BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20210015-EI

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

VOLUME 1
PAGES 1 - 262

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN GARY F. CLARK COMMISSIONER ART GRAHAM COMMISSIONER ANDREW GILES FAY COMMISSIONER MIKE LA ROSA COMMISSIONER GABRIELLA PASSIDOMO
DATE:	Monday, September 20, 2021
TIME:	Commenced: 9:30 a.m. Concluded: 12:00 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	DEBRA R. KRICK Court Reporter

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

APPEARANCES:

R. WADE LITCHFIELD, Vice President and General Counsel; JOHN T. BURNETT, Vice President and Deputy General Counsel; MARIA J. MONCADA, Senior Attorney, and CHRISTOPHER WRIGHT, ESQUIRE, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408; RUSSELL A. BADDERS, ESQUIRE, Gulf Power Company, One Energy Place, Bin 100, Pensacola, Florida, 32520, appearing on behalf of Florida Power & Light Company (FPL).

RICHARD GENTRY, PUBLIC COUNSEL; CHARLES REHWINKEL, DEPUTY PUBLIC COUNSEL; PATRICIA A. CHRISTENSEN and ANASTACIA PIRRELLO, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of the State of Florida (OPC).

WILLIAM C. GARNER, ESQUIRE, Law Office of William C. Garner, 3425 Bannerman Road Unit 105, #414, Tallahassee, Florida 32312, appearing on behalf of The CLEO Institute, Inc.(CLEO).

APPEARANCES CONTINUED:

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Gardner, Bist, Bowden, Dee, LaVia, Wright, Perry & Harper, P.A., 1300 Thomaswood Drive, Tallahassee, Florida 32308, appearing on behalf of Floridians Against Increased Rates, Inc. (FAIR).

MAJOR SCOTT KIRK, Federal Executive Agencies, 139 Barnes Drive, Suite 1, Tyndall AFB, Florida 32403; appearing on behalf of the Federal Executive Agencies (FEA).

JON C. MOYLE, JR. and KAREN A. PUTNAL, ESQUIRES, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, FL 32301; appearing on behalf of Florida Industrial Users Group (FIPUG).

FLOYD R. SELF, ESQUIRE, Berger Singerman, LLP, 313 North Monroe Street, Suite 301, Tallahassee, Florida 32301; T. SCOTT THOMPSON, ESQUIRE, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., 555 12th Street NW, Suite 1100, Washington, DC 20004, appearing on behalf of Florida Internet & Television, Inc. (FIT).

JAMES W. BREW and LAURA W. BAKER, Stone Law Firm, 1025 Thomas Jefferson Street NW, Suite 800 West Washington, DC 20007; appearing on behalf of Florida Retail Federation (FRF).

APPEARANCES CONTINUED:

BRADLEY MARSHALL and JORDAN LUEBKEMANN, ESQUIRES, Earthjustice, 111 S. Martin Luther King Jr. Boulevard, Tallahassee, Florida 32301; CHRISTINA I. REICHERT, ESQUIRE, Earthjustice, 4500 Biscayne Boulevard, Suite 201, Miami, Florida 33137, appearing on behalf of Florida Rising, Inc., League of Latin American Citizens of Florida, and Environmental Confederation of Southwest Florida (FLA. RISING, LULAC, ECOSWF).

NATHAN A. SKOP, ESQUIRE, 420 NW 50th Boulevard, Gainesville, Florida 32607, appearing on behalf of Daniel R. and Alexandria Larson (Larsons).

GEORGE CAVROS, ESQUIRE, 120 E. Oakland Park Boulevard, Suite 105, Fort Lauderdale, Florida 33334; appearing on behalf of Southern Alliance for Clean Energy (SACE).

KATIE CHILES OTTENWELLER, ESQUIRE, 838 Barton Woods Road, Atlanta, Georgia 30307, appearing on behalf of Vote Solar (VOTE SOLAR).

STEPHANIE U. EATON, ESQUIRE, Spilman Thomas & Battle, PLLC, 110 Oakwood Drive, Suite 500, Winston-Salem, NC 27103, appearing on behalf of Walmart, Inc. (Walmart).

APPEARANCES CONTINUED:

SUZANNE BROWNLESS, SHAW P. STILLER, BIANCA LHERISSON, ESQUIRES, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Florida Public Service Commission (Staff).

KEITH HETRICK, GENERAL COUNSEL; MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, Advisor to the Florida Public Service Commission.

I N D E X

P R O C E E D I N G S

CHAIRMAN CLARK: Good morning, everyone. Today is September 20th, and I would like to call this meeting to order.

I would like to ask staff, if they would, to please read the notice.

MS. BROWNLESS: By notice issued September 2nd, 2021, this time and place has been set for a final hearing in Docket No. 20210015-EI, the FPL rate case.

The purpose of the hearing is set out more fully in the notice.

CHAIRMAN CLARK: All right. Thank you, Ms. Brownless.

All right. We are going to take appearances at this time, and we will begin with FPL.

MR. LITCHFIELD: Thank you, Mr. Chairman.

Wade Litchfield and Maria Moncada at counsel table here for FPL, and I would also like to enter an appearance for John Burnett, Christopher Wright and Russell Badders.

CHAIRMAN CLARK: Thank you, sir.

OPC.

MS. CHRISTENSEN: Good morning, Patty Christensen with the Office of Public Counsel,

along with Richard Gentry, Public Counsel. And I would like to put in an appearance for Charles Rehwinkel and Anastacia Pirrello.

CHAIRMAN CLARK: Thank you, Ms. Christensen.

CLEO.

MS. OTTENWELLER: Good morning. Katie Chiles Ottenweller appearing for Vote Solar, and I am putting an appearance for -- oh, my gosh --

CHAIRMAN CLARK: Mr. Garner?

MS. OTTENWELLER: I am so sorry, for Bill Garner with the CLEO Institute.

CHAIRMAN CLARK: Thank you very much Ms. Garner.

FAIR.

MR. WRIGHT: Good morning, Mr. Chairman and thank you.

Robert Scheffel Wright on behalf of Floridians Against Increased Rates, Incorporated. I would also like to enter an appearance for my law partner, John T. Lavia, III.

CHAIRMAN CLARK: Thank you very much, Mr. Wright.

FEA.

MAJOR KIRK: Good morning, Mr. Chairman. Major Scott Kirk with the U.S. Air Force on behalf

of the Federal Executive Agencies.

CHAIRMAN CLARK: Thank you.

FIPUG.

MR. MOYLE: Good morning, Mr. Chair. Jon Moyle representing the Florida Industrial Power Users Group, FIPUG. And I would like to also enter an appearance for Karen Putnal with our firm.

CHAIRMAN CLARK: Thank you, Mr. Moyle.

Florida Internet & Television.

MR. SELF: Good morning, Mr. Chairman, Commissioners. Floyd Self with the Berger Singerman law firm on behalf of the Florida Internet & Television Association. I would also like to enter an appearance for Scott Thompson of the Mintz, Levin firm.

CHAIRMAN CLARK: Thank you, sir.

Florida Retail.

MR. BREW: Good morning Commissioners. For the Florida Retail Federation, I am James Brew with the firm of Stone Mattheis Xenopoulous & Brew. I would also like to note an appearance for Laura Baker.

CHAIRMAN CLARK: Thank you, Mr. Brew.

Florida Rising.

MR. MARSHALL: Good morning, Mr. Chairman.

Bradley Marshall on behalf of Florida Rising, the League of United American Citizens of Florida, better known as LULAC, and the Environmental Confederation of Southwest Florida, also known as ECOSWF. With me today I also have Jordan Luebkemann, and I would also like to enter an appearance for Christina Reichert.

Thank you.

CHAIRMAN CLARK: Thank you, Mr. Marshall.

Daniel and Alexandria Larson there.

MR. SKOP: Yes. Good morning, Mr. Chairman, Nathan Skop entering an appearance on behalf of Daniel and Alexandria Larson.

CHAIRMAN CLARK: Thank you.

SACE.

MR. CAVROS: Good morning, Mr. Chairman, George Cavros on behalf of Southern Alliance for Clean Energy.

CHAIRMAN CLARK: Vote Solar. I think we already have you appearing, Ms. Ottenweller.

MS. OTTENWELLER: Thank you.

CHAIRMAN CLARK: Walmart.

MS. EATON: Morning, Mr. Chairman, Stephanie Eaton on behalf of Walmart.

CHAIRMAN CLARK: Thank you, Ms. Eaton.

Commission Staff.

MS. BROWNLESS: Good morning, Mr. Chairman. Suzanne Brownless appearing on behalf of the Commission Staff. And I would also like to enter an appearance for Shaw Stiller and Bianca Lherisson.

MS. HELTON: And finally, Mr. Chairman, Mary Anne Helton is here as your Advisor, along with your General Counsel, Keith Hetrick.

CHAIRMAN CLARK: All right. Thank you very much. Did we get everyone? I got some of you twice. Did we get anybody -- forget anyone OPC?

All right, let's move to preliminary matters. Staff.

MS. BROWNLESS: Thank you.

This hearing will be conducted in two parts. First we'll address FPL's petition for rate increase, the rate case. In the second, we will address the joint motion for approval of the 2021 settlement, the settlement case.

In the settlement case, FAIR and Florida Rising and opponents will testify first, and FPL and the signatories will testify last, offering direct and oral rebuttal.

Opening statements are limited to 15 minutes

for FPL, and seven minutes each for the remaining party. Any party may split their allotted time and make opening statements at the commencement of both the rate case and the settlement case, or may use all of their time to make an opening statement for either.

CHAIRMAN CLARK: All right. Any of the parties have any other preliminary matters at this time?

All right. Let's address prefiled rate case testimony, Ms. Brownless.

MS. BROWNLESS: Yes, sir.

Parties to this case have stipulated that the prefiled direct and rebuttal testimony of the following FPL witnesses filed on March 12th, 2021, and July 14th, 2021, be inserted into the record as though read, and their exhibits admitted into evidence and placed into the record. Those witnesses are:

Eric Silagy, John J. Reed, Scott R. Bores, Jun K. Park, Steven R. Sim, Matthew Valle, Michael Spoor, Thomas Broad, Robert Coffey, Christopher Chapel, Jeffrey T. Kopp, Ned Allis, Keith Ferguson, Sam Forrest, Kathleen Slattery, Liz Fuentes, Tara DuBose and Tiffany Cohen.

The parties have also stipulated to the prefiled direct testimony of the following OPC witnesses filed on June 21, 2021, be inserted into the record as though read, and their exhibits be admitted into evidence and placed into the record:

Roxie McCullar, William Dunkel, Kevin O'Donnell, Randall Woolridge, Daniel Lawton and Ralph Smith.

Likewise, the parties have agreed that the June 21st, 2021, prefiled testimony of the CLEO/Vote Solar witnesses Rachel Wilson, Curt Volkmann and Yoca Arditi-Rocha be inserted into the record as though read, and their exhibits be moved into evidence and placed into the record.

Additionally, the parties have agreed that the June 21st, 2021, prefiled testimony of FEA witnesses Michael Gorman and Brian Collins, FIPUG witness Jeff Pollock and Bill Conte, and FRF witness Tony Georgis be inserted into the record as though read, and their exhibits be admitted into evidence and placed into the record.

The parties have also agreed that the prefiled testimony of FAIR witnesses Tom Herndon and Nancy Watkins filed on June 21, 2021, be inserted into the record as though read, and their exhibits be

admitted into evidence.

The parties have agreed that in lieu of cross-examination of these witnesses, their depositions conducted on July 19th and July 29th, 2021, shall be placed in the record. And these depositions will be identified and a request made to move them into the record by FPL when we get to FPL's portion of the case.

Finally, the prehearing order, Order No. PSC-2021-0302-PHO-EI, issued August 10, 2021, identifies additional witnesses for CLEO/Vote Solar, Melissa Whited; Florida Rising, LULAC and ECOSWF, their 17 standing witnesses; Walmart, Steve Chriss, and staff Rhonda Hicks, Deborah Dobiac whose prefiled testimony and exhibits have also been stipulated to by the parties and have been excused from the hearing today.

The witnesses that I just discussed have been excused from the hearing today as well.

At this time, we would ask that the prefiled rate case testimony of these witnesses as listed be moved into the record.

CHAIRMAN CLARK: So ordered.

(Whereupon, prefiled direct testimony of Eric Silagy was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ERIC SILAGY

DOCKET NO. 20210015-EI

MARCH 12, 2021

TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

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

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

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

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

A. I have overall responsibility for the management and operations of FPL and Gulf Power Company ("Gulf" or "Gulf Power").

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Arts in Economics from the University of Texas at Austin and a Juris Doctorate from the Georgetown University Law Center. I was appointed to my current position in 2011. My professional background is described in more detail in Exhibit ES-l.

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

A. Yes. I am sponsoring the following exhibits:

- ES-l Eric Silagy Biography
- ES-2 Value Provided to FPL Customers
- ES-3 Typical Residential 1,000 kWh Bill Comparisons
- ES-4 Gulf Power Operational Improvements
- ES-5 Gulf Power Adjusted O&M Improvements

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of FPL's filing and an introduction of the witnesses who are submitting direct testimony on FPL's behalf in support of the filing. I also describe how Gulf, since becoming part of the FPL family, has improved reliability and customer service, reduced emission rates and lowered costs for customers in Northwest Florida. Finally, I discuss our continued commitment to the communities we serve in Northwest Florida -- a commitment that will remain after the consolidation of operations and unification of rates.

Q. Please describe the relationship of Gulf Power to FPL in connection with this filing.

A. Gulf Power was acquired by FPL's parent company, NextEra Energy, Inc., on January 1, 2019. Gulf was subsequently merged into FPL on January 1, 2021. Following the acquisition, and even prior to the legal combination of FPL and Gulf Power, the two companies began to consolidate their operations. That process will be essentially complete prior to the 2022 test year and, as discussed at length by FPL witnesses Bores, Cohen and DuBose, among others, the combination is reflected in the consolidated cost of service and retail rates submitted in this base rate case filing on behalf of FPL.

Q. How will you and FPL's other witnesses refer to FPL and Gulf when discussing them in testimony?

A. FPL's witnesses will use the terms "FPL" and "Gulf" throughout. Unless otherwise specifically stated or dictated by context, those references will mean the following:

- In discussing operations or time periods prior to January 1, 2019 (when NextEra Energy acquired Gulf), "FPL" and "Gulf" or "Gulf Power" will refer to their pre-acquisition status, when they were legally and operationally separate companies.
- In discussing operations or time periods between January 1, 2019 and January 1, 2022, "FPL" and "Gulf" or "Gulf Power" will refer to their status as separate ratemaking entities, recognizing that they were merged legally on January 1, 2021 and consolidation proceeded throughout this period.
- In discussing operations and time periods after January 1, 2022, most references will be only to "FPL" because Gulf will be consolidated into FPL, and FPL is proposing unified rates for the consolidated company. References to "Gulf" or "Gulf Power" thereafter will primarily be to address any rate differentiation between customers in the former FPL and Gulf service areas.

Q. Please summarize your testimony.

A. FPL serves customers throughout much of peninsular Florida and now also serves a significant portion of Northwest Florida. As the provider of electric service in much of the state, FPL represents a major component of Florida's economy. We provide electric service to more than 5.6 million customer accounts, or more than half of our state's homes and businesses. FPL is one of Florida's largest taxpayers. The Company provides infrastructure and an essential service that deliver a wide range of benefits to Florida's economy, local governments and, most importantly, to our residential and business customers. We recognize the essential role FPL

plays in Florida and have worked hard to continue to improve the value we provide customers. Indeed, today we provide electric service that is even cleaner and more reliable than when base rates were last established in a general rate proceeding. At a time when the average U.S. utility bills have increased by about 30 percent over the last 15 years, today our typical residential 1,000 kilowatt hour ("kWh") customer bill ("typical residential bill") is about 10 percent ***lower*** than it was 15 years ago. Additionally, based on the 20 largest investor-owned utilities in the country, ranked by number of customers, FPL has the lowest residential bill and is more than 40 percent below the average.

Our ability to deliver outstanding customer value continues to be a function of consistent and cumulative action over an extended period of time, reflecting a philosophy and approach to our business that begins with delivering superior customer service and reliability. This result promotes customer satisfaction which in turn supports a constructive regulatory environment – a key predicate for FPL maintaining the strong financial position that has been, and remains, critical to our ability to deliver an outstanding value proposition for our customers.

Certainly, a constructive regulatory environment has allowed FPL to undertake a series of forward-looking initiatives and programs over the years, all with the goal of providing exceptional service and benefits for our customers. Many of the decisions we have made in support of this strategy have required the approval and oversight of the Florida Public Service Commission (the "Commission"). As

demonstrated through FPL witness Reed's benchmarking analysis and discussed in some detail by several of the FPL operational witnesses, FPL's long-term strategy has delivered exceptional value for our customers. As in prior years, this filing seeks to continue the track record of success and the policies and strategies on which that success has been built.

The core of our strategy over the last 15 years has remained consistent. It includes four key elements: (1) a relentless focus on efficiency and productivity; (2) smart investments that contribute to lower operating and maintenance ("O&M") costs, lower fuel costs, lower emissions, and better reliability, and otherwise improve customer value; (3) sound financial policies including a strong balance sheet; and (4) a willingness to innovate and embrace new ideas, technologies and programs. The results that we have achieved through these efforts overall, and particularly since our last general base rate proceeding in 2016, are exceptional. For nearly 15 years, we have delivered residential customer bills that have consistently been well below the national average and among the lowest in Florida, and if the Commission grants our rate request, we project our customers will continue to enjoy the best energy value in America.

Illustrative of our consistent, strong commitment to operating efficiently is the fact that, over the last five years, rather than resting on prior achievements, FPL has achieved further improvements on top of our already exceptional non-fuel O&M performance. As demonstrated in FPL witness Reed's Exhibit JJR-6, FPL

consistently has been a best-in-class performer, and we continue to effectively manage non-fuel O&M. As FPL witness Reed's analysis shows, in 2019 alone, FPL's ***annual*** non-fuel O&M expense is $2.6 billion ***less*** than an "average" utility. Put another way, if FPL operated as an "average" electric provider, our O&M would be nearly triple its current level, adding nearly 25 percent, or $24, to the monthly typical residential bill or costing an average customer nearly $300 more per year. Since FPL's last base rate proceeding, we have saved customers more than $9 billion by operating substantially more efficiently than an "average" utility, representing savings of about $1,000 for the typical residential customer.

As explained by FPL witnesses Barrett and Bores, to maintain and even further improve upon our combination of excellent service and low bills for customers over the long term, we must continue to make smart, long-term capital investments in our infrastructure. From the end of 2018 through 2022, on a total company basis, we will have invested $29 billion in our infrastructure, or more than $7 billion annually. Obtaining an appropriate return on equity ("ROE") and recovering prudently incurred costs are crucial to our ability to sustain such levels of investment cost-effectively. The importance of our commitment to investment has never been more apparent than in recent weeks as we have observed the extraordinary consequences of a failure to maintain adequate levels of investment in electric generation and other infrastructure.

Our acquisition of Gulf Power has provided us with a unique opportunity to bring our value-driven approach to our customers in Northwest Florida and to clearly demonstrate that FPL's achievements are not an anomaly or driven, as some have claimed, strictly by scale. The two companies that previously operated as FPL and Gulf Power now are functionally and legally one utility with a proposed set of unified rates. Already, we have realized significant improvements in Gulf's operations, improving its service reliability SAIDI metric by 50 percent, improving the generation reliability Equivalent Forced Outage Rate metric by approximately 90 percent, and substantially reducing Gulf's carbon emission rate. These are major accomplishments in a very short period of time.

The base rate case filed on behalf of FPL represents a comprehensive set of minimum filing requirements ("MFRs") reflecting the consolidated operations of FPL and the former Gulf Power. Whether our customers reside in Northwest Florida or in Southeast Florida, they will be taking service from the same utility system, functioning as one company in all respects. As a consolidated utility system, FPL is well positioned to continue to improve the level of service to customers and better optimize its generation, including improving system fuel efficiency and lowering emissions.

