from SolarTogether in the near-term is modest, short-lived and compares favorably against placing the 20 solar facilities in service without the SolarTogether Tariff. As a threshold matter, the base portion of the bill will not change for the general body of customers through at least 2021. In the years 2020 and 2021, the fuel

portion of the bill is projected to increase roughly 13 cents and 47 cents, respectively. Tr. 415, 431 (Bores); Ex. 36.

Through 2024, the projected revenue requirement for the general body of customers is lower than it would be as a rate base program because the credit paid to participants is lower in those years. During the short period from 2024 through 2026, the participants' Subscription Credit exceeds the Subscription Charge. By 2027, however, the general body of customers is expected to realize a benefit. Savings are projected to continue each year through the remainder of the Program. Tr. 424 (Bores); Ex. 36. Additionally, Mr. Bores explained that, even in the years that the general body of customers contributes to help levelize the Subscription Charge, their portion of the revenue requirement is lower because of the payments received from the participants. Of course, over the 30-year life of SolarTogether, the general body of customers is expected to achieve savings, not incur costs. Tr. 87, 155 (Valle).

4. SolarTogether Advances Florida's Renewable Energy Policy

For the past decade, this Commission's constructive regulation has advanced Florida's renewable energy policy, which states:

It is the intent of the Legislature to promote the development of renewable energy; protect the economic viability of Florida's existing renewable energy facilities; diversify the types of fuel used to generate electricity in Florida; lessen Florida's dependence on natural gas and fuel oil for the production of electricity; minimize the volatility of fuel costs; encourage investment within the state; improve environmental conditions; and, at the same time, minimize the costs of power supply to electric utilities and their customers.

§ 366.92, Fla. Stat. (2019). SolarTogether is the next important step forward in promoting this policy.

Increasing solar in Florida and expanding access. Sized at 1,490 MW, SolarTogether helps to make a significant difference in the amount of solar on the grid in Florida sooner than would other options. With respect to FPL's fleet, SolarTogether would more than double the

amount of solar capacity. Indeed, approval of this Program will make Florida a national leader in community solar. Tr. 46 (Valle).

SolarTogether expands access to renewable energy programs by providing all customers the opportunity to directly participate in the expansion of new solar energy in Florida. Mr. Valle, whose team examined other community solar programs across the country, confirmed that “[n]o other solar program in Florida or elsewhere is as inclusive as SolarTogether.” Tr. 675 (Valle).

Private rooftop solar systems are available to customers today but are not a viable solution for everyone. Many residential and small business customers, as well as commercial, industrial and governmental customers, do not have the financial ability to buy or lease a net metering system or do not wish to make such long-term investments. Many have unsuitable locations for solar, either due to roof space, roof age, lack of sun exposure or other challenges. Customers who rent their properties may not be permitted to install a solar system at their home or business. Tr. 47 (Valle).

SolarTogether removes the barriers associated with private rooftop systems. SolarTogether participants will have expanded access to direct participation with no high upfront costs or lease payments, no long-term commitments and no need to find adequate roof space. And, although there is a net premium to participate in SolarTogether in the early years, it equates to an average monthly impact of less than \$2 a month for a typical residential customer who wants to be 100% solar. Tr. 81 (Valle).

Furthermore, through the Settlement Tariff, access to solar will be afforded to customers who might never have imagined they would have the financial means to participate. FPL, SACE, Walmart and Vote Solar agreed to set aside 37.5 MW of the Program’s capacity for low income customers, creating the opportunity to directly participate in solar for thousands of low-income

households, more than any other solar program in the country. About 7,500 financially vulnerable customers will have access to solar with no premium and day one savings. Tr. 136 (Valle).

Improved environmental conditions, fuel diversification and lessened dependence on natural gas. The SolarTogether Program will accelerate and ensure the addition of 1,490 MW of solar-powered generation. As the amount of energy supplied by solar generation will increase, the Program is expected to reduce the annual average use of natural gas by 21,600 million cubic feet, reducing FPL's reliance on fossil fuels. This reduction in the use of fossil fuels due to the operation of the solar facilities included in the Program are projected to reduce global warming gases, specifically CO₂, at an average rate of 1,281,000 tons per year. This reduction in CO₂ is equivalent to removing approximately 247,000 cars from the road. Sulfur dioxide and nitrogen oxide emissions are projected to be reduced by an annual average of 6 tons and 134 tons, respectively. Tr. 228 (Sim).

The addition of 1,490 MW of solar energy will also provide customers some protection from fuel price volatility. FPL witness Terry Deason testified that large increases in natural gas prices and the associated extreme price volatilities experienced in the recent past caused great disruptions to customers. Whether it was impacts on large industrial customers and their abilities to successfully manage their operations and remain competitive or families struggling to budget their household expenses, the impacts were large. Tr. 480 (Deason). While today gas prices are relatively low compared to historical levels, the risk of price spikes still exists. It therefore remains important to consider the risk of fuel price volatility and potential ways to mitigate that risk. Even as large as the SolarTogether Program is, it will not eliminate this risk. However, it is a meaningful step in the right direction. It is a new and innovative tool being proposed to equip the Commission to better protect all customers. Tr. 481 (Deason).

Encouraging investment. Approving SolarTogether furthers the goals of the legislature in Sec. 366.92(1) F.S. and will ensure that approximately \$1.8 billion in renewable Program investments and costs are tied to Florida-based construction projects. It is important to remember customers will still have sustainability and economic goals even if the Program is not approved, and they will continue to look for alternatives. Some of those options might ship jobs and property taxes outside of Florida. Furthermore, responding to the needs of customers and organizations with sustainability goals, as SolarTogether does, is a competitiveness issue for economic development in the State. The offering of meaningful renewable energy choices could be a powerful incentive for the relocation of new businesses to Florida. Tr. 479 (Deason); Tr. 151 (Valle).

Minimizing costs. As explained in detail herein, FPL estimates that the construction costs for SolarTogether is the lowest per-kW cost that it has achieved for solar centers. Tr. 82 (Valle). And, the Program is projected to be cost-effective with only modest, short-term impacts. OPC has argued that the Program should not be approved because it does not reflect the “least cost” option. That is not the Commission’s standard, however. Instead, as reflected in Section 366.92, F.S., the cost is one consideration to be balanced against other factors that advance renewables in Florida. Ex. 61 (p. 53). Even resources sited under Florida’s PPSA are not solely subject to a least cost standard.

IV.

Intervenors’ Positions Are Unsupported and Without Merit

A. The SolarTogether Tariff is Widely Supported

OPC’s attempt to characterize the proposed Settlement as being supported by only one FPL customer, Walmart, is disingenuous and unsupported. OPC has a statutory role to represent all customers in Florida. But that role *should* include the subscribers and thousands of residential customers who have expressed interest in the Program. To date, OPC has never explained how its

active opposition to approval of the Program does not undermine and conflict with the desires and goals of these customers. In any case, it is firmly established that a settlements agreement may be in the public interest even if OPC does not support it. *Citizens of State v. Florida Pub. Serv. Com'n*, 146 So. 3d 1143, 1151 (Fla. 2014) (adoption of OPC's argument that its powers include the ability to preclude the Commission from approving a settlement agreement over the OPC's objection would render the statutory language in chapters 350 and 366 inconsistent). OPC's position on SolarTogether does not align with many of its constituents. In fact, OPC offered no evidence of customers who want the Commission to decline approval of this Program. OPC simply substitutes its opinion as a "voice over" for the explicit support for the Program expressed by all of the customers who have subscribed or otherwise indicated their support.

The settling parties represent the view of more than "one" customer. Walmart, for instance, operates 148 stores, four distribution centers, and related facilities in FPL's service territory. Tr. 616 (Chriss). Moreover, with operations in every state, Walmart has a very sophisticated view of energy and what corporations are trying to achieve. SACE has members who take service from FPL, and as part of its mission, it "supports and advocates for the meaningful development of low cost, clean solar power, including community solar programs" in the Southeast. Likewise, Vote Solar has members who are FPL customers, and the organization advocates for solar energy across the country. This set of signatories therefore embodies a broad view of customers' interests and how to design a community solar program in the public interest. Tr. 680-81 (Valle).

In addition, more than 200 customers pre-registered for SolarTogether, including industrial customers with major operations in Florida, big-box retailers, school districts, counties and municipal governments who themselves serve thousands of Floridians. Tr. 691 (Valle). In fact, in order to execute the pre-registration commitment, a number of the governmental authorities were required to obtain their commission or council votes presumably reflecting the interest of the

public they represent. So, too, some of the business entities that pre-registered also required internal approval.