In furtherance of FPL's longstanding operational philosophy and to promote long-term stability for customers, the Company and Florida's economy, FPL's request addresses rates over a multi-year period. Specifically, we are proposing a base rate

adjustment in 2022, a smaller, subsequent-year adjustment in 2023, and an adjustment mechanism for 2024 and 2025 that is limited only to recovery of the cost of new solar installations that the Commission would review in subsequent Solar Base Rate Adjustment ("SoBRA") proceedings to determine that they are cost-effective for customers. With the approval of FPL's multi-year plan, there would be no general base rate increases in 2024 and 2025. We believe this multi-year approach, modeled after prior multi-year plans approved by the Commission, will work well for customers in terms of providing rate stability and certainty, avoiding repetitive and costly rate proceedings, and enabling the Company's continued focus on the business of providing our customers with the best value proposition in the industry.

As discussed by FPL witnesses Barrett and Bores, this multi-year approach would allow the Company to continue focusing on ways to improve its operations and performance, better meet customer needs and expectations, and ultimately provide strong, smart infrastructure that delivers reliable, clean and low-cost electricity to the Floridians and businesses we serve.

As a company, we know that when people choose to live in our service area and businesses choose to expand or locate here, FPL's low bills, high reliability, clean emissions and excellent customer service can play an important role in their decision. The investments FPL has made with the approval of the Commission will continue to help us meet the increasing needs and expectations of our customers.

We are proud to serve our fellow Floridians with outstanding value, supporting the strength and stability of Florida's economy while preparing responsibly today to ensure we can meet the energy needs of the future. If approved, this four-year rate plan would enable us to continue on this successful path.

II. MULTI-YEAR RATE PLANS HAVE BEEN KEY TO FPL'S SUCCESS

Q. What role have multi-year rate plans played in FPL's success as a service provider?

A. Over the last 22 years, FPL has entered into six multi-year rate plans that in each instance were approved by the Commission. During the relevant periods, those agreements provided customers with rate stability and certainty while at the same time allowing the Company to maintain a strong credit rating and balance sheet. This in turn has enabled FPL to continue to meet customer needs through multiple major storms, global financial crises and the current global pandemic, challenges that we hope never reoccur, but which we must remain prepared to deal with in the future.

In approving our 2016 Rate Settlement, the Commission acknowledged that FPL is providing excellent service and determined that the agreement "will allow FPL to maintain the financial integrity necessary to make the capital investments over the next four years required to sustain this level of service while providing rate stability and predictability for FPL's customers." Order No. PSC-16-0560-AS-EI, at page

4. FPL's Commission-approved settlement agreements, including our most recent multi-year agreement, have worked exceptionally well in meeting those objectives, particularly during economic downturns. At the same time, they have avoided additional costly and resource-intensive base rate proceedings, allowed us to avoid $1.7 billion in storm surcharges, and allowed the Company's management team and employees to focus on new and creative ways to continue to find efficiencies, develop and implement innovative technologies and solutions, and improve the way in which services are delivered.

Q. How has the Commission enabled FPL's high levels of service quality and performance that benefit customers?

A. Florida's constructive regulatory framework has been a critical element of our success in becoming a top performer nationally in delivering clean, reliable, low-cost energy to our customers. Multi-year rate solutions have been a hallmark of Florida regulation over the last 22 years, providing FPL with both the opportunity and the financial strength to make the necessary financial commitments to improve operations, efficiencies and service quality. At the same time, these multi-year plans provide a significant degree of stability and certainty that otherwise would not have been possible. As discussed by FPL witness Reed, since 1980, the average number of days between rate case filings for FPL is 2,140 days, a duration that is more than three times longer than the nationwide utility median of 692 days, making FPL's bill one of the more stable and predictable in the Southeast. This is particularly striking when you consider the consistent level of investment that FPL

has been making in order to improve reliability, reduce our emissions impact and enhance the overall customer experience.

As always, at the end of the term of any multi-year agreement the Company and the Commission are able to review rate levels relative to the costs the Company is incurring and expects to incur to provide service, including the investments in infrastructure that the Company has made and is making. Such a review also accounts for the typically rising costs of operations as well as any efficiencies and cost reductions that the Company was able to realize during the term of each multi-year rate plan.

Q. Has the current multi-year rate plan worked well for customers?

A. Absolutely. As described by FPL witness Barrett and other FPL witnesses, the 2016 Rate Settlement has proven to be of significant value for our customers. During the term of this settlement agreement, FPL has been able to continue to improve its already high levels of service and operational performance. For example, FPL's non-fuel O&M cost position improved 16 percent in 2019 compared to our performance in 2016. As stated earlier, this period of stability has been one of the key benefits of a multi-year rate solution, allowing management and all employees to focus on improving service delivery for customers and realizing additional efficiencies in the Company's operations.

Also, during the most recent multi-year rate plan, together FPL and Florida became the national leader in the development of bringing cost-effective, utility-owned

large-scale solar to market. This was achieved through a combination of the SoBRA mechanism and FPL's SolarTogether^{TM} Program – the Company's highly popular community solar program and the largest of its kind in the United States. FPL leads the nation as the utility owner and operator having the most large-scale solar and is currently Florida's largest generator of solar power – operating 33 solar power plants (representing approx. 2,345 MW of large-scale solar capacity). Facilitated by its request in this proceeding, FPL will remain on track to achieve its "30-by-30" plan to install 30 million solar panels by 2030. FPL also completed construction of the Okeechobee Clean Energy Center on time and under budget. Similar results are expected for the construction of the Dania Beach Clean Energy Center Unit 7, which is expected to become operational on, if not ahead of, schedule and on budget. Relative to FPL's cost to build similar projects, other generation projects in the state have generally been costlier and less efficient. FPL's disciplined approach to procurement and construction has consistently resulted in project costs at or below budget. These achievements are evident in significantly lower average installed capacity costs on the FPL system – specifically, as mentioned by FPL witness Valle, FPL's actual costs are approximately 5 percent lower than budgeted costs over the last 15 years. FPL witness Barrett provides one significant example where FPL constructed a new combined cycle generating unit at a much lower installed cost compared to another utility.

FPL also has continued to improve its performance in several key categories both nationally and statewide. Specifically, FPL has: (1) lowered O&M costs; (2) made

important infrastructure investments to support growth and maintain reliability; (3) worked to reduce future costs, as demonstrated by the planned retirement of our interests in Plant Scherer Unit 4 coal generating facility; (4) lowered emissions even further; (5) continued to make improvements in system fuel efficiency; and (6) continued to strengthen or "harden" the system to better withstand and restore service due to bad weather and improve reliability. These achievements are discussed in detail by FPL witnesses Barrett, Bores, Valle, Forrest, Broad, Spoor, and others. In short, during the settlement period we continued to look for ways to provide the highest level of overall service to Florida customers at a reasonable cost, delivering significant improvements in customer value.

III. FPL'S OPERATING PHILOSOPHY AND VISION REMAIN CUSTOMER-FOCUSED, INNOVATIVE AND FORWARD-LOOKING

Q. Please describe FPL's operating philosophy.

A. Central to our operating philosophy is a strong and steady focus on improving customer value in both the short and long term. We approach this as an ongoing process involving smart investments in our infrastructure, innovation and a sustained commitment to efficiency and productivity and, in general, improving all aspects of our service and reliability. Our ability to deliver outstanding customer value does not happen overnight. Rather, it is, and must be, the result of consistent and cumulative action over an extended period of time – enabled by a series of multi-year rate plans, as described earlier.

We strive to do the right thing before we are ordered, or even asked, to do so – and at times in the face of intervenor opposition that is focused primarily on short term outcomes. Even during market disruptions and economic downturns, we have maintained our long-term perspective, continuing to make smart investments in our infrastructure and building a system that will provide long-term benefits to customers in terms of both reliability and low bills. Events of recent weeks in Texas have brought a powerful reminder of the importance of long-term planning and continuous investment in our power generation and power delivery systems.

A key example is our ongoing investment and leadership in clean solar energy, helping the state become a global leader in the development of cost-effective solar power, investing in Florida's economy and making Florida a more attractive place in which to live and do business. Another strong example, as further described by FPL witness Spoor, is our on-going commitment with the support of this Commission to develop a stronger and smarter grid, making investments that significantly enhanced storm restoration during a record-breaking 2020 storm season. With the modernization of our grid, we are building one of the strongest, highly resilient and smartest grids in America today. At a time when many areas of our country are struggling to deal with daunting infrastructure problems (e.g., rehabilitating roads, bridges, highways, dams, water treatment plants, communications poles and equipment, schools etc.), and a shortage of reliability generation capacity, we can be proud of the smart, modern electric infrastructure we have built in Florida and the value that it brings to customers every day. We

have been able to do this at the same time we are saving our customers billions of dollars in fuel costs. There is no question that Florida's statutory and regulatory framework and the constructive approach of this Commission in its role of regulator, is critical to the Company's ability to construct, operate and maintain a highly reliable and cost-efficient utility system.

Q. Please provide examples of FPL's innovative solutions that resulted in benefits to customers.

A. FPL witnesses Broad and Spoor discuss a series of innovations that have been developed by a highly dedicated and motivated team who reflect FPL's culture of continuous improvement. I am extremely proud of these efforts and the employees who generated these innovative and industry leading ideas. They include: establishing a Renewable Operations Control Center to efficiently and effectively provide centralized remote operations for solar and storage facilities, utilizing smart devices such as automated feeder switches avoiding 1.6 million customer interruptions in 2020, and deploying cutting edge technology like drones with high definition and thermal cameras to perform equipment inspections and assess damage to critical electric facilities in flooded or impassable areas following a severe weather event.

Another great example is "Spot," a break-through robotics application that reduces inspection costs by reducing more routine work, mitigates safety risks and increases equipment reliability through real-time online monitoring. Significantly, FPL was

the first in the nuclear industry to utilize Spot. This program is discussed in more detail by FPL witness Coffey.

Q. Please provide examples of benefits realized through FPL's forward-looking investment strategy.

A. Had we not started investing in clean, efficient generation years ago, we would not be positioned as we are today – providing significant fuel savings to customers and eliminating millions of tons of carbon dioxide emissions. Had we not started years ago to build a smarter and stronger grid, we would not be in the position today of providing best-in-class reliability to our customers. Had we not invested in FPL's and Florida's future, we would likely be just an average performing utility today – meeting our basic regulatory requirements, but not providing the billions in annual savings and superior reliability that we currently provide our customers. FPL's track record demonstrates that there are real, tangible customer benefits from FPL's approach, including comparatively low electric bills and high reliability.

Simply put, FPL has provided substantial benefits for our customers, day in and day out, by not settling for being an "average utility." For example, in 2019 alone, if FPL were an average performing utility:

- Our customers' reliability would be worse by 138 percent based on PA Consulting's annual 2019 ReliabilityOne® benchmarking data for Distribution System Average Interruption Duration Index ("SAIDI") showing an industry average of 123 minutes versus FPL's 51 minutes;
- Annual fuel costs would be $595 million higher;

- Annual non-fuel O&M expense would be $2.6 billion higher;
- The annual typical residential bill would be about $300 higher overall; and
- Emissions would be significantly higher, adding to the atmosphere the equivalent CO_2 of almost three million cars on our roads for an entire year.

FPL's commitment and ability to take a long-term, big picture perspective has worked well for our customers. Our multi-year rate plan will enable us to continue to work and invest for the benefit of current customers and future generations of Floridians.

Q. What forward-looking plans does FPL include in this rate request?

A. Certainly, our request contemplates that we will continue to make investments in all aspects of our generation, transmission and distribution ("T&D") systems to realize further operating, cost-efficiency and service and reliability improvements. Other FPL witnesses discuss those specific plans. I will mention a couple of projects that are particularly intriguing and which, if approved, will represent additional industry "firsts" for FPL. One such example is our new "green hydrogen" fuel generation pilot at the Okeechobee Clean Energy Center. This pilot will include a 25 MW hydrogen electrolyzer that will allow FPL to determine how a "green hydrogen" fuel-producing facility can be effectively used with gas-fired units to produce a supplemental, carbon-free fuel source. This is a very exciting opportunity for FPL, the state of Florida, the nation and the planet.

A second example is FPL's role as a leader in piloting battery storage applications and electric vehicle ("EV") programs. FPL has invested in ten separate battery projects as part of the 50 MW pilot approved in its 2016 Rate Settlement. These projects are providing customer benefits and valuable information on how batteries can further increase the performance of FPL's grid and the deployment of renewable energy. FPL's investments in EV charging ports allow us to gather data and learnings which allow FPL to efficiently plan, adapt and react to the growing use of EVs by our customers. FPL witness Valle discusses these projects in his direct testimony.

Q. What areas are you particularly proud of as far as FPL's accomplishments as an industry leader?

A. I think it's fair to say that we have not been afraid to tackle new challenges and solutions in the energy industry that bring benefits to our customers. We have been leading the way in Florida in terms of large-scale solar facilities including the development and regulatory approval of the SoBRA mechanism. This innovative approach has also been emulated by other investor-owned utilities in Florida, resulting in new solar investment statewide. Our SolarTogether Program was the first of its kind and represents the largest community solar program in the nation. Our battery pilot program was the first of its kind and now we are building the 400 MW Manatee battery storage facility, which will be powered by an existing FPL solar plant and is the largest battery storage facility in the world. The asset optimization program was the first of its kind in Florida and as FPL witness Forrest

confirms, has brought $122.6 million in incremental benefits to customers since approved as part of our 2012 settlement agreement.

Whether it's our wide array of battery storage projects, our green hydrogen pilot project (another first for Florida if approved in this docket), nuclear uprates adding 520 MW of baseload, zero carbon energy in our South Florida load pocket, deployment of smart meters, storm hardening or combining solar and storage, FPL has often been first, not just in Florida, but nationally, leading the industry. Our approach, as an innovative industry leader, has produced best-in-class reliability and clean energy at affordable rates for our customers.

Q. What has been FPL's response to the global pandemic and the current economic downturn?

A. FPL understands the critical role electricity plays in the daily lives of Floridians, whether at work or at home. We have a long history of working with our customers – they are our neighbors, our friends and our families. In the face of the pandemic and the hardships experienced by many of our customers, FPL executed on an unprecedented outreach effort last year – we initiated over 5 million customer contacts, urging customers to call us to make payment arrangements and to generate awareness of available financial assistance.

We have taken extraordinary measures to assist our customers in response to the global pandemic. In mid-March 2020, FPL implemented COVID-19 crisis policies by voluntarily suspending disconnections for nonpayment, offering special

payment extensions, and waiving late fees for customers experiencing hardship due to the pandemic. FPL also received Commission approval to fast-track annual fuel savings, providing customers a one-time decrease in May of nearly 25 percent on the typical residential bill. We offered direct relief to customers including those significantly behind on bills due to COVID-19. Residential and small business customers past due on two or more FPL bills were eligible for up to a $200 credit. We also created the Main Street Recovery Credit Program, a program filed by FPL and approved by the Commission to help rebuild Florida's economy by providing financial relief to qualifying small businesses. In addition, FPL recently implemented shareholder funded low-income initiatives that included: providing a credit of up to $20 each month on qualifying customer bills; additional advertising to enhance awareness to the Low Income Home Energy Assistance Program, Care To Share and weatherization programs; and a $5 million employee and shareholder funded donation to Care To Share.

Q. Did Gulf also take extraordinary measures to assist customers in response to the global pandemic?

A. Yes. Much like FPL, Gulf responded in an unprecedented way by voluntarily suspending disconnections for more than eight months. Gulf also reached out to customers to connect them with assistance in paying their bills, make payment arrangements, offer energy efficiency tips, and connect small businesses with federal Coronavirus Aid Relief and Economic Security Act opportunities. In addition, Gulf made several shareholder-funded donations to further assist communities in Northwest Florida.

FPL is very proud of these efforts and is committed to supporting our customers during unprecedented times such as these. In addition to the policies and initiatives mentioned, FPL witness Chapel discusses in more detail additional initiatives implemented to assist our customers during the global pandemic.

IV. THE VALUE FPL PROVIDES CONTINUES TO IMPROVE

Q. Please highlight FPL's performance and service to its customers.

A. FPL is an industry leader in the core aspects of its operations and service. Exhibit ES-2 provides a summary of the value that our customers enjoy as a result of our strong overall performance. In addition, FPL witnesses describe in more detail key elements of the Company's performance and service, including the following examples:

- FPL witness Broad explains that the transformation of FPL's generating fossil/solar fleet since 1990 has resulted in industry-leading "top decile" or "best-in-class" performance across key indicators (e.g., heat rate, forced outage rate and avoided non-fuel O&M). In fact, our efficiency improvements since 2001 have resulted in approximately $11 billion in customer fuel savings that stem strictly from lower fuel consumption by FPL's modern, more efficient generating units. At the same time, FPL's investments in fuel-free solar plants and battery storage facilities have avoided millions of tons of air emissions;

- FPL witness Chapel shares in greater detail the extraordinary measures taken to assist our customers in response to the COVID-19 global pandemic and explains that FPL's Customer Service continues to be recognized nationally, as evidenced by numerous awards. This superior customer service and high level of customer satisfaction is achieved through FPL's commitment to continuous process improvement and state-of-the-art technology deployment;
- FPL witness Spoor presents FPL's outstanding Power Delivery reliability. FPL's T&D SAIDI for more than a decade has been, and remains, best among the Florida investor-owned utilities. Additionally, FPL's 2019 SAIDI performance ranked 58 percent better than the national average, based on PA Consulting's annual 2019 ReliabilityOne® benchmarking data. Importantly, FPL is an industry leader in logistics, storm preparedness and storm response;
- FPL witness Coffey addresses the availability, efficiency and safe operations of FPL's nuclear units, which for decades have delivered billions of low-cost kilowatt hours to customers with zero emissions;
- FPL witness Reed discusses the Company's outstanding non-fuel O&M performance and other operational and efficiency benchmarks;
- FPL witness Cohen provides context for the value FPL delivers for typical residential bills that have consistently been among the lowest in the nation; and

- As further context for FPL's request, FPL witnesses Park and Cohen show that, over the last 15 years, inflation was more than 28 percent, and the costs of many other goods and services have increased even more. For example, food and housing costs have both increased by more than 33 percent while the cost of medical care has increased by 54 percent. Over that same period, the national average typical residential electric bill has increased by about 30 percent. However, over that same period, FPL's typical residential bill has ***gone down*** 10 percent, and typical commercial and industrial bills also have ***gone down,*** with decreases ranging between 14 to 19 percent. The progress over the last decade and a half has been remarkable, considering FPL's typical residential bill was above the national average in 2006 and is now more than $37 per month, or nearly 30 percent, ***below*** the national average, as shown on Exhibit ES-3. As FPL witness Cohen mentions, today, FPL has the lowest residential bill among the 20 largest investor-owned utilities in the country, and is more than 40 percent below the average, ranked by number of customers.

Q. Please summarize the value FPL expects to realize for customers through the integration of the FPL and Gulf utility systems.

A. Indicative of our approach to delivering exceptional value and improving operations for all our customers through the consolidation of the FPL and Gulf systems, we are projecting more than $2.8 billion of Cumulative Present Value of Revenue Requirement ("CPVRR") savings. As witnesses Bores and Sim describe, more than $1.5 billion of the total CPVRR value is being achieved through

generation upgrades, addition of solar generating facilities, construction of the North Florida Resiliency Connection ("NFRC") and the resulting ability to plan and jointly dispatch a combined fleet. The remaining $1.3 billion of savings is due to annual O&M expense reductions of approximately $86 million. These annual O&M savings are a result of strong cost management and enhancements made to Gulf's operations since the acquisition.

Q. How has FPL's performance in the industry been recognized?

A. FPL is an internationally recognized company, having received many prestigious and significant awards, as described by other FPL witnesses. In addition, there are three NextEra Energy awards that I believe underscore FPL's high level of overall performance and contribution to our parent company's success. NextEra Energy has been ranked No. 1 in the Electric and Gas Utilities sector on Fortune's list of "World's Most Admired Companies" 14 out of the last 15 years. NextEra Energy also has been named a World's Most Ethical Company® 14 times by the Ethisphere Institute, an independent center of research promoting best practices in corporate ethics and governance. In addition, Escalent – a top human behavior and analytics firm – recognized FPL as one of the most trusted U.S. electric utilities in 2020. This is the seventh consecutive year FPL has received this recognition, which reflects customers' assessment of the Company's performance on customer focus, community support, communications effectiveness, reliable quality, environmental dedication and reputation.