Support for SolarTogether does not end there. Mr. Valle testified that “FPL continues to hear from customers who support FPL offering this Program even if that particular customer does not plan to participate at this time.” Tr. 669 (Valle). This includes commercial, industrial and governmental customers that were not pre-registered. Tr. 80 (Valle). In addition, 120,000 residential and small business customers have expressed interest in learning more about the Program. Tr. 101 (Valle). Again, OPC did not challenge this testimony and offered no evidence to the contrary.

B. The Facts Support an Affirmative Prudence and Public Interest Finding

OPC’s claim that SolarTogether violates the requirement under Section 366.06(1), F.S. that only prudent capital projects may be factored into rates and charges misconstrues the law and the facts. With respect to the law, the Florida Supreme Court has confirmed that “when presented with a settlement agreement, the Commission’s review shifts to the public interest standard.” And, that the public interest standard considers “whether the agreement—as a whole—resolved all the issues, established rates that were just, reasonable, and fair, and is in the public interest.” *Florida Indus. Power Users Group v. Brown*, 273 So. 3d 926, 929-30 (Fla. 2019). Of course, “the prudence of large capital investments is a relevant consideration in the Commission’s review of a settlement under its public interest standard because imprudent investments of millions of dollars would likely clash with a public interest finding.” *Id.* at 930. In other words, the public interest standard itself incorporates prudence considerations. Here, too, the Commission can and should evaluate prudence considerations, but it also has the authority to balance all other factors.

OPC’s prudence challenge presumably rests on its allegation that FPL has not demonstrated a resource need. Tr. 499 (Dauphinais). A demonstration of need is typically

associated with the Power Plant Siting Act (“PPSA”), pursuant to which the Commission renders the equivalent of an advanced prudence determination. Tr. 471 (Deason). Here, the 20 solar facilities that comprise the SolarTogether Program are less than 75 megawatts per site and are therefore not required to come before the Commission in a need determination proceeding. Notwithstanding, as discussed by FPL witness Deason and detailed above, FPL’s proposal is clearly consistent with the need requirements of the Florida need determination statute, Section 403.519, Fla. Stat., under the Florida Power Plant Siting Act and does in fact address the “need” requirements of that statute, including cost-effectiveness, fuel diversity, and use of renewable energy resources. OPC’s argument that the Commission must find a resource or reliability need to approve the SolarTogether project runs completely counter to the Commission’s history of encouraging and approving FPL investments that generate savings to customers, even in the absence of a resource need. *See, e.g.*, Order No. PSC-15-0401-AS-EI, issued September 23, 2015 in Docket No. 150075-EI (Cedar Bay transaction); Order No. PSC-16-0506-FOF-EI, issued November 2, 2016 in Docket No. 160154-EI (Indiantown Cogeneration transaction); Order No. PSC-217-0415-AS-EI, issued October 24, 2017 in Docket No. 20170123-EI (St. Johns River Power Park transaction). Requiring the showing of a resource need would stifle FPL’s continuous efforts to find money saving opportunities for customers.

Even though the Commission is not required to find a resource need to find FPL’s SolarTogether program is in the public interest and approve the program, FPL has demonstrated a multi-faceted need for the program and its solar facilities, including (1) fully meeting resource needs in 2020, 2021, and 2022, and contributing to meet resource needs in 2023 and beyond, (2) providing cost savings for the general body of FPL customers (participants and non-participants in the SolarTogether program) and thereby meeting an economic need to serve customers with cost-effective energy, and (3) meeting a customer need based on a growing demand

of customers for generation from solar and other renewable energy sources. Tr. 659 (Sim), 666, 675-76 (Valle); 471 (Deason). While FPL has demonstrated that the primary need met is based on customer demand, which OPC has provided no credible evidence to dispute in the form of customers who oppose this program, it is clear (as discussed above) that the SolarTogether program will meet an existing and growing resource need starting in 2020 and continuing into the future. Tr. 224, 234 (Sim).