Q. What are the impacts on the state of Florida from FPL's investments?

A. FPL's value to the state as a whole is significant. FPL's major capital projects

employ thousands of people in Florida. In 2019 alone, FPL's presence in Florida facilitated more than 81,000 jobs. FPL contributes approximately $38 billion a year to Florida's economy through its operations and investments, affordable pricing, reliable service, charitable giving, and economic development activities, and FPL's investment enabled by the four-year rate plan will further enhance this substantial impact to our state economy. Also, as I have mentioned earlier, particularly when reflecting upon the challenges from COVID-19, a historic hurricane season and the near catastrophic failures that occurred recently in Texas, it would be difficult to overstate the importance of FPL's investments to the state of Florida from the standpoint of the physical and economic reliability of the state's electric infrastructure.

V. CREATING VALUE THROUGH INTEGRATION AND CONSOLIDATION

Q. How is the consolidation of FPL and Gulf creating value?

A. Exhibit ES-4, Gulf Power Operational Improvements, highlights a few key improvements since Gulf became part of the NextEra family. As this exhibit shows, as we have brought the two systems together, making smart capital investments and implementing best practices, we are providing better, more reliable and cleaner service to customers in Northwest Florida by:

- improving service reliability SAIDI metric in Northwest Florida by 50 percent;

- improving Northwest Florida generation reliability Equivalent Forced Outage Rate metric by approximately 90 percent; and
- reducing carbon emission rate 18 percent.

Improvements to service reliability for the combined system are discussed in detail by FPL witness Spoor, and improvements to generation availability and emission rates are discussed in detail by FPL witness Broad.

Fundamentally, we are committed to achieving high standards of operational excellence for all customers of the combined system regardless of geographic location, regardless of which utility system served them previously, and without compromising our focus on keeping costs low for customers in the long term.

As shown in Exhibit ES-5, Gulf Power Adjusted O&M Improvements, which graphically depicts the information presented by FPL witness Bores in his Exhibit SRB-3, successful execution of our business plan has reduced projected O&M by greater than 30 percent from pre-acquisition spend in 2018 of $254 million to a projected test year spend of $168 million. FPL witness Reed's analysis shows that under FPL's ownership, Gulf improved its non-fuel O&M cost per customer ranking, with a 2019 non-fuel O&M per customer cost that was 14 percent lower than the average utility.

As I referenced earlier in my testimony, FPL is projecting more than $2.8 billion of CPVRR savings for customers through the integration of the FPL and Gulf utility systems.

In addition to these significant CPVRR benefits, we are also driving customer value through process, systems, and organizational alignment through consolidation with FPL. For example, FPL witness Spoor addresses the benefits of the combined system's joint storm preparation and response.

Q. Please describe some of the benefits of FPL's investment in North Florida.

A. Capital investments in the Northwest Florida service area not only are improving reliability, reducing emission rates, and providing significant CPVRR savings, they are also benefiting the local economies. Major projects such as new solar development sites and the NFRC create jobs during construction, and these investments will produce valuable tax revenues for the local economies for years to come.

Q. Has Gulf's service to communities in Northwest Florida benefitted through its consolidation with FPL?

A. Yes. As FPL witness Spoor explains, NextEra Energy maintains a Corporate Emergency Management Plan that provides a framework by which FPL and Gulf Power can jointly respond effectively to all types of threats and hazards. For the first time in 2020, an annual dry-run exercise simulating a hurricane impacting both utilities during a pandemic event was conducted jointly by FPL and Gulf. This coordination proved invaluable, as Northwest Florida later experienced significant

impacts from the most active Atlantic hurricane season on record, amid the COVID-19 pandemic. In recognition of Gulf's 2020 storm season performance, Edison Electric Institute named Gulf Power as recipient of both the Emergency Response Assistance award for mutual assistance and the Emergency Recovery award for the restoration following Hurricane Sally.

Q. Will FPL, as a combined utility system, continue Gulf's commitment to Northwest Florida communities?

A. Yes, absolutely. At FPL, we work together with the communities we serve to help make Florida an even better place to live, work and raise a family. It is a natural extension of our core values, which are committed to excellence, do the right thing and treat people with respect. Gulf Power has a long history of partnering with the communities it serves and remains committed to growing that partnership. For example, Gulf Power's annual Economic Symposium brings together regional business and community leaders to collaborate on initiatives which will grow economic opportunities in Northwest Florida. Additionally, the Gulf Power Foundation partners and invests in communities throughout Northwest Florida, building strong and sustainable communities and improving the lives of our residents. Our commitment will take many forms, including corporate philanthropy, employee involvement and key initiatives to assist customers and businesses in the region. We believe we need to be involved in all of our communities in order to best serve our customers. Gulf has been a tremendous partner in Northwest Florida. That will not change as a result of consolidating operations and rates with FPL.

VI. SUMMARY OF MULTI-YEAR RATE PLAN/BASE RATE REQUEST

Q. Please describe FPL's proposed four-year rate plan.

A. Prior multi-year rate settlements have allowed FPL to focus on improving its performance and service delivery for customers and have provided the Company with the financial capacity to make the necessary investments to improve the infrastructure through which those services are delivered. FPL's current base rate plan with unified rates for the consolidated utility similarly lays out a multi-year approach with those same objectives. FPL's request will allow it to continue to improve on the value FPL provides customers and enhance bill certainty and stability through 2025.

Specifically, we are proposing a comprehensive base rate adjustment for 2022, a smaller, subsequent-year adjustment in 2023, and adjustments in 2024 and 2025 limited to the recovery of cost-effective solar power plants, as confirmed by the Commission and once those plants begin generating power for our customers. Approval of these requests would allow us to commit to no general base rate increase until 2026, at the earliest.

As addressed by FPL witness Fuentes, absent new rates in 2022, the Company's ROE is projected to fall to 8.4 percent, which is well below the bottom end of the current authorized ROE range. Absent any rate adjustments in 2022 and 2023, the Company's ROE is projected to be 7.0 percent. Rather than conduct base rate cases

for both 2022 and 2023 and create uncertainty around subsequent potential needs for 2024 and 2025, approval of our proposed plan (general increases in 2022 and 2023, and limited increases in 2024 and 2025) would enable the Company to continue investing in operational and service-related improvements without additional base rate proceedings for rates effective through 2025. We believe this is the most efficient and effective approach to long-term rate and revenue certainty and, as we have demonstrated over the past nine years, is in the best interest of our customers and the state.

Q. Please describe the Company's request for a base rate increase in 2022.

A. The 2016 Rate Settlement provided for limited base rate increases and deferred a general base rate proceeding for four years. In fact, because of the flexible framework of the 2016 Rate Settlement, the Company was able to avoid a base rate increase for an additional year beyond the original term. As a result, and as described by FPL witness Bores and other witnesses, FPL's base rate request for 2022 is driven in large part by the significant investment during the four-year period from 2019-2022, for which there was no provision for recovery in the current settlement agreement. This investment has been and continues to be necessary to address customer growth, improve reliability and storm resiliency, expand cost-effective clean energy generation capabilities, meet regulatory compliance requirements and provide long-term customer savings and other benefits.

FPL does not operate as a short-term thinker and, indeed throughout the term of the current settlement, we have continued to maintain a long-term, customer-centric

approach to our planning. The investments we have made are designed to maintain the strong value that the Company delivers to customers – high reliability, clean energy and low bills.

FPL witnesses Bores, Valle, Sim, Coffey, Broad and Spoor will address these investments in their testimonies, but I provide a brief overview below:

- Reliability: While our service reliability is excellent, to continue to meet the ever-increasing expectations of our customers, we must continue to invest to make the grid stronger, smarter, more responsive and more resilient to outage conditions. FPL will deploy innovative technology to further leverage our existing smart grid to prevent outages and reduce restoration time, thereby improving reliability and increasing customer satisfaction.
- Capital requirements for customer growth: From 2018 to 2022, we project to add approximately 292,000 customer accounts, and almost 500,000 new customer accounts are expected to be added by 2025. In the face of such significant growth, FPL must build facilities in advance to meet the needs of these additional customers. To put this in perspective, only three of Florida's 54 electric utilities have more than 500,000 customers – in effect, by 2025, we project to add what would equate to the fourth largest electric utility in Florida.
- Generation advancements: FPL's high-efficiency nuclear and fossil/solar fleet has one of the cleanest emission profiles among comparable utilities nationwide, and we continue to invest in cleaner, more fuel-efficient

generation, including several generation upgrade projects, six new 74.5 MW solar facilities in 2022 and another ten new 74.5 MW solar facilities in 2023, continuing FPL's strategy of advancing clean energy while providing significant fuel savings for customers. In December 2019, FPL received subsequent license renewals ("SLR") for an additional 20 years of operation for Turkey Point Units 3 and 4, making Turkey Point the first nuclear facility in the U.S. to receive SLR approval from the Nuclear Regulatory Commission ("NRC"). Later this year, FPL will file a similar request with the NRC to extend the operating licenses for St. Lucie Units 1 and 2 for an additional 20 years.

Finally, the 2016 Rate Settlement authorized an ROE midpoint of 10.55 percent. As FPL witnesses Barrett and Coyne discuss, a solid financial platform, regardless of unexpected external events, such as major storms, economic cycles, and even such unprecedented events as the recent global pandemic, is essential to FPL's ability to attract low-cost capital. Moreover, the market's positive perception of Florida's regulatory environment is directly related to our ability to continue investing capital strategically and beneficially for customers in a variety of market conditions and to respond quickly to emergency situations.

Fundamentally, we believe that sound regulatory policy suggests that companies with a proven record of delivering better value for their customers should be encouraged to continue their best-in-class performance. Taken in combination,

FPL witnesses Barrett and Coyne recommend an appropriate allowed retail regulatory ROE midpoint for FPL of 11.5 percent, which includes a performance incentive of one-half percent that would recognize FPL's strong track record of superior performance and provide an incentive for continued future strong performance. This Commission has utilized performance incentives in the past to encourage superior performance. As FPL witnesses Reed and Barrett address, the performance incentive is an appropriate mechanism by which the Commission can encourage utilities to strive to be exceptional – not just FPL, but all utilities.

One final note on what is ***not*** in the 2022 request. In most rate cases, increases in non-fuel O&M costs are a significant driver of the base rate request. However, a key factor in FPL's ability to avoid the need for a base rate increase since 2018 has been our aggressive focus in tightening our own belt and controlling these O&M costs. FPL witness Barrett's Exhibit REB-9 shows that in 2019, FPL's cost performance on a non-fuel O&M per MWh basis, even when adjusted for scale, was best in the nation by a wide margin. As FPL witness Bores describes, despite general inflation-related increases and customer growth that are projected to add $134 million to our non-fuel O&M expense, we estimate that our non-fuel O&M cost will actually be ***lower*** in 2022 than the cost to perform those same activities in 2018. FPL witness Reed's analysis shows that since FPL's last base rate proceeding, we have saved customers more than $9 billion by operating substantially more efficiently than an "average" utility, representing savings of about $1,000 for the typical residential customer. This is a remarkable achievement

by our employees, and as a result, FPL continues its position as the best-in-class utility in non-fuel O&M cost management. This extraordinary efficiency provides real and substantial savings for our customers every single day.

Q. Please describe the Company's request for a base rate increase in 2023.

A. As noted above and as described by FPL witness Fuentes, even with the full adjustment in 2022, the Company's ROE will fall more than 100 basis points below the requested ROE in 2023. Rather than file a separate case in 2022 for new rates in 2023, we are requesting a Subsequent Year Adjustment for 2023. As addressed in the testimony of FPL witness Bores, the primary drivers of the increase in revenue requirements in 2023 include continued investments in infrastructure to support system growth and to provide long-term economic and/or reliability benefits to customers.

Q. Please describe FPL's request for SoBRAs in 2024 and 2025.

A. As addressed by FPL witness Valle, the Company's investment in the construction of large-scale solar plants will continue in 2024 and 2025. As described by FPL witness Valle, the proposed cost recovery mechanism is consistent with the methodology approved in FPL's 2016 Settlement Agreement and its previous SoBRA filings. FPL witnesses Barrett and Bores explain that the proposed SoBRA mechanism is an essential component of FPL's multi-year rate plan.

Q. Please describe the specific rate adjustments that FPL is requesting.

A. As FPL witnesses Bores and Fuentes describe, and as is presented in the MFRs, the Company is requesting approval of the four-year rate plan summarized below:

- $1,108 million increase effective in January 2022;

- $607 million subsequent year adjustment effective in January 2023; and
- SoBRAs in 2024 and 2025 for 1,788 MW of solar that is determined by the Commission to be cost-effective for customers.

This structured approach will ensure continuation of the industry-leading value proposition that we deliver to customers – high reliability, clean energy and low bills.

VII. INTRODUCTION OF WITNESSES

Q. Who will be testifying on FPL's behalf in this proceeding?

A. The following witnesses also will testify as part of FPL's direct case:

- Robert E. Barrett – Capital structure and financial policies, ROE performance incentive, storm recovery mechanism, Reserve Surplus Amortization Mechanism, Four Year Rate Plan;
- Scott R. Bores – Benefits of consolidation of FPL and Gulf, drivers for the increase in revenue requirement, CPVRR associated with retirement of Scherer Unit 4; and proposal for possible tax reform;
- Liz Fuentes – Calculation of the revenue requirements and requested revenue increases, accounting issues and Company adjustments;
- James M. Coyne, Concentric Energy Advisors – Cost of equity and capital structure;
- Michael Spoor – Power Delivery costs and performance;

- Thomas Broad – Power Generation costs and performance;
- Christopher Chapel – Customer Service costs and performance;
- Robert Coffey – Nuclear costs and performance;
- Sam Forrest – Incentive Mechanism, retirement of Scherer Unit 4, and consolidated system dispatch;
- Matthew Valle – Solar development, pilot programs, and Property Held for Future Use;
- Dr. Steven R. Sim – Appropriate incentives for FPL's Commercial/ Industrial Demand Reduction and Commercial/Industrial Load Control programs, economic analysis of 400 MW Manatee battery and retirement of Manatee Units 1 & 2, economic analysis of the NFRC, and the resource planning integration of the FPL and former Gulf systems;
- John J. Reed, Concentric Energy Advisors – FPL's operational and financial performance relative to industry benchmarks, unification of rates, and ROE performance incentive;
- Jun Park – Customers, sales and load forecasts;
- Kathleen Slattery – Payroll and benefits expense;
- Tiffany C. Cohen – Rate design and consolidated tariffs;
- Tara DuBose – Cost of service and load research;
- Keith Ferguson – Company adjustments related to Depreciation and Dismantlement, Capital Recovery Schedules and affiliate transactions;
- Ned W. Allis, CDP, Gannett Fleming Valuation and Rate Consultants, LLC – 2021 Depreciation Study; and

- Jeffrey T. Kopp, 1898 & Co., a division of Burns & McDonnell Engineering Company, Inc. – 2021 Dismantlement Study

Some of these individuals, as well as others, also may provide rebuttal testimony on behalf of FPL.

Q. What conclusion should the Commission draw from your testimony and that of the other FPL witnesses?

A. We at FPL are proud of the achievements that allow us to consistently deliver exceptional customer value – low bills combined with high reliability, excellent customer service and low emissions rates. And consistent with our culture of continuous improvement and innovation, we intend to continue to improve even further. That objective underscores FPL's request in this proceeding. Our request will enable us to continue to invest in our system and deliver exceptional customer value today and for generations to come. With a constructive regulatory outcome, our customers' and the state's interests in low-cost, reliable, clean power will be best served.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of John J. Reed was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF JOHN J. REED

DOCKET NO. 20210015-EI

MARCH 12, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John J. Reed. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. By whom and in what capacity are you employed?

A. I am the Chairman and Chief Executive Officer of Concentric Energy Advisors, Inc. ("Concentric"). Concentric is a management consulting firm specializing in financial and economic services to the energy industry.

Q. On whose behalf are you testifying?

A. I am submitting this testimony on behalf of Florida Power & Light Company ("FPL" or the "Company").

Q. Please describe your background and professional experience.

A. I have more than 40 years of experience in the North American energy industry. Prior to my current position with Concentric, I served in executive positions with various consulting firms and as Chief Economist with Southern California Gas Company, North America's largest gas distribution utility. I have provided expert testimony on regulatory, financial and economic matters on more than 300 occasions before the Federal Energy Regulatory Commission ("FERC") and the National Energy Board ("NEB") of Canada, numerous state and provincial utility regulatory agencies, various state and federal courts, and arbitration panels in the United States and Canada. My work has included prior testimony before the Florida Public Service Commission ("Commission" or "FPSC") on multiple occasions. A copy of my résumé is included as Exhibit

JJR-1. A listing of the testimony I have sponsored in the past 20 years is included as Exhibit JJR-2.

Q. Please describe Concentric's activities in energy and utility engagements.

A. Concentric provides regulatory, economic, market analysis, and financial advisory services to a large number of energy and utility clients across North America. Our market analysis services include energy market assessments, market entry and exit analyses, and energy contract negotiations. Our financial advisory activities include merger, acquisition and divestiture assignments, due diligence and valuation assignments, project and corporate finance services, and transaction support services. Our regulatory and economic services include regulatory policy, utility ratemaking (e.g., cost of service, cost of capital, rate design, alternative forms of ratemaking), and the implications of regulatory and ratemaking policies. We also regularly conduct utility benchmarking studies in which we compare companies, services, and policies of particular companies or regulatory jurisdictions to a set of comparable peers to assess performance on a variety of quantitative and qualitative metrics.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- JJR-1: Résumé
- JJR-2: Testimony Listing
- JJR-3: Situational Assessment Rankings
- JJR-4: Cost Efficiency Rankings
- JJR-5: Operational Metrics

- JJR-6: Benchmarking Workpapers
- JJR-7: 2019 Assessment and Efficiency Tables
- JJR-8: Annual Non-Fuel O&M Savings per Customer
- JJR-9: 2017 - 2019 Combined Situational Assessment and Cost Efficiency Rankings
- JJR-10: Emissions Comparison
- JJR-11: Consumer Price Index and Producer Price Index
- JJR-12: Average Weekly Electric Utility Employee Earnings
- JJR-13: Handy-Whitman Construction Cost Indices
- JJR-14: Rate Level and Stability Comparison
- JJR-15: Examples of Performance Based ROE Incentives

Q. How is the remainder of your testimony organized?

A. Following this introduction, my testimony is presented in the following sections:

II. Testimony Purpose and Summary

III. Approach to Benchmarking

IV. Business Environment and Situational Assessment

V. Benchmarking Results

VI. ROE Performance Incentive

VII. Rate Consolidation

VIII. Conclusion

II. TESTIMONY PURPOSE AND SUMMARY

Q. What is the purpose of your testimony in this proceeding?

A. I have been asked by FPL to conduct an analysis of FPL's and Gulf Power Company's ("Gulf") financial and operational performance over the past ten years through the use of a benchmarking study, including the review of macroeconomic and service area economic drivers that have contributed to the Company's requested rate increase. I discuss how the results of my benchmarking study, which highlight FPL's superior management performance, and previous decisions by the FPSC, other State regulatory jurisdictions and the FERC, support the Company's request for a return on equity ("ROE") performance-based incentive. I also comment on the Company's proposed consolidation of FPL and Gulf's rate structures and how this unification is in the public interest.

Q. Have you completed similar benchmarking analyses in the past for FPL?

A. Yes, I have. I have presented testimony in four recent rate cases for FPL. The approach I have taken in the analysis discussed here is similar to the FPL benchmarking evaluations I have completed and presented in the past.

Q. How did you structure your benchmarking analysis?

A. My analysis begins with a situational assessment, which establishes the "degree of difficulty" that the management of a utility faces in achieving top performance, and then evaluates performance on cost, operational, environmental, total rate and other measures. Finally, by arraying the "degree of difficulty" on one axis and performance on a second axis, we can evaluate

whether management has outperformed or underperformed relative to peer group companies.

Q. Please summarize the results of your benchmarking study regarding FPL's performance.

A. FPL continues to deliver highly reliable electric service at low prices for the benefit of its customers. My benchmarking analysis shows that FPL has consistently and substantially out-performed similarly sized companies across a wide array of financial and operational metrics including:

- cost efficiency – the ability to maximize output and minimize costs,
- service quality and system reliability,
- operational performance including emissions, and
- rate level and stability.

The Company has achieved these results in spite of the fact that it faces a greater than average set of challenges (i.e., "degree of difficulty") from exogenous factors that impact a utility's ability to achieve top performance.

The Company's exceptional performance has resulted in significant economic and reliability benefits for FPL's customers. As I explain in more detail later in my testimony, for 2019 alone, if FPL had been merely an average performer, its non-fuel operational and maintenance costs and annual fuel costs charged to

customers would have been higher than its actual costs by $2.6 billion[1] and $595 million,[2] respectively. In addition, if FPL had been an average performer rather than an exceptional one, FPL's customers would have experienced a level of average service interruption duration that would have been twice the level that customers actually experienced over the last five years with an average interruption duration of 107 minutes, rather than FPL's actual average duration of 54 minutes.[3]

Q. Please highlight some of your key analyses and conclusions regarding FPL's performance.

A. As discussed throughout my testimony, FPL continues to significantly outperform its industry peers in a variety of key metrics.

Peer Groups – I evaluated FPL's performance over the past 10 years (from 2010-2019) relative to four peer groups: (1) the "Straight Electric Group" - 28 similarly sized electric-only utilities with ownership in generating resources, (2) the "Florida Utility Group" – four investor-owned electric utilities that own generating resources and are subject to regulation by the Florida Public Service Commission (FPL, Gulf, Duke Energy Florida, and Tampa Electric Company)[4]; (3) the "Large Utility Group" – ten large electric utility holding

---

1 See page 50 of this testimony and Exhibit JJR-8, page 1 of 2.
2 See page 81 of this testimony.
3 Metric comparison is for FPSC Distribution Only SAIDI. Florida Utility Group five-year average distribution SAIDI of 107 minutes includes Florida Public Utilities and excludes FPL and Gulf. See page 77 of this testimony.
4 Florida Public Utilities is also included in the Florida Utility Group for purposes of distribution reliability benchmarking only.

companies with at least two million electric customers and net generation comprising 45 percent or more of total energy sales; and (4) the "Southeastern U.S. Group" - 13 electric utilities with service territories in the U.S. Southeast region, for purposes of benchmarking FPL's residential rate levels and stability.

Exogenous Factors – For each of the first three peer groups, I considered the exogenous factors faced by each company. FPL's high proportion of residential customers, lower energy consumption per customer, its customer count growth rates, and other features of FPL's service area contribute to a more challenging operating environment for FPL relative to its peers. As Exhibit JJR-3 demonstrates, FPL has ranked as one of the three utilities facing the highest challenges (by factors outside of its control) relative to its U.S. industry peers and the most challenged among Florida utilities for eight of the past 10 years. Notably, of the large utilities, FPL has faced the highest challenges in each year of the last decade. Despite the greater "degree of difficulty" that FPL faces, its performance over the last ten years compares remarkably well with its peers that face less difficult situational challenges to management performance.

Cost Efficiency - FPL is the top performer among comparable companies. Exhibit JJR-4 shows that FPL has ranked first of the 28 companies in the Straight Electric Group in the last nine years. FPL has been the highest ranked company in the Florida Utility Group and in the Large Utility Group throughout this 10-year period. In terms of controlling operation and maintenance

expenses specifically, FPL has been the top performer among all three peer groups for each of the past 10 years.

Service Quality and System Reliability- It is important to note that FPL's high level of cost efficiency has not been achieved at the expense of system reliability. As shown in Exhibit JJR-5, FPL is a top performer in terms of controlling the duration of its distribution system outages and has consistently achieved above-average performance on the frequency of interruptions.

Operational Performance - With a generating fleet that produces over 95 percent of its electric power from natural gas combined-cycle, solar, and nuclear resources, FPL is a clean-energy company. In fact, FPL has one of the lowest emissions profiles among major U.S. utilities in terms of carbon dioxide, sulfur dioxide and nitrogen oxides. In nine of the last 10 years, FPL's fossil generation fleet performance has been best-in-class among comparable companies in terms of forced outages, and in the top quartile in availability (See Exhibit JJR-5). The performance of FPL's nuclear fleet is another important factor in its ability to achieve its favorable air emissions profile. FPL's Industrial Safety Accident Rate has outperformed its peers in five out of the last eight years, and FPL's nuclear fleet has shown steady improvements in capacity factor and availability since 2013. FPL's INPO Index has improved since the last rate case in 2016. The index has been consistently in the low to mid 90's over the past 4 years which demonstrates overall strong operational performance for the fleet.

Rate Level – Compared to electric utilities in the Southeastern U.S. Group, FPL has maintained some of the lowest, most stable residential rates. As shown on page 1 of Exhibit JJR-14, in every year from 2012 through 2019, FPL's typical residential bill was either the lowest or second lowest among the Southeastern U.S. Group of 16 southeastern U.S. jurisdictions[5] across 13 companies, and prior to 2012 was ranked consistently in the lowest five. FPL also has had the sixth-lowest residential bill volatility, calculated as the standard deviation of the year-over-year percent change over the last ten years when compared to the Southeastern U.S. Group.

On an overall basis, FPL's performance continues to stand out as exceptional compared to its peers in Florida, the Southeast and across the United States. FPL continues to excel at controlling costs and achieving high levels of service quality for its customers, even in the face of more challenging exogenous factors and economic drivers over which it has little or no control.

Q. Please summarize your benchmarking study results regarding Gulf's performance.

A. My benchmarking analysis shows that prior to its acquisition by FPL's parent company, NextEra Energy, in January 2019, Gulf has historically performed at average or below-average cost efficiency levels compared to its peers. Since

[5] Based on comparison of typical residential bill data from Edison Electric Institute's "Typical Bills and Average Rate" reports. Typical residential bill data for Dominion Virginia Power, North Carolina was not available.

the acquisition, Gulf has already shown improvements in some cost efficiency and operational metric rankings. In summary:

Performance through 2018 - Gulf faces relatively fewer situational challenges than FPL, the other Florida utilities, and the majority of its Straight Electric peers. Prior to its acquisition, Gulf consistently ranked in the second and third quartiles of the Straight Electric Group and ranked lowest in the Florida utilities peer group for each of the last nine years in terms of cost efficiency. Gulf's operational performance has been at or above industry average levels over the past 10 years; however, the historical availability of Gulf's fossil fleet has been below FPL's fleet average for seven out of the past 10 years. Gulf's average fossil forced outage rate is 1.6%, which is well below the industry average of 8.0%, but almost fifty percent higher than FPL's fossil forced outage rate of 1.1%.

2019, 2020 and Expected Performance – Since the acquisition, Gulf has shown observable improvements in 2019 cost efficiency metrics for labor efficiency, customer expense, distribution O&M expense, non-fuel production O&M expense and total non-fuel O&M expense, in addition to 2019 SAIDI, SAIFI, and CAIDI distribution reliability metrics. While data required to benchmark Gulf's 2020 performance against all companies included in my benchmarking study's peer groups is not yet available, I did review NextEra Energy's investor

presentation for fourth quarter 2020,[6] which shows that Gulf's non-fuel O&M cost efficiency performance and SAIDI distribution reliability metrics continued improved significantly in 2020 by approximately 17% to 21% compared to 2019. In addition, there is significant opportunity for cost efficiency improvements related to transmission O&M, uncollectible expense and gross asset base that will provide associated cost savings as more operational and maintenance improvement initiatives are realized and through combined power system dispatch and resource planning as Gulf and FPL integrate into a single electric power system. As discussed in the testimonies of FPL witnesses Bores and Sim, FPL projects that combining the two separate systems through the North Florida Resiliency Connection ("NFRC") transmission line project into a single integrated utility system and the resulting ability to plan and jointly dispatch a combined fleet will produce a projected $1.5 billion in total cumulative value of revenue requirements ("CPVRR") savings through generation upgrades and addition of solar generating facilities. In addition, FPL projects $1.3 billion of CPVRR savings due to annual O&M expense reductions of approximately $86 million.[7]

[6] Earnings Conference Call, Fourth Quarter and Full Year 2020, NextEra Energy, January 26, 2021.

[7] Projected annual O&M savings of $86 million is based on comparison of Gulf's forecasted 2022 adjusted O&M expense, on a standalone basis, of $168 million to Gulf's 2018 actual adjusted O&M expense of $254 million. See Company Witness Bores direct testimony, Exhibit SRB-3.

Q. Please summarize your recommendation regarding the Company's request for a return on equity performance-based incentive.

A. As highlighted by the results of my benchmarking analysis, FPL has consistently and substantially out-performed similarly sized companies across a wide array of financial and operational metrics. In the short time since the acquisition in January 2019, Gulf has already shown improvements in some cost efficiency and operational metric rankings, another credit to FPL's superior management performance. As a result of FPL's exceptional performance, FPL's customers have benefited from strong service reliability, rate stability and historically lower rate levels compared to the rates of other electric utilities in Florida and the broader Southeastern U.S. Region, resulting in significant annual savings. The Commission should encourage and reward FPL's strong performance by adopting an ROE incentive. Such an action is consistent with the Commission's authority, past policy and practice. Performance incentives similarly have been approved in other state regulatory jurisdictions and by FERC for the purposes of promoting broad or even specific policy objectives and rewarding performance. Encouraging exceptional overall performance, with such significant benefits for customers, certainly would be consistent with good regulatory policy.

Q. Please summarize your comments regarding the Company's rate consolidation proposal.

A. The Company's proposed rate consolidation strikes an appropriate balance between ratemaking objectives, which include the following considerations:

- having cost responsibility reflect cost causation,
- ensuring that rates do not unduly discriminate in favor of, or against, any customer or group of customers, including favoring one locality over another,
- promoting economic efficiency, and
- achieving rate stability and public acceptance of rate structures.

All customers are better off if FPL takes a system-wide approach to capital planning and optimization in which the benefits and burdens flow among divisions of an integrated system.

The Company's proposed rate consolidation provides a unified, systematic, and objective method to allocate costs and benefits through the application of company-wide allocation factors to the costs of serving all customers of the combined system to customer classes.

Moving rates to the same basis as corporate decision-making through the Company's rate consolidation proposal is in the public interest; and should be considered by the Commission as a natural extension to the Company's consolidation of operations.

III. APPROACH TO BENCHMARKING

Q. Please describe your approach to evaluating FPL's and Gulf's historical performance.

A. Providing reliable and reasonably priced electric service involves a complex array of infrastructure, general corporate services, customer services, and operational and financial resources. Assessing whether a particular company has successfully achieved both its cost control objectives and service obligations involves an evaluation of its financial and operational performance, including cost efficiency, service quality and system reliability. I have measured FPL's and Gulf's cost efficiency against three different peer groups to evaluate the Company's relative performance in the ten-year period of analysis, 2010 to 2019, and across time to capture the trend in its performance. I developed additional analyses to determine whether any cost improvements were made at the expense of reductions in operational performance, service quality and system reliability. I have considered all of these aspects of FPL's and Gulf's performance and, where possible, I measured and quantified the associated customer benefit.

Because Duke Energy Florida ("DEF"), a large utility similar to FPL, recently filed a settlement agreement in Docket 20210016-EI with the FPSC on January 14, 2021 calling for a multi-year increase in its electric base rates, I also call out certain benchmarking metric comparisons between FPL and DEF throughout my testimony from my Florida Utility Group analyses.

Q. In general, what steps did you take in constructing your benchmarking analysis?

A. The first step of the benchmarking analysis was to define the timeframe over which the analysis was to be performed. The second step was to develop the composition of the peer groups used to compare to FPL and Gulf. The third step was to define the financial and operational metrics to be used in the benchmarking and to collect the necessary data to evaluate these metrics. Finally, in recognition of the significantly different service area characteristics that each of the peer group companies face, and the consequently different performance challenges and opportunities created by these service area characteristics, I developed a situational assessment ranking that reflects the "degree of difficulty" that each peer group member faces in seeking to maximize its cost efficiency.

Q. How did you select the companies to include in your benchmarking peer groups?

A. My objective in determining the sets of peer group electric utilities was to achieve the largest group of companies for which consistent data were available and which were, broadly speaking, operationally similar to FPL and Gulf. Because FPL and Gulf are both large electric-only utilities with ownership in generating resources, I established one peer group of companies with electric-only utility operations that have at least 450,000 customers and own generating resources. I refer to this group of 28 comparable companies as the "Straight Electric Group." I established a second peer group consisting of investor-

owned electric utilities that own generating resources and are subject to regulation by the Florida Public Service Commission. This "Florida Utility Group" includes FPL, Gulf, Duke Energy Florida, and Tampa Electric Company. I established a third peer group made up of large electric utility holding companies with at least two million electric customers and net generation comprising 45 percent or more of total energy sales. This "Large Utility Group" consists of 10 companies in addition to FPL.[8] Lastly, I established a fourth peer group, the "Southeastern U.S. Group", made up of 13 electric utilities with service territories in the U.S. Southeast region, for purposes of benchmarking FPL's residential rate levels and stability. The composition of each of my peer groups is shown in Exhibit JJR-6, page 1.

Q. Why did you use the number of customers as a criterion for determining the companies in your Straight Electric Group?

A. The purpose of this benchmarking analysis is to develop a meaningful comparison of FPL's and Gulf's financial and operational metrics that are indicative of utility performance. Many of the challenges and opportunities for a company are a function of its size. Because my focus is on controllable economic efficiencies, size is an important attribute, and a utility's size tends to vary most directly as a function of the number of customers it serves.

[8] Gulf has 464,000 electric customers and is excluded from the Large Utility Group.

Q. Please describe the process you used to define and benchmark the cost efficiency metrics used in your analysis.

A. For my benchmarking analyses, I developed ordinal rankings for both the financial and operational performance of the companies in each of three peer groups. These rankings reflect the performance of each company in each peer group as measured by the level of input cost per unit of "output," such as customer expense per customer, or operations and maintenance ("O&M") expense per megawatt-hour ("MWh") sold. I ranked each company in each peer group according to the 11 measures of productivity that I developed. To develop an overall assessment based on the rankings of all the performance measurement categories, I took an average of the ordinal rankings for all performance measures, and I ranked the companies in the peer groups based on those averages. This approach allowed me to compare FPL's and Gulf's "cost efficiency" to the other companies in each peer group.

To put the benchmarking results in context, I also conducted a "situational assessment" to rank the level of challenges to performance that the companies in each peer group face. Like the cost efficiency metrics, I took an average of all the ordinal values to determine FPL's and Gulf's overall level of exogenous performance challenges.

Q. What data sources did you rely on for the performance metrics that you developed?

A. I compiled data from several sources. I obtained much of the data from FERC Form 1 and U.S. Securities and Exchange Commission ("SEC") Form 10-K reports (as reported by S&P Global Market Intelligence). For supplemental metrics related to FPL's operational performance, I obtained data from the Generating Availability Data System ("GADS") database produced by the North American Electric Reliability Corporation ("NERC"), ABB's Velocity Suite,[9] the U.S. Energy Information Administration ("EIA") Form EIA-861, Edison Electric Institute ("EEI") reports, rate case information as compiled by S&P Global Market Intelligence, Annual Distribution Reliability Reports and Company Annual Reports filed by investor-owned electric utilities with the Florida Public Service Commission, and data produced by the Institute of Nuclear Power Operations ("INPO").

Q. Were data available for all peer companies for each metric and year included in your benchmarking study?

A. No, not in every instance. However, such instances of unavailable data are rare, comprising less than 1 percent of total data analyzed and do not adversely affect the conclusions of my cost efficiency or situational assessments as unavailable data is excluded from peer group average, rank, and percentile calculations. In total, there are only 70 instances of unavailable data, which is less than 1 percent

[9] ABB's Velocity Suite was formerly owned by Ventyx and is known as the Ventyx Velocity Suite.

of the 7,220 total data points analyzed in my cost efficiency and situational assessments, which span 11 different financial and operational metrics and 8 different exogenous factors analyzed annually across a 10-year period for three different peer groups including a total of 38 companies. Sufficient data was available and relied upon for my benchmarking analysis, allowing for informed conclusions regarding FPL's and Gulf's cost efficiency and situation assessments.

IV. BUSINESS ENVIRONMENT AND SITUATIONAL ASSESSMENT

Business Environment

Q. What economic factors and timeframes did you consider in your analysis?

A. I considered a number of national and regional economic factors that affect FPL's and Gulf's performance trends over time, including inflation and increases in the cost of utility labor and utility construction costs.

These economic factors influence the Company's need for rate relief and the level of rate relief that it is requesting in this proceeding. The most relevant period for considering the economic drivers is the period subsequent to FPL's last rate case, which was filed in March 2016 with a Settlement adopted by Florida Public Service Commission on November 29, 2016 and a final order issued December 15, 2016.

Q. Please describe the national economic trends that have most affected FPL's and Gulf's costs.

A. Two common measures of the national economy's general price level that are indicators of inflationary pressures on FPL's and Gulf's costs are the Consumer Price Index for urban consumers ("CPI-U") and the Producer Price Index for finished goods ("PPI"). Exhibit JJR-11 shows the performance of the CPI-U and PPI for finished goods since 2016. The CPI-U has increased by 6.48 percent between December 2016 and December 2019, while the PPI for all manufactured goods has increased by 6.51 percent.

The cost of utility labor also has a significant impact on FPL's costs. Exhibit JJR-12 shows electric utility employee average weekly earnings as reported by the Bureau of Labor Statistics. Since December 2016, average weekly earnings have increased from approximately $1,649 to approximately $1,786, or 8.35 percent in nominal growth over this 3-year period, which equate to a 2.7 percent compound annual growth rate ("CAGR").

Lastly, overall utility construction costs, which directly affect the cost of additions to rate base, have increased significantly in recent years. The Handy-Whitman Index of Public Utility Construction Costs provides a good indication of the rising cost of construction incurred by FPL. This index is calculated on a regional basis and incorporates all construction costs including materials and labor. Exhibit JJR-13 presents the Handy-Whitman Index for the South

Atlantic region between January 1, 2017 and January 1, 2020. Exhibit JJR-13 demonstrates that the separate data series for Steam Production Plant, Hydraulic Production Plant, Nuclear Production Plant, Other Production Plant, Transmission Plant, and Distribution Plant have all increased significantly over this period. The Distribution Plant index has the greatest growth rate of 14.67 percent between January 1, 2017 and January 1, 2020, which equates to a CAGR of 4.7 percent. Since FPL's last rate case was decided, the remaining five construction cost indices have increased between 3.81 percent and 14.05 percent, which equates to CAGRs that range from 1.3 percent to 4.5 percent.

Situational Assessment

Q. What is the purpose of your situational assessment?

A. Using benchmark studies alone to compare the performance of utilities is inherently difficult because no two utility companies face the same set of circumstances in terms of service area economic and operational factors. The purpose of a situational assessment is to recognize each utility's cost advantages or disadvantages that are not within its control. Often, a utility's above-average or below-average performance on a single performance metric can be explained by the results of the situational assessment. I use my situational assessment to evaluate each of FPL's and Gulf's performance in context.

Q. Please describe your situational assessment.

A. I started by identifying exogenous factors that would influence a utility's performance, positively or negatively, as compared to other companies in a

different relative position. Using publicly reported data, I examined eight exogenous factors: (1) Percent Sales Residential; (2) Percent Sales Other; (3) Use per Customer; (4) Growth in Number of Customers (percent); (5) Growth in Sales; (6) Percent Generation Nuclear; (7) Energy Losses/Total Energy Disposition; and (8) Accumulated Depreciation as a Percent of Gross Plant.

The results of my situational assessment are presented in Exhibit JJR-3, pages 1 through 10. This exhibit shows the rank order of each of the companies in each of the comparison groups for each situational measure, as well as an overall score in the far-right column based on the average rank. These metrics generally provide insight regarding the operational challenges and opportunities that the peer group companies face that could be expected to affect cost. In my situational assessments, a ranking of one indicates the company with the highest level of challenge for a particular measure.