OPC's argument that there is no resource need and that FPL is applying the 20% reserve margin criterion in a way that deviates from Commission Order No. PSC-99-2507-S-EU because FPL's reserve margin is projected to exceed the 20% minimum total reserve margin established by the Commission in that order indicates a fundamental misunderstanding regarding electric utility resource planning and Commission policy. The 20% reserve margin criterion is a *minimum* and is designed to ensure that electric utilities have generation sufficient to provide adequate and reliable service to customers and does not limit otherwise cost-effective generation projects. As FPL demonstrated in this case, the 20 solar facilities in SolarTogether Phase 1 will *lower* costs for all FPL customers. Tr. 653-654 (Sim). Having larger generation capabilities in certain years is a function of FPL bringing a cost-effective generation resource on to its system; FPL adds units with greater capacity than what is needed in the year in which they enter service when doing so is economic for customers. To do as OPC witness Dauphinais suggests and arbitrarily cap the reserve margin at 20% would result in higher costs and electric rates for FPL's customers, and lower system reliability. Tr. 653-54 (Sim).

C. FPL's 2016 Rate Settlement Agreement Does Not Bar SolarTogether

Nothing in FPL's 2016 Rate Settlement Agreement prohibits approval of the SolarTogether Program and Tariff. OPC argues that the Tariff would violate the base rate freeze provision of the 2016 Rate Settlement. It does not. FPL witnesses Valle and Bores repeatedly confirmed that base

rates would not increase as a result of SolarTogether during the term of the Rate Settlement, currently expected to remain in place through 2021. E.g., Tr. 415-16 (Bores) (“We are not asking to change base rates as part of this petition.”). OPC did not – and cannot – present any contrary evidence.

Curiously, OPC also argues that Paragraph 4 of FPL’s 2016 Rate Settlement prohibits “indirect” increases to base rates. Tr. 509 (Dauphinais); OPC Prehearing Statement. OPC points to no specific provision of that paragraph, and none supports OPC’s argument. Aside from being unsupported by the text, it is simply nonsensical. Every investment a utility makes during a rate freeze becomes part of its rate base and has the potential to lead to a change in rates when its base rates are next reset. The 2016 Rate Settlement Agreement does not preclude all investments made during the term of the Agreement.

Finally, OPC’s argument that the SolarTogether Program violates Paragraph 7’s prohibition against clause recovery of costs “the type of which have been traditionally, historically and ordinarily recovered through base rates” also fails. Clause recovery is used only to recover the Subscription Credit paid to participants. Such incremental costs are not currently recovered in base rates and are therefore permissible under Paragraph 7 so long as clause recovery is approved by the Commission. As established by the evidence, the Subscription Credits consist of avoided fuel, emissions and gas transportation costs. Tr. 338 (Bores). Costs and savings associated with fuel, emissions and gas transportation costs have historically been recovered or realized through the fuel clause. Tr. 410 (Bores). Furthermore, credits of this nature have not historically been recovered through base rates, and OPC presented no evidence to the contrary.

D. SolarTogether Properly Assigns Cost Responsibility

1. The General Body of Customers Will Enjoy Benefits and Pay None of the Revenue Requirement

OPC's claim that the Program is discriminatory, involuntary and subsidized ignores the Program's fundamental features.

As discussed above, FPL projects that the SolarTogether Program is projected to be cost-effective at a reasonable cost and provide net benefits in the form of cost savings for the general body of customers, including participants and non-participants, *i.e.*, all FPL customers. To reach this conclusion, FPL analyzed the Program using a wide range of sensitivities for high, mid, and low fuel prices and CO₂ costs in the SolarTogether Program. Ex. 32, 34, 35, and 46; Tr. 238-240 (Sim). FPL determined in the vast majority of these scenarios, *i.e.*, 7 out of 9 scenarios, that the Program would be cost-effective. Tr. 239, 246-247 (Sim).

Not surprisingly, OPC focuses on the two scenarios, the Low Fuel price scenarios (Low and Mid CO₂ costs), where the analysis indicates the Program would not be cost-effective. In its apparent blind rush to oppose this Program at every opportunity, OPC fails to distinguish "the forest from the trees." Seven of the nine scenarios demonstrate that the Program is cost-effective and results in real cost saving benefits for FPL's customers. Moreover, even taking the worst case scenario at face value, FPL customers would save an estimated \$8.6 billion dollars in the low fuel, low carbon cost scenario, thereby dwarfing any net cost on FPL's customers (\$145 million) resulting from the SolarTogether Program. Tr. 181-84 (Valle); Tr. 239, 313-16 (Sim); Ex. 35. This can be gleaned from the data contained in Dr. Sim's Exhibits 34 and 35, excerpted in Table 2 below.