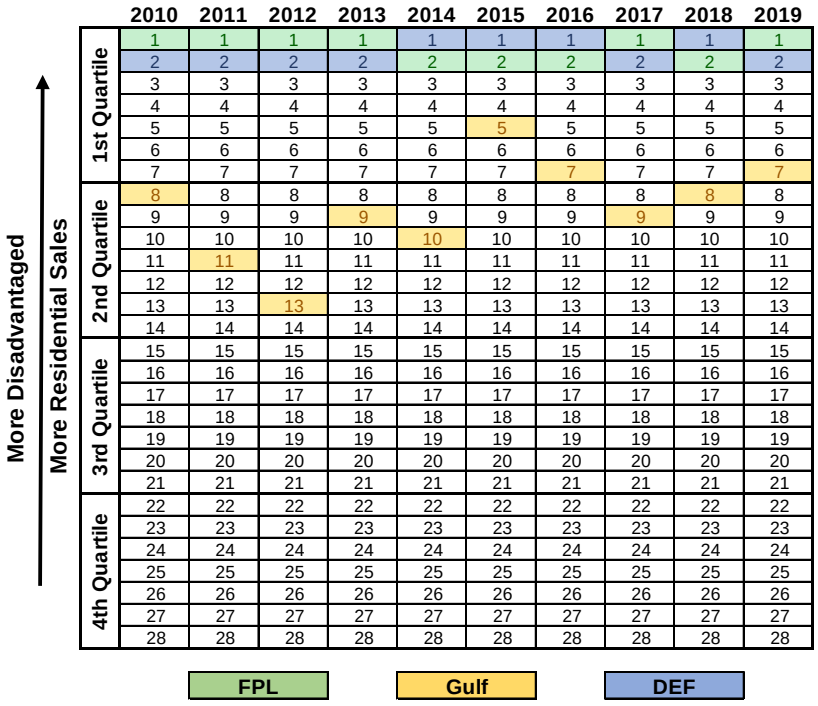
As shown in Exhibit JJR-3, FPL has ranked as one of the top three most disadvantaged utilities (by factors outside of its control) relative to its industry peers, the most disadvantaged among Florida utilities for eight of the past 10 years and the most disadvantaged among the large utilities in each year of the last decade. Gulf has ranked as among the least disadvantaged utilities relative to its industry peers and among Florida utilities.

Q. Please discuss the Percent Sales Residential metric and how FPL and Gulf compare to their peers.

A. On a dollars per kilowatt-hour ("kWh") basis, residential customers are more expensive to serve than commercial and industrial customers. As a result, utilities with a higher proportion of residential customers tend to have higher costs and higher rates. FPL has the highest Percent Sales Residential in the Large Utility Group, and the highest or second highest in the Straight Electric Group as shown in Figure 1, below. FPL is also ranked the highest or second highest in percent residential sales in the Florida Utility Group each year. Forty-nine percent of FPL's sales by volume were sales to residential customers in 2019. In contrast, Gulf has the lowest Percent Sales Residential in the Florida Utility Group each year with 37 percent of sale volumes to residential customers in 2019. Among the Straight Electric Group, Gulf's percent of residential sales is above average.

Figure 1: Percent Sales (MWh) Residential

Straight Electric Group Rankings



Q. Please discuss the Percent Sales Other metric and how FPL and Gulf compare to their peers.

A. Sales Other[10] are non-retail sales, which typically represent the lowest unit cost sales for a utility company. Utilities with higher levels of sales for resale tend to have skewed average rate statistics which look lower than an otherwise comparable utility. FPL has the lowest Percent Sales Other in the Florida Utility Group each year, the lowest or second lowest of the Large Utility Group and no greater than the fourth lowest in the Straight Electric Group in nine of the last 10 years as shown in Figure 2, below. All else being equal, this would

[10] "Sales Other" represents all sales other than sales to residential, commercial, and industrial customers. These are typically Sales for Resale.

indicate that FPL's unit costs should be higher than the other companies in these groups. In contrast, Gulf has the highest Percent Sales Other in the Florida Utility Group and is ranked in the third or fourth highest quartile among the Straight Electric Group in each of the last 10 years.

Figure 2: Percent Sales (MWh) Other

Percent Sales (MWh) Other
Straight Electric Group Rankings

More Disadvantaged ↑ Less Sales for Resale

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Please discuss the Use per Customer[11] metric and how FPL and Gulf compare to their peers.

A. Because many of the costs of serving an individual customer are fixed, utilities with lower use per customer tend to have higher unit costs. FPL has among the lowest or second lowest use per customer in the Large Utility Group and Florida

[11] Use per customer measures the average volume of sales for all electric customers.

Utility Group in each year. In the Straight Electric Group, FPL is in the most challenging quartile for use per customer each year as shown in Figure 3, below. Gulf has among the highest use per customer in the Florida Utility Group in each year. In the Straight Electric Group, Gulf is in the middle second or third quartiles for use per customer each year.

Figure 3: Use per Customer

Use per Customer
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

More Disadvantaged ↑ Lower Use per Customer

FPL Gulf DEF

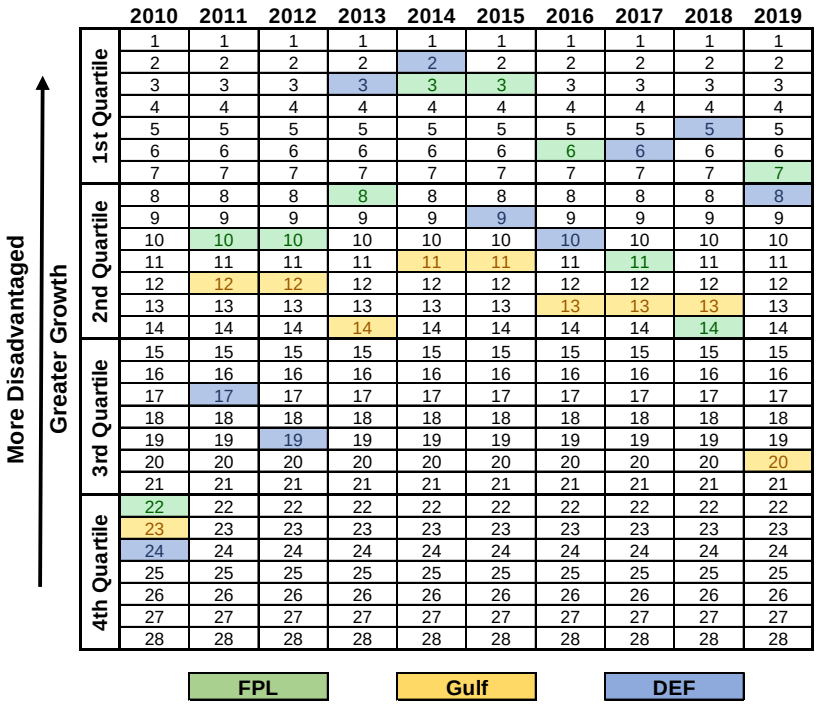
Q. Please discuss the Growth in Number of Customers (percent) metric and how FPL and Gulf compare to their peers.

A. High growth in sales volumes requires companies to invest more capital compared to companies with slow or no growth, creating challenges in terms of managing capital expenditures and resource utilization over time. FPL has experienced strong growth in number of customers: in the Straight Electric Group for the past ten years, FPL has been ranked in the highest growth quartile

for four years, in the second highest growth quartile for five years, and in the fourth quartile for one year in 2010, as shown in Figure 4 below. Gulf's growth in number of customers has also been strong. In the Straight Electric Group over the past ten years, Gulf has ranked in the second highest growth quartiles for eight of the past ten years. In the Florida Utility Group, Gulf is ranked the lowest third or fourth utility in growth in number of customers.

Figure 4: Growth in Number of Customers

Growth in Number of Customers (%)
Straight Electric Group Rankings



Q. Please discuss the Growth in Sales Volumes metric and how FPL and Gulf compare to their peers.

A. High growth in sales volumes requires companies to invest more capital compared to companies with slow or no growth, creating challenges in terms of

managing capital expenditures and resource utilization over time.[12] FPL's sales volume 5-year compound annual growth rate ("CAGR") has been ranked in the first quartile of the Straight Electric Group for each of the past five years since 2015 as shown in Figure 5, below. For the five years prior to 2015, FPL is ranked in the third quartile for two years and in the second quartile for three years. Gulf's sales volume growth rate rankings have ranged from the bottom of the fourth quartile to as high as the first quartile of the Straight Electric Group over the past 10 years. For the past five years since 2015, Gulf has the lowest growth in sales volumes in Florida Utility Group.

Figure 5: Growth in Sales Volume

Growth in Sales (5-year CAGR)
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

More Disadvantaged — Greater Growth

FPL Gulf DEF

[12] While Concentric's situational assessment considers high sales growth as creating challenges, high sales growth also enables fixed costs to be spread over a larger base, with the potential to obtain efficiencies and control costs, particularly with new technologies being deployed.

Q. Please discuss the Percent Generation Nuclear metric and how FPL compares to its peers.

A. The non-fuel costs for nuclear generation are higher than those for coal-fired, oil-fired, gas-fired and hydroelectric generating resources; utilities with a higher proportion of nuclear generation face greater cost challenges than utilities with a lower level of nuclear generation. As of September 2009, FPL is the only Florida utility with operating nuclear units. This places significant pressure on FPL's cost structure relative to its peers in the region. In comparison to the 28 peer utilities in the Straight Electric Group, FPL is in the second quartile each year as shown in Figure 6, below.

Figure 6: Percent Generation Nuclear

Percent Generation Nuclear
Straight Electric Group Rankings

More Disadvantaged ← Greater Percent Generation Nuclear

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL

Q. Please discuss the Energy Losses/Total Energy Disposition metric and how FPL and Gulf compare to their peers.

A. Energy losses are a product of the transmission and distribution infrastructure through which the energy is transmitted. Electric utilities that have greater reliance on long-distance transmission facilities tend to experience higher losses than utilities that are able to site generation closer to load centers. This metric demonstrates a significant challenge faced by FPL. In both the Florida Utility Group and the Large Utility Group, FPL has had the highest or second highest energy losses in eight of the last ten years. In the Straight Electric Group as shown in Figure 7 below, FPL has been in the second highest quartile each year. Gulf does not share the same challenge. In the Florida Utility Group, Gulf has the lowest energy losses as percent of total energy in nine of the past 10 years. In the Straight Electric Group, Gulf has been in the lower third or fourth quartile each year.

Figure 7: Energy Losses/Total Energy Disposition

Energy Losses / Total Energy Disposition
Straight Electric Group Rankings

More Disadvantaged → Greater Losses

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Please discuss the Accumulated Depreciation as a Percent of Gross Plant metric and how FPL and Gulf compare to their peers.

A. I use this metric as a reasonable proxy for the age of a utility's asset base. Utilities with a higher proportion of accumulated depreciation to gross plant tend to have an older asset base. FPL's rankings clearly reflect the investments that have been made in the last several years to modernize generation, strengthen the reliability of its transmission and distribution systems and to connect new customers to its system. The Company's ranking compared to its peers in all three peer groups improved significantly between 2010 and 2019, indicating that FPL has made comparatively greater investments over this period than have its peer utilities. This trend is also consistent with the Company's growth in customers over the period, which has outpaced FPL's

peers. Gulf's accumulated depreciation as percent of gross plant ranks in the lower third and fourth quartiles of the Straight Electric Group for each of the past 10 years. However, Gulf's ranking has risen in the Florida Utility Group from lowest to highest percent accumulated depreciation during years 2014 through 2018, followed by an observable rank improvement in 2019, indicating Gulf made fewer investments to its system compared to peer utilities in Florida for the four years prior to its acquisition in January 2019 and that significant investments have already been made in the first year following its acquisition.

Figure 8: Accumulated Depreciation as percent of Gross Plant

Accum. Dep./Gross Plant
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

More Disadvantaged ↑ Greater Age of Asset Base

FPL Gulf DEF

Q. Please summarize your conclusions with respect to your situational assessment.

A. My situational assessment indicates that FPL faces the greatest situational disadvantages of any utility in the Large Utility Group in every year of my

analysis. In the Florida Utility Group, FPL is the most disadvantaged in eight of the last 10 years. In the Straight Electric Group, FPL is the most disadvantaged in four of the last 10 years and in the most disadvantaged quartile in the remaining five years as shown in Figure 9, below.

DEF's overall situational assessment rank among the Straight Electric Group falls within the same quartile as FPL for the most recent seven years since 2013.

Figure 9: Overall Situational Assessment Rank

Situational Assessment Overall Rank
Straight Electric Group Rankings

More Disadvantaged

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

In contrast, Gulf is the least disadvantaged utility in the Florida Utility Group. In the Straight Electric Group, Gulf is ranked in the least disadvantaged third and fourth quartiles for nine of the past ten years.

That said, it is important to keep the situational assessment in context when viewing performance metrics. I offer these metrics as a means of "getting the lay of the land" in understanding the cost efficiency metrics. This is not a perfect means of capturing all of the challenges or advantages of FPL, Gulf and the companies in the peer groups, but it represents a reasonable cross-section of key factors influencing a utility's operations based on publicly available information.

V. BENCHMARKING RESULTS

Overview

Q. What metrics did you use to assess FPL's and Gulf's financial and operational performance?

A. I evaluated FPL's and Gulf's performance across a variety of financial and operational metrics including cost efficiency – the ability to maximize output and minimize costs, service quality and system reliability, operational performance including emissions and the level and stability of its rates.

Regarding cost efficiency – the ability to maximize output and minimize costs, I first considered expense performance metrics:

- Total Non-Fuel O&M expenses
- Non-Fuel Production O&M expenses
- Transmission O&M expenses

- Distribution O&M expenses
- Administrative and General ("A&G") expenses
- Customer expenses
- Uncollectible expenses

In addition to expense performance, I also considered the efficiency metrics:

- Days sales outstanding
- Labor efficiency
- Gross asset base
- Additions to plant per new customer

To ensure that FPL's performance on cost and corporate metrics did not occur at the expense of reliability, I compiled the following service quality and system reliability metrics to measure FPL's operational performance:

- Distribution system average interruption duration index ("SAIDI")
- Distribution system average interruption frequency index ("SAIFI")
- Customer average interruption duration index ("CAIDI")

In addition to reliability of service, I also considered operational and emissions performance metrics:

- Fossil plant heat rate
- Fossil plant equivalent availability factor
- Fossil plant equivalent forced outage rate

- Nuclear capacity factor
- Nuclear equivalent availability factor
- Nuclear forced loss rate
- Nuclear industrial safety accident rate
- Emissions from generating stations

Finally, I considered the level and the stability of FPL's and Gulf's rates relative to their peers in the U.S. Southeast region using the following metrics:

- Average duration between filing dates of past rate case applications
- Typical 1000 kWh residential total bill
- Volatility of typical residential total bill
- Average total rates for residential, commercial and industrial segments

The detailed definitions of each of the cost efficiency and reliability and operational performance metrics I used are presented on page 2 of Exhibit JJR-6.

Q. Did the metrics account for companies of different sizes?

A. Yes. Most metrics are calculated on an expense per customer or an expense per MWh sold basis. The cost efficiency metrics presented in my analysis are an average of the per customer values and the per MWh values for each cost element. For example, the A&G expenses cost efficiency metric reflects each utility's A&G expenses per MWh sold and A&G expenses per customer and

presents the average performance rank on these two metrics as the measure of A&G cost efficiency.

Q. Did you make any adjustments to the metrics?

A. Yes. I reduced FPL's O&M expenses as reported in the Company's 2017 through 2019 FERC Form 1s to remove the base O&M storm recovery costs associated with Hurricane Irma and Hurricane Dorian.

In September 2017, FPL was impacted by Hurricane Irma, which resulted in damage that was primarily limited to FPL's transmission and distribution systems. In December 2017, FPL determined that it would not seek recovery of Hurricane Irma storm restoration costs of approximately $1.3 billion through a storm surcharge from customers and instead recorded such costs as storm restoration costs in FPL's consolidated statements of income.

Hurricane Dorian impacted FPL in September 2019. In December 2019, FPL determined that it would not seek recovery of Hurricane Dorian storm restoration costs of approximately $260 million through a storm surcharge and instead recorded and expensed such costs as storm restoration costs in FPL's consolidated statements of income. The $260 million of storm restoration costs primarily included costs for pre-staging resources in advance of the storm to repair damage to FPL's distribution system.

Approximately 93% and 97% of FPL's total storm restoration O&M costs associated with Hurricane Irma and Hurricane Dorian, respectively, were charged to distribution O&M. The remaining storm restoration O&M costs were charged to steam production O&M expense, nuclear production O&M expense, other power generation O&M expense, transmission O&M expense, customer service expense, and A&G O&M expense. I also included O&M adjustments for years 2018 and 2019 by FERC expense account to reflect difference between FPL's estimated storm restoration cost accruals and updated actual costs for Hurricane Irma provided by FPL's accounting group.

Q. Did you adjust O&M expenses for Gulf to remove storm recovery costs?

A. Yes. Gulf accrues for the cost of repairing damages from major storms and other uninsured property damages, including uninsured damages to transmission and distribution facilities, generation facilities, and other property. The Company may make discretionary accruals and is required to resume accruals of $3.5 million annually if the reserve falls below zero. These annual accruals are reported in Gulf's FERC Form 1 as Property Insurance under Administration and General Expenses. Gulf accrued total expenses of $28.2 million in 2018 and $3.5 million annually for years 2015 through 2017 and 2019. I made an adjustment to Gulf's 2018 A&G expense to remove the incremental discretionary accrual amount of $24.744 million (i.e., $28.2 million less $3.5 million).

Q. Did you adjust O&M expenses for other peer companies to remove storm recovery costs?

A. Yes. I made adjustments to Duke Energy Florida, Duke Energy Progress, and Tampa Electric Company to remove storm O&M restoration costs charged to FERC Form 1 reported distribution O&M expense and transmission O&M expense.

- Duke Energy Florida reduced its Hurricane Irma and Hurricane Nate storm restoration regulatory asset by $6 million and recorded the $6 million as operating and maintenance expense pursuant to a June 13, 2019 settlement agreement.
- Duke Energy Progress included $26 million in O&M expense in 2019 for Hurricane Dorian, while deferring $179 million to regulatory assets.
- Tampa Electric Company included $3 million in O&M expense in 2017, while deferring $90 million to the company's storm reserve for Hurricane Irma. Tampa Electric Company was later required to charge an additional $1.7 million to base O&M, excluding the amount from its deferred regulatory asset, pursuant to a 2019 settlement agreement.

Detail regarding storm restoration costs by FERC account was not available for Duke Energy Florida, Duke Energy Progress or Tampa Electric Company. I therefore allocated total storm restoration O&M adjustments between distribution O&M expense and transmission O&M expense based on proration

of unadjusted distribution O&M expense and transmission O&M expense reported in each company's FERC Form 1 for year of required adjustment.

Cost Efficiency

Q. Which metrics provide the best indication of FPL's and Gulf's overall performance relative to the peer groups?

A. While each metric is significant and may help identify particular areas of strength or weakness, the best indication of FPL's and Gulf's overall level of performance in controlling costs is Total Non-Fuel O&M expenses per customer. This category covers all four primary operating functions (generation, transmission, distribution, and customer service), and includes all administrative and general functions. Further, this metric has the advantage of removing the effects of differences in fuel costs, which can vary due to availability, location, and state or local environmental policies.

Q. Please discuss how FPL and Gulf compare to their peers in regards to the Total Non-Fuel O&M expense metric.

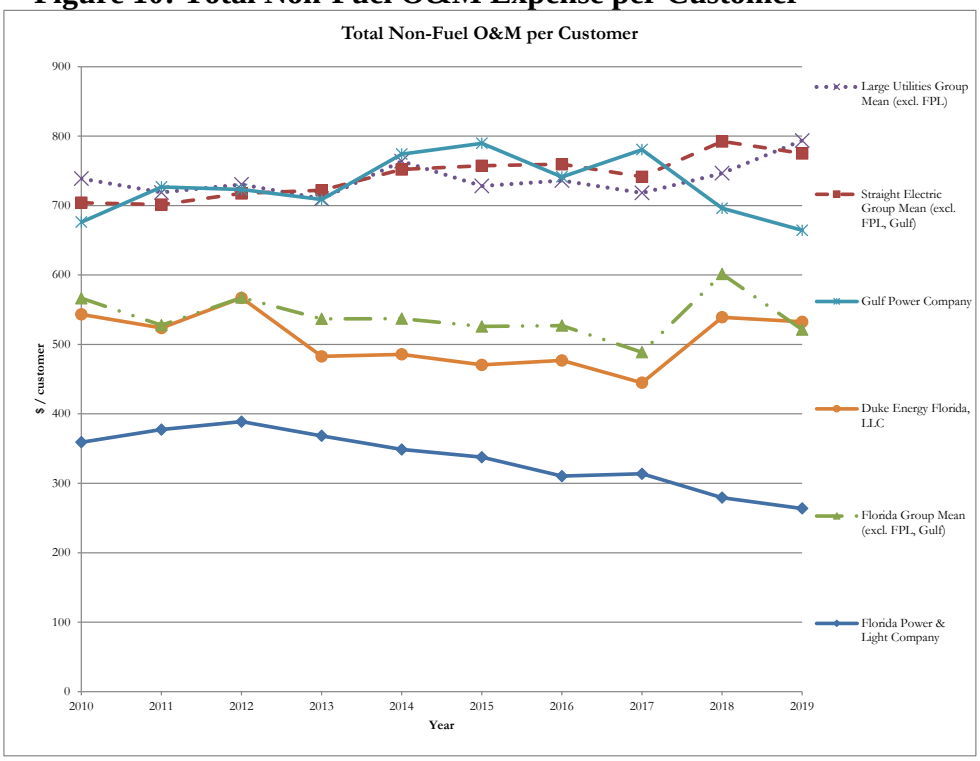
A. FPL's performance controlling its non-fuel O&M expense per customer and per MWh sold is very strong in each year of my analysis. FPL's top performance in all three peer groups on a sustained basis, is illustrated in Figure 10, below for non-fuel O&M per customer. For comparison purposes, DEF's non-fuel O&M expense per customer is shown separately in Figure 10, in addition to being included in the Straight Electric Group and Florida Utility Group means.

FPL's 2019 non-fuel O&M is $264 per customer, which is half of DEF's 2019 non-fuel O&M of $533 per customer. Among the Florida Utility Group, DEF is ranked a distant second out of the four investor-owned electric utilities peer companies for nine of the ten years and third for year 2019.

Over the past 10 years, FPL's non-fuel O&M per customer has decreased by 27% from $359 per customer in 2010 to $264 per customer in 2019, while DEF's non-fuel O&M per customer has only decreased by 2% from $543 per customer in 2010 to $533 per customer in 2019.

This comparison in trends between FPL and DEF's non-fuel O&M over the past 10 years is even more dramatic for the non-fuel O&M per MWh sold metric, where FPL's non-fuel O&M per MWh sold has decreased by 24% from $15.49 per MWh in 2010 to $11.81 per MWh in 2019, while DEF's non-fuel O&M per MWh increased by 8% from $22.83 per MWh in 2010 to $24.70 per MWh in 2019. Similar to the per customer metric, FPL's 2019 non-fuel O&M metric of $11.81 per MWh is less than half of DEF's 2019 non-fuel O&M metric of $24.70 per MWh.

Figure 10: Total Non-Fuel O&M Expense per Customer[13]



Gulf is consistently ranked last in terms of controlling non-fuel O&M expense per customer and per MWh among the Florida Utility Group and is ranked in the third quartile on an overall merit-order ranking for non-fuel O&M among the Straight Electric Group for seven of nine years prior to being acquired by NextEra in January 2019 as shown in Figure 11, below. In 2019, under new ownership, Gulf improved its ranking, with an average non-fuel O&M of $664 per customer, 14% less than the Straight Electric Group average of $775 per customer. Of note, Gulf's 2019 metric included $23.4 million in one-time acquisition-related A&G expenses, making Gulf's improved ranking even more significant. Excluding the $23.4 million in one-time acquisition-related A&G

[13] Source: Exhibit JJR-6, page 28

expenses, Gulf's 2019 non-fuel O&M would have been $614 per customer or 21% less than the Straight Electric Group average.

Figure 11: Total Non-Fuel O&M[14]

Total Non-Fuel O&M
Straight Electric Group Rankings

Lower Cost

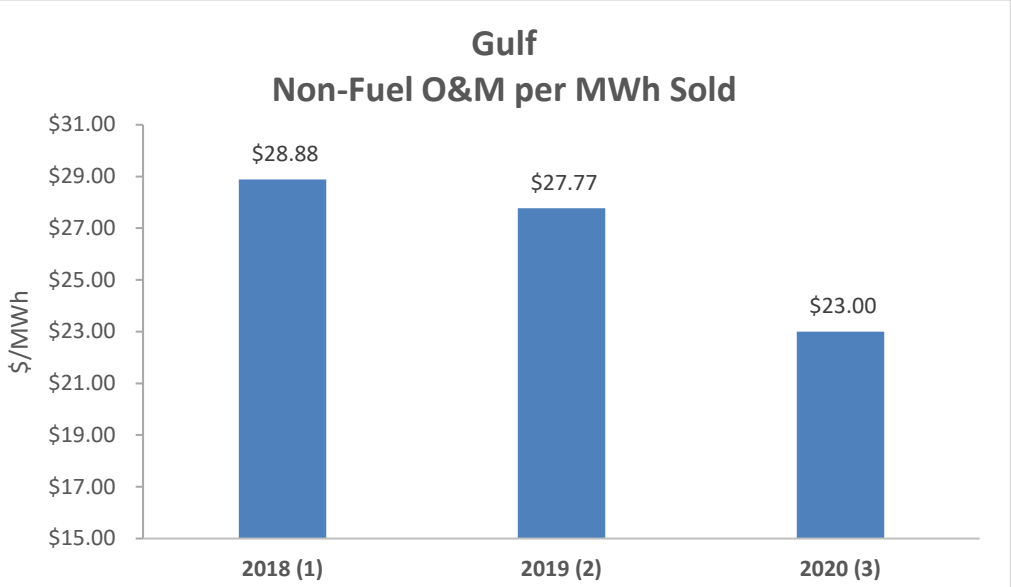
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

NextEra Energy's investor presentation for fourth quarter 2020 indicates that Gulf's non-fuel O&M expense per MWh metric improved significantly in 2020 by approximately 17% compared to 2019 as shown in Figure 12, below.

[14] Combined metric ranking is for average of two metrics: Total Non-Fuel O&M per customer and Total Non-Fuel O&M per MWh Sold.

Figure 12: Gulf 2020 Non-Fuel O&M per MWh

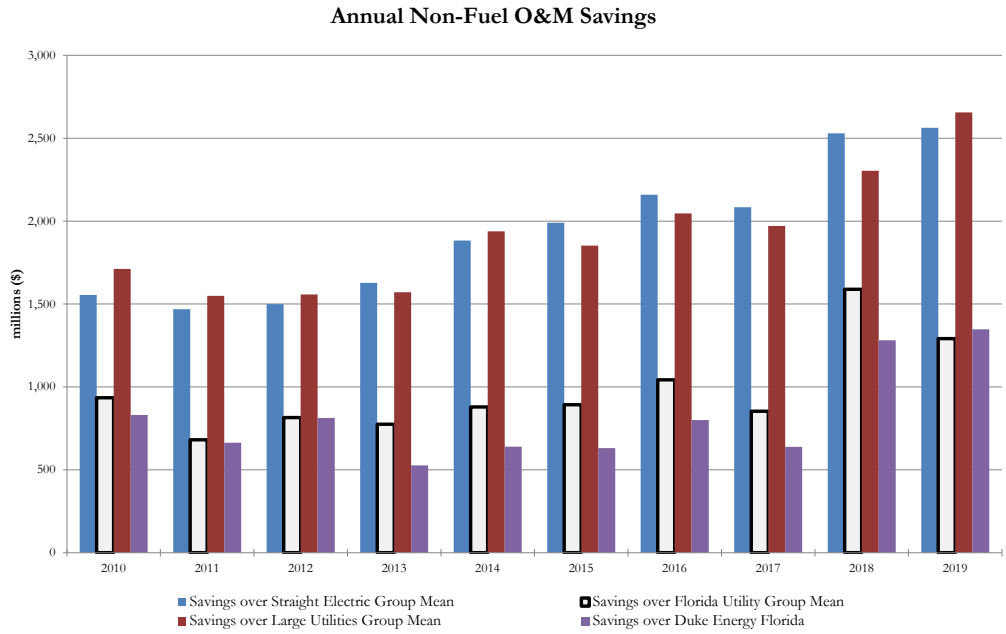


Q. Has FPL's performance controlling non-fuel O&M expense in particular benefited its customers?

A. Yes, FPL's performance has translated into real cost savings to its customers each year. In 2019, FPL's non-fuel O&M expense was $264 per customer. This is $511 per customer less than what customers would have paid in 2019 if FPL's non-fuel O&M expense had been merely average at $775 per customer (i.e., consistent with the average of the companies in the Straight Electric Group in 2019). This non-fuel O&M expense performance difference of $511 per customer, multiplied by FPL's 2019 average customer count of 5,011,428 customers results in estimated savings of $2.6 billion for year 2019 alone. I repeated this calculation of FPL's annual non-fuel O&M savings over the Straight Electric Group average performance for each year 2010 through 2018. Since FPL's last rate case in 2016, FPL's non-fuel O&M savings over the

Straight Electric Group's average performance total $9.3 billion.[15] Exhibit JJR-8 and Figure 13 below present the non-fuel O&M savings that have accrued to FPL customers in comparison to each peer group of comparable companies and DEF between 2010 and 2019. FPL's estimated non-fuel O&M savings over the Florida Utility Group's average performance is $1.3 billion for year 2019 alone and totals $4.8 billion for years 2016 through 2019. Similarly, FPL's estimated non-fuel O&M savings over DEF's performance is $1.3 billion for year 2019 alone and totals $4.1 billion for years 2016 through 2019.

Figure 13: FPL Annual Non-Fuel O&M Savings[16]



[15] $9.3 billion is sum of 2016 through 2019 estimated FPL annual non-fuel O&M savings over the Straight Electric Group average performance as shown in Exhibit JJR-8.

[16] Source: Exhibit JJR-8, page 1

Q. Do you have any additional observations in regard to Gulf's performance controlling non-fuel O&M expenses?

A. As shown on page 28 of Exhibit JJR-6, Gulf's performance controlling non-fuel O&M costs per customer is generally in line with the industry average with significant improvement shown in 2019, following acquisition. Over past ten years, Gulf has averaged $728 per customer in Non-Fuel O&M, which is less than the Straight Electric Group 10-year average of $775 per customer. As noted earlier, this level of performance has been improved upon already since the acquisition and savings are reflected in the consolidated rate filing. Consolidation is enabling annual O&M expense reductions of approximately $86 million,[17] which translates to CPVRR savings of $1.3 billion through combined resource planning and operations as discussed in the testimony of FPL witness Bores.

Q. Please discuss how FPL and Gulf compare to their peers in controlling Non-Fuel Production O&M expense.

A. FPL is consistently a strong performer in controlling its Non-Fuel Production O&M Expense. For Non-Fuel Production O&M Expense per customer, FPL is ranked second best of the Straight Electric Group and is the top performer in both the Florida Utility Group and the Large Utility Group for each of the past 10 years. For Non-Fuel Production O&M per MWh Produced, FPL is the top

[17] Projected annual O&M savings of $86 million is based on comparison of Gulf's forecasted 2022 adjusted O&M expense, on a standalone basis, of $168 million to Gulf's 2018 actual adjusted O&M expense of $254 million. See Company Witness Bores direct testimony, Exhibit SRB-3.

performer across all peer groups for each year. Where FPL is consistently ranked first among the Florida Utility Group, DEF is ranked consistently a distant second among the Florida Utility Group for both Non-Fuel Production O&M per customer and per MWh metrics, as shown in Exhibit JJR-6, pages 11 and 12.

FPL's combined Non-Fuel Production O&M metric, as shown in Figure 14, below, is ranked first among the Straight Electric Group and Florida Utility Group in all years, but for 2010, where it is ranked second among the Straight Electric Group. The combined Non-Fuel Production O&M metric includes Non-Fuel Nuclear Production O&M MWh Produced in its average for FPL and other peer companies with nuclear generation. However, this metric is not applicable and excluded from combined metric for companies like Gulf and DEF that do not own and operate nuclear generation.

For the nine years prior to being acquired by NextEra in January 2019, Gulf was consistently ranked last in terms of the combined Non-Fuel Production Expense metric among the Florida Utility Group and ranked in the bottom fourth quartile of the Straight Electric Group. In 2019, Gulf improved its combined ranking, moving into the third quartile as shown in Figure 14, below.

Figure 14: Non-Fuel Production O&M[18]

Non-Fuel Production O&M
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

Q. Please discuss how FPL and Gulf compare to their peers in regard to controlling Transmission O&M expense.

A. FPL has also performed well in controlling Transmission O&M expenses, being ranked in the top quartile of the Straight Electric Group for each of the seven years since 2013 and was ranked in the second quartile for the three years prior to 2013. FPL has been ranked first among the Florida Utility Group for the most recent four years since 2016, while DEF is ranked second among the Florida Utility Group, for all years, but for 2010, when it was ranked third.

[18] Combined metric ranking is for average of three metric rankings including: Non-Fuel Production O&M (Excluding Nuclear) per Customer, Non-Fuel Production O&M MWh Produced (Excluding Nuclear) and Non-Fuel Nuclear Production O&M MWh Produced (if applicable). In 2013, FPL and DEF are tied for first rank.

In addition to the “per customer” and “per MWh” measurement used in other metrics, the overall merit-order ranking for Transmission O&M also takes into account Transmission O&M expenses per mile of transmission line.

Gulf’s performance regarding the combined Transmission O&M Expense metric has been better than the Straight Electric Group average performance. Over the past 10 years, Gulf is ranked in the first or second quartile seven years, and in the third quartile for the remaining three years as shown in Figure 15, below. However, Gulf is consistently ranked last among the Florida Utility Group.

Figure 15: Transmission O&M[19]

Transmission O&M
Straight Electric Group Rankings

Lower Cost

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Please discuss how FPL and Gulf compare to their peers in controlling Distribution O&M expense.

A. FPL has shown excellence in controlling its Distribution O&M expenses. FPL is ranked in the top quartile of the Straight Electric Group, first in the Florida Utility Group, and either second or first in the Large Utility Group for each of the past 10 years. While FPL is ranked first among the Florida Utility Group for all years, DEF is ranked third among the Florida Utility Group for all years, except for 2019, when DEF is ranked fourth among the Florida Utility Group.

[19] Combined metric ranking is for average of three metric rankings including: Transmission O&M per Customer, Transmission O&M per MWh, and Transmission O&M per Mile of Transmission Line.

Gulf's performance in controlling distribution O&M costs was ranked last among the Florida Utility Group and in the third quartile of the Straight Electric Group for eight of the nine years prior to acquisition in 2019. Between 2018 and 2019, the first year following Gulf's acquisition by NextEra, Gulf's ranking improved from 14th to sixth among the Straight Electric Group and from fourth to third among the Florida Utility Group as shown in Figure 16, below.

Figure 16: Distribution O&M[20]

Distribution O&M
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

[20] Combined metric ranking is for average of two metric rankings including: Distribution O&M per Customer and Distribution O&M per MWh.

Q. Please discuss how FPL and Gulf compare to their peers in controlling A&G expense.

A. FPL is consistently a top performer in controlling A&G Expenses. FPL has been among the top three performers in the Straight Utility Group and the top performer in the Florida Utility Group and in the Large Utility Group for each of the past 10 years. In comparison among the Florida Utility Group, DEF is ranked second for the five years 2013 through 2017, third for four years 2010, 2011, 2018 and 2019 and fourth in 2012.

As shown in Figure 17, Gulf's performance controlling A&G Expenses declined compared to the Straight Utility Group between 2010 and 2017, with Gulf's rank among the Straight Electric Group declining from 9th in 2010 to 21st in 2017. While Gulf's A&G Expense metric ranking improved in 2018, it decreased in 2019. This decrease is due to the inclusion of $23.4 million in one-time acquisition-related expenses. Excluding $23.4M in one-time acquisition costs from Gulf A&G would improve Gulf's 2019 A&G Expense rank shown below from 23rd to 17th.

Figure 17: A&G Expense[21]

A&G Expense
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

Q. Please discuss how FPL and Gulf compare to their peers in controlling Customer expense.

A. The Customer Expense metric includes customer account expenses, customer service and informational expenses and sales expenses. In terms of controlling customer expenses, FPL is consistently the top performer in the Florida Utility Group and is in the top quartile of the Straight Electric Group and the Large Utility Group for the past five years since 2015. In comparison among the Florida Utility Group, DEF is ranked second for the eight years 2010 through 2017, and third for most recent two years 2018 and 2019.

[21] Combined metric ranking is for average of two metric rankings including: A&G Expense per Customer and A&G Expense per MWh.

Gulf's Customer Expense performance metric rank in the Straight Utility Group has improved from 27th in 2013 to 10th in 2019 as shown in Figure 18, below. Gulf's rank also improved from fourth among the Florida Utility Group for the seven years prior to 2018 to second in 2018 and 2019.

Figure 18: Customer Expense[22]

Customer Expense
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

Q. Please discuss how FPL and Gulf compare to their peers in controlling Uncollectible expense.

A. FPL's Uncollectible Expenses as a percent of total sales revenues is in the top quartile of the Straight Electric Group for the past nine years and is the top performer in the Florida Utility Group for each of the last 10 years. In

[22] Combined metric ranking is for average of two metric rankings including: Customer Expense per Customer and Customer Expense per MWh.

comparison among the Florida Utility Group, DEF is ranked third or fourth for eight of the last 10 years. In the Large Utility Group, FPL is the top performer for nine of the past 10 years and ranked second best for the remaining year. Gulf's control of Uncollectible Expenses as a percent of total sales revenue is in the second quartile and third quartiles of the Straight Electric Group for nine of last 10 years as shown in Figure 19 below and is ranked in the bottom third or fourth among the Florida Utility Group for nine of the last 10 years. Gulf's low Straight Electric Group rank of 22nd in 2019 is attributable to Hurricane Michael.

Figure 19: Uncollectible Expense

Uncollectible Expense per Sales Revenue
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

Q. Please discuss the Days Sales Outstanding metric and how FPL and Gulf compare to their peers.

A. Days Sales Outstanding is a measure of the average level of accounts receivable in relation to total electricity sales over a year and is calculated as the ratio of Customer Accounts Receivable to Total Electricity Sales multiplied by 365 days. Regarding this metric, FPL has exhibited mid-level performance in the Straight Electric Group with improvement over the recent period 2016 through 2019 and performs in the first or second quartile in the Large Utility Group. In the Florida Utility Group, FPL has been the first- or second-best performer since 2013. In comparison, DEF's performance decreases over time with DEF ranking second or third among the Florida Utility Group for early period 2010 through 2014 with ranking decreasing to fourth among the Florida Utility Group for the last five years from 2015 to 2019.

For Days Sales Outstanding, Gulf also exhibits mid-level performance in the Straight Electric Group as shown in Figure 20 (below), where it consistently ranked in the second quartile. In the Florida Utility Group, Gulf has been the first- or second-best performer for the past 10 years. Gulf's Days Sales Outstanding have been less than FPL's for the years 2010 through 2015, but greater than FPL's for the more recent period 2016 through 2019. This intersection of Gulf and FPL's rankings as shown in Figure 20 below, is more reflective of FPL's improvement over the recent period than any decrement in Gulf's performance.

Figure 20: Days Sales Outstanding

Days Sales Outstanding
Straight Electric Group Rankings

Fewer Days Outstanding

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Please discuss the Labor Efficiency metric and how FPL and Gulf compare to their peers.

A. Labor Efficiency is a combined metric that includes Salaries, Wages, Pension and Benefits on a per employee and per customer basis, as well as employees per customer. FPL has demonstrated consistently strong performance in these areas. FPL is routinely in the top quartile in the Straight Electric Group, the top performer in the Florida Utility Group throughout the past 10 years and either the first- or second-best performer in the Large Utility Group for nine of the past 10 years. In comparison among the Florida Utility Group, DEF is ranked second for five years, third for three years and fourth for two years.

Gulf's Labor Efficiency ranking has steadily worsened in the nine years prior to acquisition from a 2010 ranking of 8th in the Straight Electric Group to 12th

in 2017 as shown in Figure 21, below. Gulf ranked second among the Florida Utility Group from 2010 through 2014, decreasing to fourth from 2015 through 2018. In 2019, Gulf's rankings improved from fourth to second among the Florida Utility Group and increased ranking from 10th to 8th among the Straight Electric Group.