TABLE 2					
Fuel Cost Forecast	Environmental Compliance Cost Forecast	No ST Plan Production cost (\$ Millions)	FPL SolarTogether Plan Production cost (\$ Millions)	Net Difference (\$ Millions)	Benefit to General Body (\$ Millions)
High Fuel Cost	Low CO2	\$50,936	\$50,613	(\$323)	(\$186)
High Fuel Cost	Mid CO2	\$54,342	\$53,928	(\$414)	(\$277)
High Fuel Cost	High CO2	\$59,688	\$59,124	(\$563)	(\$427)
Mid Fuel Cost	Low CO2	\$45,472	\$45,313	(\$159)	(\$22)
Mid Fuel Cost	Mid CO2	\$48,851	\$48,603	(\$249)	(\$112)
Mid Fuel Cost	High CO2	\$54,183	\$53,781	(\$401)	(\$265)
Low Fuel Cost	Low CO2	\$39,972	\$39,980	\$8	\$145
Low Fuel Cost	Mid CO2	\$43,341	\$43,259	(\$82)	\$54
Low Fuel Cost	High CO2	\$48,666	\$48,434	(\$232)	(\$96)
		Difference in production costs Mid/Mid vs. Low/Low			
				\$8,623	

Second, the general body pays none of the revenue requirement over the life of the program. During early years (outside of FPL’s rate settlement term), the general body helps to levelize the revenue requirement. But benefits to all customers are maximized when decisions are made over a continuum of time.⁶

Third, OPC appears to be contrasting the SolarTogether Program with the traditional approach of assigning costs to cost causers when there are net incremental costs being imposed on the system. However, this is not the situation with SolarTogether. There are not net incremental costs; rather, SolarTogether would help ensure that net incremental benefits are being generated for all customers. In essence, the customers wishing to receive more solar generation by

⁶ OPC witness Dauphinais’s arguments concerning intergenerational inequity are misplaced. If decisions were made to protect only one generation of customers, as he suggests, outcomes would be focused on the short term and the maximization of benefits for all customers over the long run could not be achieved. The existing customers, who witness Dauphinais asserts will be subsidizing a future generation of customers, are indeed the beneficiaries of previous investments made decades ago that continue to provide them with service.

participating in the SolarTogether Program are not “cost causers” as that term is traditionally used. Rather, the participants are better described as “benefit facilitators” who will share an estimated \$112 million with the general body of customers, roughly half of which is in the form of base rate savings not subject to the volatility associated with fuel and emissions prices. Tr. 341 (Bores), Tr. 466 (Deason). Thus, the general body of customers is not harmed, which is generally understood to be required before there is a finding of undue discrimination or preference. Tr. 469 (Deason).

For these same reasons, the difference in payback periods between participants and the general body of customers is reasonable and justified, if not irrelevant. FPL estimates that participants will achieve simple payback in about 7 years, while the general body of customers will achieve it in about 16 years. “Payback” for the general body of customers could be considered a misnomer, however, because over the life of the centers they will not have “paid” toward the assets at all.⁷

Additionally, FPL selected the seven-year payback based on market information. Tr. 53, 173 (Valle). Some customers were looking for immediate payback, others identified five years, while payback for private solar is currently at the 10-12 year mark. Tr. 53, 146, 152 (Valle). FPL chose seven years in view of the fact that participants are not locked into long-term commitments. Tr. 53 (Valle). Seven years makes this Program sustainable for the longer-term, as it avoids customers dropping out if private options suddenly boasted a payback period shorter than 10-12 years. On the other end, offering a payback period of fewer than seven years might not sufficiently induce long-term participation. FPL struck a reasonable balance.

⁷ On a CPVRR basis, the general body of FPL customers achieve payback in 26 years, which is more favorable than the payback for SoBRA projects. Tr. 118 (Valle).

In short, there can be no undue cost discrimination against customers who bear no cost responsibility but nevertheless are expected to share the benefits created by assets paid for by others.

2. SolarTogether Avoids a Subsidy

It is undeniable that our energy infrastructure is undergoing substantial change and our customers want to participate in, and even facilitate, our path to a more sustainable energy future. Tr. 157 (Valle). So, if opportunities afforded customers by the SolarTogether Program are denied to them, they likely would seek other, potentially less cost-effective, alternatives. *Id.*; Tr. 479-80 (Deason). The most likely option would be for them to construct their own solar facilities, but only those customers who have the means and opportunity to do so could pursue this option. Tr. 179 (Valle). These customers would replace the energy they were previously receiving through FPL's system with their own generation, resulting in a loss of load. A significant loss of load presents the risk of lost contributions toward the fixed costs borne by all customers. Tr. 480 (Deason). Moreover, in the case of net metering customers, the fixed base rate costs to serve these customers are directly subsidized by the general body. There is a transfer of base rate cost responsibility from the participating net metering customers to the general body. That is not the case with SolarTogether where over 100% of the base rate costs are paid by Participants – with the general body projected to enjoy a benefit of roughly \$112 million. Tr. 74 (Valle).

SolarTogether presents a favorable complement or alternative to net metering, thus mitigating that load-loss risk. Tr. 49, 130, 165-66 (Valle). Indeed, the Commission has long acknowledged that retaining certain customers is beneficial to the system as a whole. Ex. 61 (pp. 35-36). Mr. Valle testified that SolarTogether compares very favorably to private customer-owned solar. Tr. 74 (Valle). Today, FPL estimates that this cross-subsidization of net metering customers has an annual impact of \$13 million on its general body of customers. Tr. 74 (Valle).

If private customer-owned solar systems totaling 1,490 MW – the amount of solar generation proposed under SolarTogether – were to be installed and net-metered in FPL’s service area, the resulting cross-subsidy would be estimated to grow to \$121 million by 2022, growing to a present value of more than \$1 billion over the 30-year life of the generating assets. *Id.*. SolarTogether, by contrast, is estimated to generate savings, not costs. *Id.*

E. Isolating All Program Cost and Benefits is Unlikely To Meet Customer Needs

During the hearing, FPL responded to questions regarding why the general body should not be isolated entirely from the Program. Tr. 167-70 (Valle). An exchange with Commissioner Brown pointed out that spreading costs over the large number of FPL customers facilitates levelizing the subscription charge while maintaining the actual bill impact to the general body of customers at a modest level in the short-term before savings materialize. Tr. 685 (Valle). Although it may be theoretically possible to assign all benefits and costs to participants in the SolarTogether Program (known as “ring-fencing”), it would not be wise to do so for at least two reasons. Tr. 467 (Deason). First, SolarTogether Program, achieves a reasonable balancing of benefit sharing and cost allocation for the general body of customers: \$112 million dollars of projected benefits for zero net base costs over the Program life. Tr. 87 (Valle); Tr. 467 (Deason).

Second, isolating all of the costs and benefits would eliminate the ability to levelize the monthly charge. Tr. 419-20 (Bores); 466-67 (Deason). This is particularly uneconomic in the early years, when the declining revenue requirement is at its peak and the savings are projected to be at its lowest point. Tr. 420 (Bores). Much of the savings associated with solar facilities are in the outer years of the life of the facilities based on anticipated fuel prices and emissions. Tr. 419 (Bores). The resulting rate impacts during those years could be detrimental and would effectively erect the same barrier that currently keeps some customers from participating in solar today. *Id.*

Likewise, a community solar program that requires participants to pay a premium but is designed to reset the benefit every year does not reflect the future of solar. That type of program structure simply fails to provide enrolled customers any visibility into what payback, if any, they can expect to achieve in exchange for their participation. It is therefore unlikely to garner much interest, would not satisfy the growing demand by FPL customers, and might ultimately result in individual customers turning to private rooftop alternatives that could be harmful to the general body of customers. Tr. 689 (Valle).

F. FPL’s Accrual of AFUDC is Appropriate

OPC’s argument that FPL has implemented an “unchecked effort to build rate base” by FPL’s accruing AFUDC for SolarTogether Projects 1 and 2 is completely unfounded. FPL is simply following the Commission’s AFUDC rule (Rule 25-6.0141, F.A.C.) and FPL Policy 1.1 to implement that rule. Tr. 371 (Bores). As FPL witness Bores testified, FPL has reasonably and consistently applied the criteria in the Commission’s rule and FPL’s policy to accrue AFUDC where appropriate (*e.g.*, SolarTogether Projects 1 and 2) and not accrue AFUDC where it is not appropriate (*e.g.*, SolarTogether Projects 3, 4, and 5). Tr. 363-65 (Bores).