Figure 21: Labor Efficiency[23]

Labor Efficiency
Straight Electric Group Rankings

More Efficient

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

[23] Combined metric ranking is for average of three metric rankings including: (1) Employees per Thousand Customers, (2) Salaries, Wages, Pensions, and Benefits per Customer, and (3) Salaries, Wages, Pensions, and Benefits ($000) per Employee. In 2018, DEF and Gulf are tied for 10th rank.

Q. Please discuss the Gross Asset Base metric and how FPL and Gulf compare to their peers in this metric.

A. The Gross Asset Base metric is an average of Total Utility Electric Plant per customer and Total Utility Electric Plant per MWh sold. A company with a lower Gross Asset Base metric value, has spent less total gross capital investments per customer or per MWh sold, indicating greater cost efficiency compared to a company with a higher metric value. As shown on pages 30 and 31 of Exhibit JJR-6, FPL's level of Gross Asset Base per customer and per kWh of retail sales has exhibited strong performance, ranking in the first quartile in the Straight Electric Group and among the lowest cost performers in the Florida Utility Group throughout the past 10 years. In the Large Utility Group, FPL has been either the first- or second-best performer over the past seven years since 2013.

Gulf's level of Gross Asset Base per customer and per kWh of retail sales has exhibited mid-tier performance, ranking in the second or third quartile in the Straight Electric Group as shown in Figure 22, below and ranking last or second-to-last among the Florida Utility Group throughout the past nine years.

Figure 22: Gross Asset Base[24]

Gross Asset Base
Straight Electric Group Rankings

Lower Cost

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Please discuss how FPL and Gulf compare to their peers in regards to the Additions to Plant per New Customer metric.

A. The Additions to Plant per New Customer metric is calculated as annual additions to Total Electric Plant in Service as reported in each company's FERC Form 1 divided by the positive change in number of customers from prior year. While not all plant additions are attributable to new customers, a utility with a lower Additions to Plant per New Customer metric value typically meets new customer demand with lower cost capital investments, compared to a utility with a higher metric value. FPL's Additions to Plant per new customer has

[24] Combined metric ranking is for average of two metric rankings including: Gross Asset Base per Customer and Gross Asset Base per MWh.

generally been in the first or second quartile of the Straight Electric and Large Utility Groups, with a 10-year average rank of ninth out of 28 Straight Electric peer companies and third best out of the 11 large utilities, respectively, indicating that FPL has been effective at controlling its costs per new customer. FPL has ranked on average third among the Florida utilities.

Gulf has also been effective at controlling its plant addition costs. Excluding 2019,[25] Gulf ranks as high as 3rd and a low as 19th among the Straight Electric Group, for a nine-year average rank of ninth out of 28 peer companies, which is on par with FPL's performance. Gulf has also ranked on average third among the Florida utilities over the past 10 years. Gulf's rankings are more a function of significant plant additions in the short-term to unlock long-term bill savings for customers. While new customer growth has lagged, the growth in plant is intended to provide customer benefits over the long-term.

[25] Gulf's high 2019 Additions to Plant per Incremental Customer is driven by Gulf's low number of new customers added between 2018 and 2019.

Figure 23: Additions to Plant Per New Customer

Additions to Plant per New Customer
Straight Electric Group Rankings

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

Lower Cost

FPL Gulf DEF

Q. How do FPL and Gulf compare in the overall rankings for these cost efficiency metrics?

A. As shown in Exhibit JJR-4, FPL was the top performer in the Florida Utility Group and the Large Utility Group each year between 2010 and 2019, and the top performer in the Straight Electric Group for each of the nine years since 2011, ranking second best in 2010 as shown in Figure 24, below. While FPL is ranked first among the Florida Utility Group, DEF is ranked second or third for each of the last 10 years.

Overall Gulf is an average performer in terms of overall cost efficiency in the Straight Electric Group, consistently ranking in the middle second and third

quartiles. Among the Florida Utility Group, Gulf is the bottom performer for nine of the 10 years. Since the acquisition, Gulf has shown observable improvements in 2019 cost efficiency metrics for labor efficiency, customer expense, distribution O&M expense, non-fuel production O&M expense and total non-fuel O&M expense. Gulf's overall cost efficiency metric ranking for 2019 includes $23.4 million in one-time acquisition-related A&G expenses. Excluding the $23.4 million in one-time acquisition-related A&G expenses, Gulf's 2019 overall cost efficiency metric would have been ranked 13th among the Straight Electric Group. As Gulf and FPL continue to work to incorporate the benefits of having merged into a single company in January 2021 and integrating into a single electric power system by end-of-year 2022, more operational and maintenance improvement initiatives, merger synergies, and power system dispatch and resource planning synergies are expected to be realized.

It should be noted that these results are based entirely on the ranking of the performance metrics without consideration of the Situational Assessment.

Figure 24: Overall Cost Efficiency Ranks[26]

Cost Efficiency Overall Rank
Straight Electric Group Rankings

Lower Cost

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st Quartile	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7	7
2nd Quartile	8	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9	9
	10	10	10	10	10	10	10	10	10	10
	11	11	11	11	11	11	11	11	11	11
	12	12	12	12	12	12	12	12	12	12
	13	13	13	13	13	13	13	13	13	13
	14	14	14	14	14	14	14	14	14	14
3rd Quartile	15	15	15	15	15	15	15	15	15	15
	16	16	16	16	16	16	16	16	16	16
	17	17	17	17	17	17	17	17	17	17
	18	18	18	18	18	18	18	18	18	18
	19	19	19	19	19	19	19	19	19	19
	20	20	20	20	20	20	20	20	20	20
	21	21	21	21	21	21	21	21	21	21
4th Quartile	22	22	22	22	22	22	22	22	22	22
	23	23	23	23	23	23	23	23	23	23
	24	24	24	24	24	24	24	24	24	24
	25	25	25	25	25	25	25	25	25	25
	26	26	26	26	26	26	26	26	26	26
	27	27	27	27	27	27	27	27	27	27
	28	28	28	28	28	28	28	28	28	28

FPL Gulf DEF

Q. Have you considered both the results of your situational assessment and your analysis of cost efficiency in your overall benchmarking of FPL's and Gulf's performance?

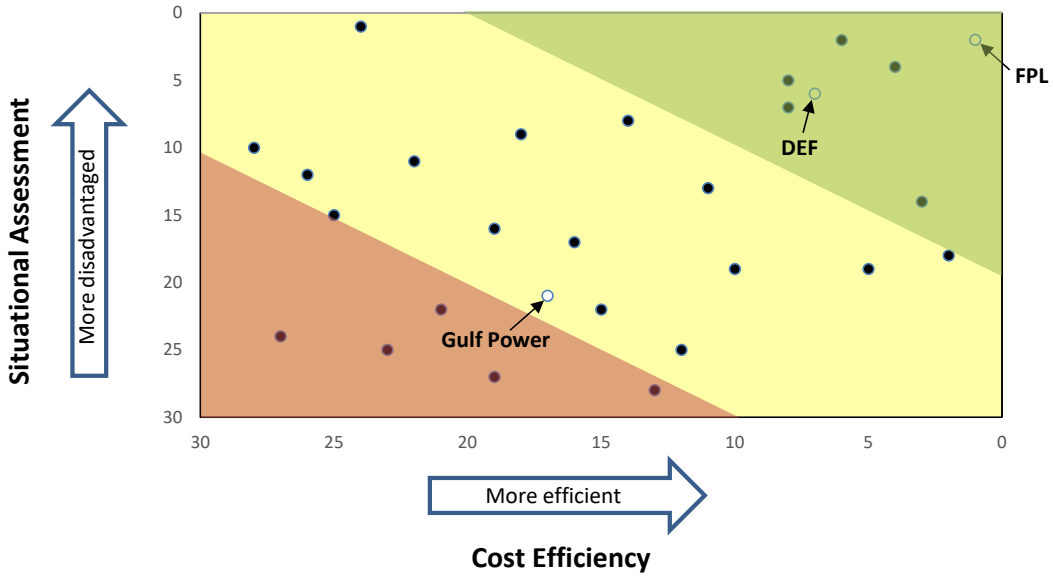
A. Yes. Exhibit JJR-9 (page 1 of 3), which is shown below, does just that, combining the cost efficiency rankings and the situational assessment rankings for 2019. Similar comparisons for 2018 and 2017 are provided in Exhibit JJR-9, pages 2 and 3. When viewed together, a bandwidth around the diagonal line running from the upper left corner to the lower right corner (shown in the

[26] Combined metric ranking is for average of rankings across the 11 Cost Efficiency metric groups listed in JJR-6, page 2 of 32.

middle band on the chart) reflects the utilities whose productivity is generally consistent with the challenges identified in the situational assessment. The further away (either above or below) a utility's performance is from this line, the more exceptional its performance is (either exceptionally good or exceptionally poor). As shown in Exhibit JJR-9, FPL's performance has been extraordinarily good during the study period, and FPL outperformed all of its Straight Electric Group and Florida Utility Group peers, including DEF on a basis that considers both absolute productivity measures and the relative challenges it faced. These statistics, taken together, demonstrate that FPL is the best performing utility in the nation.

Gulf has faced relatively fewer situational challenges than FPL over the last 10 years, but has historically performed worse in terms of cost efficiency metrics, which allows for significant opportunity for cost savings to former Gulf customers as more operational and maintenance improvement initiatives, merger synergies and power system dispatch optimizations are realized as Gulf and FPL continue to merge into a single integrated company and electric power system. Results of my benchmarking analysis show that since the acquisition, Gulf has shown observable improvements in 2019 cost efficiency metrics for labor efficiency, customer expense, distribution O&M expense, non-fuel production O&M expense and total non-fuel O&M expense, while additional opportunities still remain related to A&G expense, transmission O&M expense, uncollectible expense and gross asset base metrics.

Figure 25: FPL and Gulf's 2019 Combined Situational Assessment and Cost Efficiency Rankings in Straight Electric Group[27]



Service Quality and System Reliability

Q. Please discuss the context in which you benchmark FPL's and Gulf's service quality and system reliability.

A. In looking at economic efficiencies, it is easy to assume that all of the companies are created equal in terms of safety, reliability, and other important operational standards, but that is not the case. If a utility's management decides to launch major service quality initiatives, these initiatives may well have attendant costs, but the cost impact may also be offset by service improvement. To examine these issues, I have separately analyzed FPL's and Gulf's trends

[27] Exhibit JJR-9

and performance for SAIDI, SAIFI and CAIDI distribution reliability metrics. These results are presented in Exhibit JJR-5.

Q. Please discuss SAIDI and how FPL and Gulf compare to their peers.

A. SAIDI is the system average outage duration for each customer served. As shown on page 8 of Exhibit JJR-5 and in Figure 26 below, FPL has been the top performer among Florida investor-owned utilities[28] in reducing its distribution outage durations for nine of the ten years from 2010 through 2019. In 2011, FPL's distribution SAIDI is ranked a close second lowest in duration.

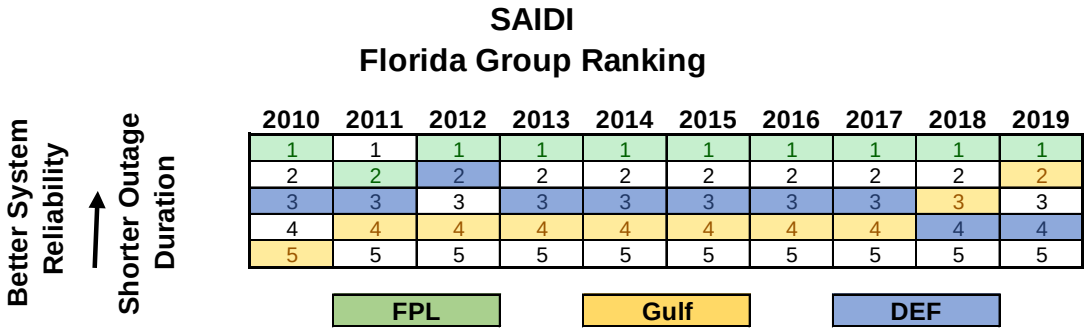
FPL's SAIDI has steadily deceased by 36% from 2010 (77 minutes) to 2019 (49 minutes). Gulf's SAIDI decreased by 54% from 2010 (146 minutes) to 2019 (67 minutes). In contrast, DEF's SAIDI decreased by only 3% from 2010 (93 minutes) to 2019 (90 minutes). Over the last five years since 2015, FPL's average outage duration for each customer served was only 54 minutes, compared to Florida investor-owned utilities' average[29] of 107 minutes, Gulf's average of 93 minutes and DEF's average of 87 minutes.

---

[28] Reliability comparisons are made only to other Florida investor-owned utilities because my reliability benchmarking analysis relied upon publicly available data as published in Florida Public Service Commission reports. Florida investor-owned utilities are required to report reliability statistics to the Florida Public Service Commission using a 1-minute threshold to determine what is considered an "outage," with certain allowable exclusions (e.g., planned outages, outages that are the result of named storms tornados, and extreme weather or fire events that cause EOC openings).

[29] Excluding FPL and Gulf. Including Florida Public Utilities.

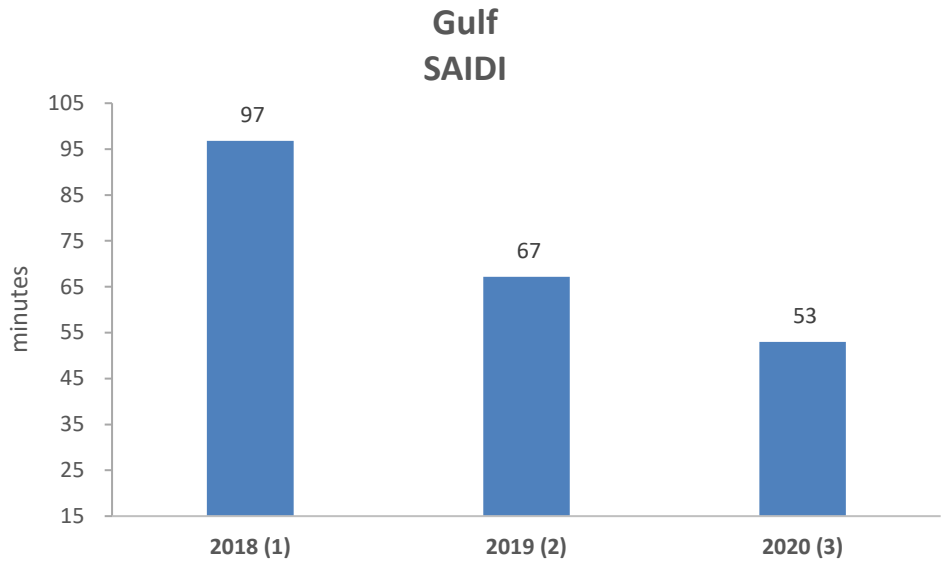
Figure 26: SAIDI



Gulf's SAIDI metric has been better than the other Florida investor-owned utilities'[30] 10-year average, but consistently worse than FPL's performance. Significant improvement in average outage duration was realized in 2019 following acquisition of Gulf with SAIDI decreasing from 97 minutes in 2018 to 67 minutes in 2019. NextEra Energy's investor presentation for fourth quarter 2020 indicates that Gulf's 2020 SAIDI further improved to approximately 53 minutes, as shown in Figure 27, below.

[30] Excluding FPL and Gulf. Including Florida Public Utilities.

Figure 27: Gulf 2020 SAIDI



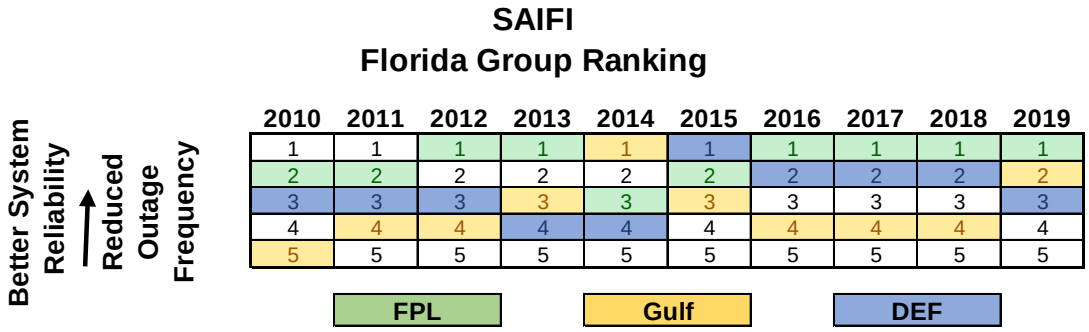
1) Source: Exhibit JJR-5, page 8
2) Ibid.
3) Source: Earnings Conference Call, Fourth Quarter and Full Year 2020, NextEra Energy, January 26, 2021.

Q. Please discuss SAIFI and how FPL and Gulf compare to their peers.

A. SAIFI is the average frequency of interruptions for each customer served. As shown in Figure 28 below, FPL has ranked as the top performer in distribution SAIFI for six out of the past ten years. FPL's SAIFI decreased by 16% from 2011 (0.97) to 2019 (0.82). DEF's SAIFI decreased by 9% from 2011 (1.07) to 2019 (0.97). Gulf's SAIFI decreased by 22% from 2011 (1.25) to 2019 (0.97). As shown on page 9 of Exhibit JJR-5, Gulf's distribution SAIFI over last ten years has been approximately equal to the average performance of the other Florida investor-owned utilities,[31] with noticeable improvement in 2019, decreasing to 0.97 from 2018 value of 1.26.

[31] Excluding FPL and Gulf. Including Florida Public Utilities.

Figure 28: SAIFI

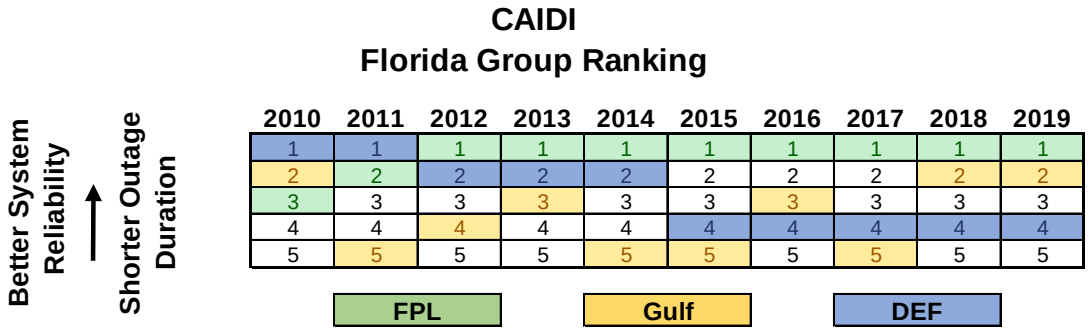


Q. Please discuss CAIDI and how FPL and Gulf compare to their peers.

A. CAIDI is calculated as SAIDI/SAIFI and reflects the average restoration time for an interruption. As shown in Figure 29 below, FPL has been the best performer among Florida investor-owned utilities[32] with the lowest average distribution outage duration each year beginning in 2012. FPL's CAIDI has steadily improved by 28% from 2010 (84 minutes) to 2019 (60 minutes). Gulf's CAIDI improved by 17% from 2010 (84 minutes) to 2019 (69 minutes). In contrast, DEF's CAIDI increased by 23% from 2010 (76 minutes) to 2019 (93 minutes). As shown on page 10 of Exhibit JJR-5, Gulf's distribution CAIDI over last ten years has been approximately equal to the average performance of the other Florida investor-owned utilities, again with noticeable improvement in 2019, with CAIDI decreasing to 69 minutes from 2018 value of 77 minutes.

[32] Excluding FPL and Gulf. Including Florida Public Utilities.

Figure 29: CAIDI



Q. Has FPL's or Gulf's service quality and system reliability diminished in any way as a result of their cost control activities?

A. No. FPL is a top performer in service quality and system reliability compared to other Florida investor-owned utilities, including DEF. Across all three reliability indices, FPL has been the top performer among Florida investor-owned utilities for the past four years and has performed well in quickly restoring service to customers in the event of outages with the lowest average outage duration each year since 2012 and the lowest outage duration for nine of the past ten years.

Gulf's service quality and system reliability has been approximately equal to the average performance of the other Florida investor-owned utilities, with observable improvements in its 2019 SAIDI, SAIFI, and CAIDI distribution reliability metrics.