Specifically, to determine whether a project qualifies for accruing the AFUDC expense under the Commission’s AFUDC rule, FPL looks to see if the project (1) involves gross additions to plant in excess of 0.5 percent of the sum of the total balance of Account 101 – Electric Plant in Service, and Account 106, Completed Construction Not Classified, at the time the project commences; and (2) is expected to be completed in excess of one year after commencement of construction. All of the Solar Together Projects (1-5) individually satisfy these criteria, based on the group of sites included in each of these projects. Tr. 334, 363-64 (Bores).

FPL also employs criteria from its AFUDC accounting policy, FPL 1.1, to determine if a project consisting of multiple sites constitutes a single project or multiple projects.⁸ The key criteria from this policy are: 1) all sites grouped as a project must have the same EPC contractor to manage the project; and 2) all sites have a defined start of construction and single scheduled in-service date. Tr. 335 (Bores).

Moreover, FPL has consistently and reasonably applied its AFUDC policy FPL 1.1 to disparately located sites within FPL's service territory subject to a single vendor contract to determine if the multiple sites constitute a single project for purposes of AFUDC accrual. In the cases of SolarTogether Projects 1 and 2 (3 sites each) and FPL's 2016 CT upgrades project (26 sites), the criteria for a single project was met. In the cases of SolarTogether Projects 3, 4, and 5 the single project criteria was not met. Tr. 334-36, 371, 380-81, 387-88, 433-34 (Bores); Ex. 69 (p. 631); Ex. 70 (p. 675). These sites for SolarTogether Projects 1 and 2 have not been "magically stitched" together as alleged by OPC. Tr. 21 (Rehwinkel). All 3 sites for each of SolarTogether Projects 1 and 2 respectively share a common EPC contractor and a single schedule and in-service date, with a contractual provision addressing liquidated damages across all three sites, thereby enabling FPL to achieve the lowest cost for customers. Tr. 209 (Brannen); Tr. 335, 365 (Bores).

In contrast, Mr. Brannen explained that after FPL initially planned to have a single EPC contractor for each of SolarTogether Projects 3, 4, and 5, it subsequently determined it could obtain the lowest costs for SolarTogether Project 3 by awarding EPC contracts on an individual site basis

⁸ No Commission rule or order has defined a "project" for purposes of the Commission's AFUDC rule, Rule 25-6.0141, but FPL has used its policy, FPL 1.1, consistently to define a project for purpose of accruing AFUDC under the rule and to determine whether to accrue AFUDC for multiple site solar projects in its 2016 rate case and in subsequent filings that the Commission has approved for its 2017-2020 SoBRA projects, where multiple solar sites were bundled to constitute a single project for purposes of accrual of AFUDC under the Commission's rule. In addition, since 2016, FPL's independent auditors (Deloitte) have reviewed and approved FPL's AFUDC accounting policy FPL 1.1 and its implementation Tr. 363-364, 374-375, 377, 378 (Bores).

with flexibility to have different schedules and in-service dates, and FPL expects that the same contracting structure will be used for the SolarTogether Project 4 and 5 sites in order to secure the lowest construction costs for those sites as well. Tr. 210 (Brannen). From this updated contractual arrangement, FPL determined that these Projects would no longer qualify for AFUDC under the Commission's AFUDC rule, Rule 25-6.0141, and FPL's AFUDC accounting policy, FPL 1.1, because the multiples sites in these projects would no longer constitute a single project. Tr. 334-35, 364-66, 433 (Bores). As a result, FPL's implementation of its AFUDC policy has benefitted FPL's customers, in this case reducing FPL's overall construction cost for Projects 3, 4, and 5 and increasing the CPVRR benefit of SolarTogether by \$45 million. Tr. 334-36 (Bores).

STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Is FPL's proposed SolarTogether Rider tariff an appropriate mechanism to seek approval for the construction of 1,490 MW of new solar generation facilities?

FPL: **Yes. Customers are actively seeking a program like SolarTogether in order to meet sustainability and financial goals. No existing programs or tariffs fill this customer need. Moreover, approving the facilities without an associated tariff would not meet the customer need.**

Yes. The SolarTogether Rider tariff is the appropriate mechanism to allow customers to participate voluntarily and more directly in the development of solar energy in Florida. Customers are actively seeking a program like SolarTogether in order to meet sustainability goals while also sharing in the financial benefits of solar. No existing programs or tariffs fill this customer need. Moreover, approving the facilities without an associated tariff would not meet the customer need. Tr.156-57 (Valle);Tr. 408-09 (Bores).

ISSUE 2: Does FPL’s proposed SolarTogether Rider tariff give any undue or unreasonable preference or advantage to any person or locality or subject the same to any undue or unreasonable prejudice or disadvantage in any respect, contrary to Section 366.03, Florida Statutes?

FPL: **No. Undue preferences are avoided by designing rates to recover costs allocated based on customer cost responsibility. The standard is that no customer be harmed by rates charged to other customers. Under SolarTogether, the general body of customers will pay none of that cost while receiving 45% of the savings.**

No. Undue preferences or subsidizations are avoided by designing rates to recover costs allocated to customers based on their cost responsibility. The standard is that no customer or group of customers be harmed by the rates charged to or offerings made to other customers. In the case of the SolarTogether Program, not only is there no harm, there are substantial benefits for all customers. The general body of customers will pay none of that cost while receiving 45 percent of the overall total CPVRR program savings. In addition, the cost of low income component will be borne solely by the non low-income participants. Tr. 87-88 (Valle); Tr. 464 (Deason).

ISSUE 3: Should the Commission allow recovery of all costs and expenses associated with FPL’s proposed SolarTogether Program in the manner proposed by FPL?

FPL: **Yes. The Program’s net base revenue requirements will be recovered through base rates and, over the life of the Program will be paid for by the participants. The Subscription Benefit consists of fuel and emission benefits, and therefore will be recovered through FPL’s fuel cost recovery clause.**

Yes. SolarTogether is cost-effective and the costs associated with the construction and operation of the Program and facilities is reasonable. The net base revenue requirements will be recovered through base rates and, over the life of the Program will be paid for by the participants. The Subscription Benefit consists of fuel and emission benefits, and therefore will be recovered through FPL’s fuel cost recovery clause, partially offsetting system savings resulting from the addition of the Program’s facilities. Upward rate impacts will be modest and short-term. All costs will be reflected in FPL’s earnings surveillance reports. Tr. 202 (Brannen); Tr. 343 (Bores).

ISSUE 4: Should the Commission approve FPL's proposed SolarTogether Program and associated tariff, Rate Schedule STR, which is the same tariff attached as Attachment I to the Settlement Agreement filed October 9, 2019?

FPL: **Yes. The Settlement represents a reasonable compromise and fully resolves all issues raised in this proceeding. Considered as a whole, the settlement is in the public interest: the Program responds to a significant customer need, is cost-effective, results in just, fair and reasonable rates, and advances Florida's renewable energy policy.**

Yes. In evaluation whether a settlement is in the public interest, the Commission should lean toward innovation and constructive regulation that is responsive to the needs of customers and open to new, innovative ways to capture benefits for all customers. Here, with the instant Settlement Agreement, there are multiple considerations and benefits which support a finding that the SolarTogether Program as outlined and described in the Settlement Agreement is in the public interest: (1) the Program provides an innovative voluntary community solar option that is responsive to the demands of residential and business customers who wish to or have already subscribed to the Program while bringing benefits to all FPL customers; (2) the costs of the Program have been fairly and reasonably assigned; (3) the resulting rates under the Program are fair, just and reasonable, and (4) the Program reaches out to and makes community solar available to low-income customers; (5) the Program provides material environmental benefits through substantial carbon emission reductions; (6) the Program will provide enhanced fuel diversity which mitigate risks for all FPL customers; and (7) the Program as defined under the Settlement Agreement furthers the public interest goals of the Florida Legislature to encourage the development of renewable nergy resources in the State. § 366.92, Fla. Stat. (2019). *See* Section III *infra*.

ISSUE 5: Should this docket be closed?

FPL: **Yes. Upon issuance of an order approving FPL's SolarTogether Program and Tariff, this docket should be closed.**

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CERTIFICATE OF SERVICE
Docket No. 20190061-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 30th day of January 2020 to the following:

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