Operational and Emissions Performance

Fossil/Solar Plant Operational Performance

Q. Please discuss the heat rate performance of FPL's fossil/solar generation fleet and any associated cost savings.

A. Heat rate is a measure of a power plant's efficiency or more specifically, how much thermal energy from fuel is required to produce one kWh of electricity. A lower heat rate values indicates a more efficient plant. FPL has improved the average heat rate of its fossil/solar generation fleet by 12 percent since 2010. The average heat rate of FPL's fossil/solar fleet in 2019 was 7,070 Btu/kWh compared to an industry average of 9,476 Btu/kWh, which indicates that the industry average heat rate is 34 percent less efficient than that of FPL's fossil units. At current gas prices, this efficiency advantage translates to $595 million in 2019 alone in fuel cost savings.[33]

Q. Please discuss the Equivalent Availability Factor metric performance of FPL's and Gulf's fossil generation fleets.

A. As shown on page 2 of Exhibit JJR-5 and in Figure 30 below, FPL's fossil generation fleet has consistently outperformed its peers in terms of power plant availability. In nine of the 10 years between 2010 and 2019, FPL has been in

[33] Calculated based on delivered fuel prices and megawatt hours generated in 2019. For heat rate comparisons, I have used ABB's Velocity Suite database of non-nuclear generating units across the United States. FPL's heat rate calculation includes all FPL non-nuclear units. For the industry heat rate savings calculation, I used 2019 Florida Gas Transmission Z3 spot gas prices.

the top quartile when compared to industry peers. In fact, in six of these years, FPL's performance was in the top decile.[34]

The historical availability of Gulf's fossil fleet has been better than the average among comparable companies in each of the past 10 years, but below FPL's fleet average for seven out of the past 10 years.

Figure 30: Fossil Equivalent Availability Factor

Fossil - Equivalent Availability Factor										
Annual Values										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Florida Power & Light Company	92.1	91.9	89.9	89.8	88.9	92.4	93.4	90.9	91.9	92.2
Gulf Power Company	86.9	87.9	92.2	91.9	92.0	87.7	92.1	86.3	85.8	89.3
Industry Average	85.5	86.1	86.1	85.7	85.0	85.1	84.5	83.9	83.2	83.6

Q. Please discuss the Equivalent Forced Outage Rate metric performance of FPL's and Gulf's fossil generation fleets.

A. As shown on page 3 of Exhibit JJR-5 and in Figure 31 below, both FPL's and Gulf's fossil units have performed exceptionally well compared to the industry on this metric. In the 10 years between 2010 and 2019, FPL's performance was best-in-class when compared to industry peers for nine of the 10 years. Throughout this period, FPL's average Equivalent Forced Outage Rate averaged just 1.1 percent compared to Gulf's average fossil forced outage rate of 1.6 percent and an industry peer average of 8.0 percent.[35]

---

[34] For fossil plant reliability metrics (including Equivalent Availability Factor and Equivalent Forced Outage Rate), data comes from the North American Electric Reliability Council ("NERC"). The peer group consists of industry NERC-reporting, large, fossil steam and combined cycle fleets (typically with greater than 5,000 MW of owned capability).

[35] Ibid, with industry average excluding FPL.

Figure 31: Fossil Equivalent Forced Outage Rate

Fossil - Equivalent Forced Outage Rate										
Annual Values										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Florida Power & Light Company	0.98	1.35	0.50	0.85	0.73	1.12	1.14	2.22	1.03	1.30
Gulf Power Company	2.20	2.01	0.79	2.53	0.71	1.45	1.27	1.76	3.20	0.40
Industry Average	7.94	7.27	7.44	7.95	7.89	7.32	7.73	9.04	9.27	8.40

Nuclear Plant Operational Performance

Q. Please discuss the Capacity Factor metric performance of FPL's nuclear generation fleet.

A. The capacity factor of FPL's nuclear units has been above the industry average in three of the most recent four years. It is important to note that the dip in FPL's nuclear capacity factor in 2012, illustrated on pages 4 and 5 of Exhibit JJR-5, is largely the result of planned outages for the Extended Power Uprate project. FPL has taken considerable steps since 2012 to improve the capacity factor of its nuclear units. FPL's nuclear generation fleets has improved its average capacity factor by nine percentage points since 2013.

Q. Please discuss the Equivalent Availability Factor metric performance of FPL's nuclear generation fleet.

A. As shown on page 5 of Exhibit JJR-5, the U.S. nuclear industry's average equivalent availability factor has improved over time, and as the industry improves its overall performance, so does FPL. FPL's nuclear generation fleet has operated above the industry average equivalent availability factor during two of the past four years, and within two percent of industry averages in all of the past five years. In 2015, 2017, and 2019, FPL's nuclear units had an

equivalent availability factor[36] within two percent of industry averages. In 2016 and 2018, FPL operated above industry averages. Compared against its own performance over time, FPL's nuclear generation fleets has improved its equivalent availability factor by nine percentage points since 2013.

Q. Please discuss the Forced Loss Rate metric performance of FPL's nuclear generation fleet.

A. The Forced Loss Rate is a secondary performance metric to the Equivalent Availability Factor metric. Reported by nuclear unit, the industry's Forced Loss Rate has ranged from 0.0 percent to a maximum of 91.70 percent over the past ten years. As shown on page 6 of Exhibit JJR-5, FPL's nuclear forced loss rate, a measure of how well important plant equipment is maintained and operated, has averaged 3.1 percent, which is close to the industry average of 2.1 percent over the last ten years.

Q. Please discuss the Nuclear Industrial Safety Accident Rate metric and performance of FPL's nuclear generation fleet.

A. The nuclear industrial safety accident rate tracks the number of accidents that result in lost work time, restricted work, or fatalities per 200,000 work hours. Reported by nuclear unit, the nuclear industrial safety accident rate has ranged from 0.0 to a maximum of 0.60 over the past ten years. As shown on page 7 of Exhibit JJR-5, FPL has outperformed its peers in this metric in five out of the

[36] Nuclear reliability data are not publicly available. I have relied on the Company for data pertaining to nuclear Forced Loss Rate, Nuclear Equivalent Availability Factor, and the Nuclear Industrial Safety Accident Rate.

last eight years. For the past nine years since 2011, FPL's Industrial Safety Accident Rate has averaged 0.04 compared to an industry average of 0.05.

Q. What conclusions have you reached regarding FPL's and Gulf's fossil and nuclear plant operational performance?

A. FPL's superior performance on the cost efficiency benchmarks has not occurred at the expense of fossil or nuclear plant performance. As in years past, FPL has achieved-above average results, with no concerning trend. Gulf's fossil fleet has also consistently outperformed industry averages for availability and forced outage rates.

Q. Please describe the emission metrics used to benchmark FPL's and Gulf's emission profiles.

A. Given concerns over air emissions in Florida and nationwide, I calculated FPL's and Gulf's approximate 2019 level of sulfur dioxide, nitrogen oxides and carbon dioxide emitted in pounds per MWh relative to a peer group.

Q. How did you determine which electric companies to include in the emission peer group that you used to benchmark FPL's and Gulf's emission profiles?

A. I created a dataset of comparable companies whose energy generation was at least 30 percent of FPL's 2019 generation level. Exhibit JJR-10 shows that FPL's net generation in 2019 was 126,508 GWh. There were nine utility companies with at least 30 percent of FPL's figure (the Industry group). I also separately considered Gulf, Duke Energy Florida, and Tampa Electric Company, the Florida utilities that own regulated generation assets.

Q. How do FPL and Gulf compare to their peers regarding air emissions?

A. FPL's performance in terms of greenhouse gas emissions is exceptional. In 2019, FPL emitted an average of 651 pounds of carbon dioxide per MWh compared to a peer group average of 955 pounds per MWh. FPL emitted 0.11 pounds of nitrogen oxides per MWh compared to a peer group average of 0.51 pounds per MWh. In addition, FPL's sulfur dioxide emissions of 0.01 pounds per MWh are approximately three percent of the peer group's generation weighted average emission rate of 0.40 pounds per MWh.[37]

Historically, Gulf has emitted more carbon dioxide, nitrogen oxides and sulfur dioxide per MWh than the peer group average. In 2019, Gulf emitted per MWh an average of 1,656 pounds of carbon dioxide, 0.61 pounds of nitrogen oxides and 0.34 pounds of sulfur dioxide, having produced 53 percent of its electric power from coal and 46 percent from natural gas combined cycle resources in 2019.

Among the Florida Utility Group, DEF's emissions fall between FPL and Gulf's levels. In 2019, DEF emitted per MWh an average of 1,055 pounds of carbon dioxide, 0.32 pounds of nitrogen oxides and 0.17 pounds of sulfur dioxide.

[37] In each of these emissions comparisons, FPL is compared to the generation-weighted average of proxy group emissions.

Q. What is FPL's effect on the emissions profile of the state of Florida?

A. FPL's generating stations have a profoundly strong effect on the emissions profile of the state of Florida. Excluding FPL's units from the state's average generation-weighted carbon emission rate would raise the average carbon intensity of Florida generation (in pounds per MWh) by approximately 38 percent. Nitrogen oxide emissions per MWh would be approximately 83 percent higher, and sulfur dioxide emissions would be 145 percent higher without the effect of the Company's stations.

Q. Is Gulf's emission profile expected to improve after FPL and Gulf merge into a single integrated power system?

A. Yes. While Gulf has historically had the highest emissions profile of the four Florida utilities, it can be expected that once FPL and Gulf fully merge and optimize the dispatch of its combined generation fleet to serve a single integrated power system with planned new solar PV additions from 2020 to 2029 of approximately 7,300 MW and 1,560 MW in former FPL's and Gulf's service areas, respectively,[38] in addition to the recent conversion of the Gulf Clean Energy Center (formerly Plant Crist) from coal to natural gas, FPL's and former Gulf's combined emission profile will improve, benefitting all Florida customers. Indeed, as discussed by witness Broad, since its acquisition by FPL, Gulf's carbon emission rate has declined by 18 percent.

[38] Florida Power & Light Company and Gulf Power Company, Ten Year Power Plant Site Plan 2020 – 2029, April 2020.

Q. Are there benefits associated with FPL's commitment to a clean energy portfolio that are not reflected in base rates?

A. Yes. While FPL's investments in making its fossil-fueled generating portfolio significantly more efficient are reflected in FPL's base rates, the savings associated with this improved efficiency are ultimately reflected in lower fuel and environmental compliance costs, which are recovered through separate adjustment clauses outside of base rates.

Stability and Level of Rates

Q. Are there characteristics of Florida regulation that have helped enable FPL to outperform comparable utilities in cost efficiency despite facing significantly greater situational challenges compared to its peers in the industry?

A. Long-term rate solutions have been a hallmark of Florida regulation over the last 22 years, providing a significant degree of stability and certainty that otherwise would not have been possible. As such, Florida utilities generally average much longer intervals between rate cases than other utilities in the U.S. For example, going back to 1980, the state of Florida achieved the sixth-longest stay-out duration between initial rate case filings out of the 50 states.[39]

[39] Rate case data sourced by S&P Global Market Intelligence. Rate case stay-out calculated as time duration, in days, between the filing date and the company's previous filing date in that state. These durations were then averaged for all cases in that state since 1980. Stay-out durations in Florida averaged 2001 days, ranking 6th-longest amongst all states. FPL also ranks 6th when considering time between the initial rate case filing and last authorized increase.

Additionally, FPL, on a company basis since 1980, averages 2,140 days between rate case filings, compared to the nationwide utility median of 692 days. Subsequent rate stability has manifested itself in low volatility in FPL's typical residential total bill between 2010 and 2019. As shown in Exhibit JJR-14, page 1, FPL has had the sixth lowest volatility in typical residential total bill of the Southeastern U.S. Group and second lowest volatility among the Florida Utility Group, where volatility was calculated as the standard deviation of the year-over-year percent change. Gulf has had the tenth lowest volatility in typical residential total bill among the Southeastern U.S. Group and highest volatility among the Florida Utility Group.

Q. How have FPL's rate levels compared to Southeastern U.S. Group and Florida Utility Group peers?

A. Compared to electric utilities in the Southeastern U.S. Group, FPL has maintained some of the lowest, most stable typical residential bills. As shown on page 1 of Exhibit JJR-14, in every year from 2012 through 2019, FPL's typical residential bill was either the lowest or second lowest among the Southeastern U.S. Group, and prior to 2012 was ranked consistently in the lowest five.

FPL average rates have traditionally been lower compared to rates charged by peer companies in Florida and the broader Southeastern U.S. Region for the residential and commercial rate classes, and close to, if not lower than, its peers for the industrial rate class. To benchmark FPL's rates, I calculated FPL's

historical rates in comparison to the average of other electric utility peer companies' rates in Florida and the Southeastern U.S. Region using data compiled by S&P Global Market Intelligence from EIA Form 861 from 2010 through 2019. Results of my rate comparison[40] are shown in Exhibit JJR-14, pages 2 through 4 and are summarized as follows:

In 2019, FPL's residential rate was $0.010 per kWh less than the average rate for the Southeastern U.S. Group, $0.017 per kWh less than the average rate for the Florida Utility Group, and $0.026 per kWh less than DEF's residential rate. In fact, since 2010, FPL's residential rate has been less than both Southeastern U.S. Group and Florida Utility Group average residential rates and DEF's residential rate in every year. Since 2010, FPL has maintained a residential rate, that on average, is 6.5% less than the Southeastern U.S. Group average, 14.7% less than the Florida Utility Group average, and 18.0% less than DEF's residential rate. Based on FPL's total volume of 60,338 GWh of annual residential usage in 2019, FPL's less expensive residential rates translate to $632 million in annual savings over the Southeastern U.S. Group average residential rate, $1,050 million in annual savings over the Florida Utility Group average residential rate, and $1,563 million in annual savings over DEF's residential rate. In other words, FPL's residential customers would have paid

[40] Where applicable, I excluded Gulf from industry average calculations.

several hundred million dollars more annually, if they did not benefit from FPL's favorable rates.

FPL's commercial and industrial customers received similarly favorable rates in 2019 compared to industry peers. In 2019, FPL's commercial customers paid on average $0.014 per kWh less than DEF's commercial customers, $0.011 per kWh less than the Florida Utility Group average rate, and $0.005 per kWh less compared to the lower Southeastern U.S. Group average rate, translating to $689 million, $518 million, and $222 million in annual savings, respectively, based on FPL's total volume of 48,539 GWh of annual commercial usage in 2019.

In 2019, FPL's industrial customers paid on average $0.022 per kWh less than DEF industrial customers and $0.018 per kWh less than the Florida Utility Group average rate translating to $66 million and $55 million in annual savings, respectively, based on FPL's total volume of 2,994 GWh of annual industrial usage in 2019. FPL's 2019 industrial rate was $0.002 per kWh more the Southeastern U.S. Group average.

In addition, FPL has consistently maintained a proven track record of providing substantial savings to its residential and commercial classes. In total for the past ten years since 2010, FPL residential savings total $14.3 billion as compared to service under DEF's rates, $11.2 billion over the Florida Utility

Group average rates and $4.5 billion over the Southeastern U.S. Group average rates, with an annual average savings of over $1,432 million, $1,125 million and $455 million, respectively. FPL's commercial savings for the same period total $5.4 billion over the Florida Utility Group rates, $5.2 billion over DEF rates, and $1.0 billion over the Southeastern U.S. Group rates, with an annual average savings of $546 million, $527 million, and $102 million, respectively. These figures demonstrate that FPL residential and commercial customers have consistently benefited from FPL's low rates over the past ten years, not just in 2019.

Figure 32: FPL Annual Residential Bill Savings

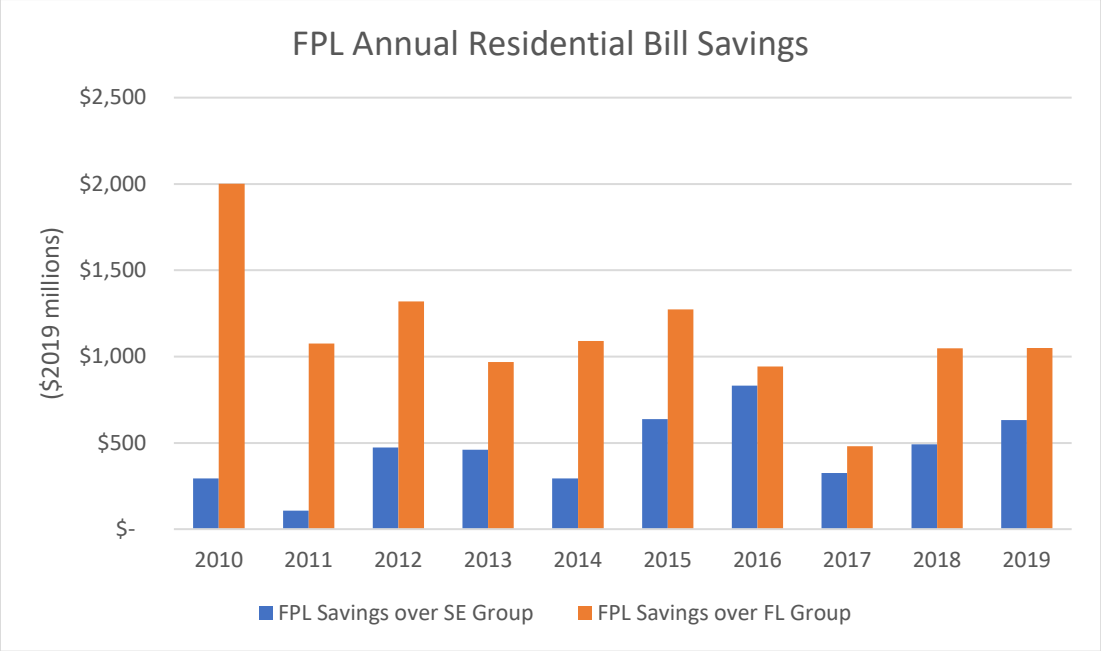


Figure 33: FPL Annual Commercial Bill Savings

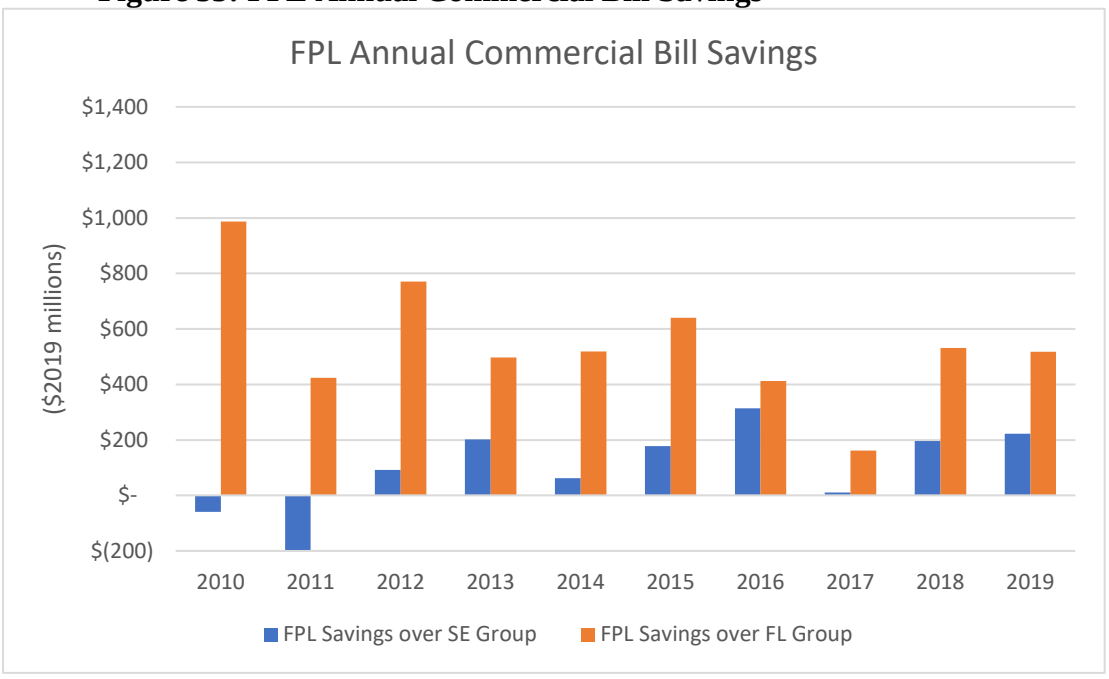
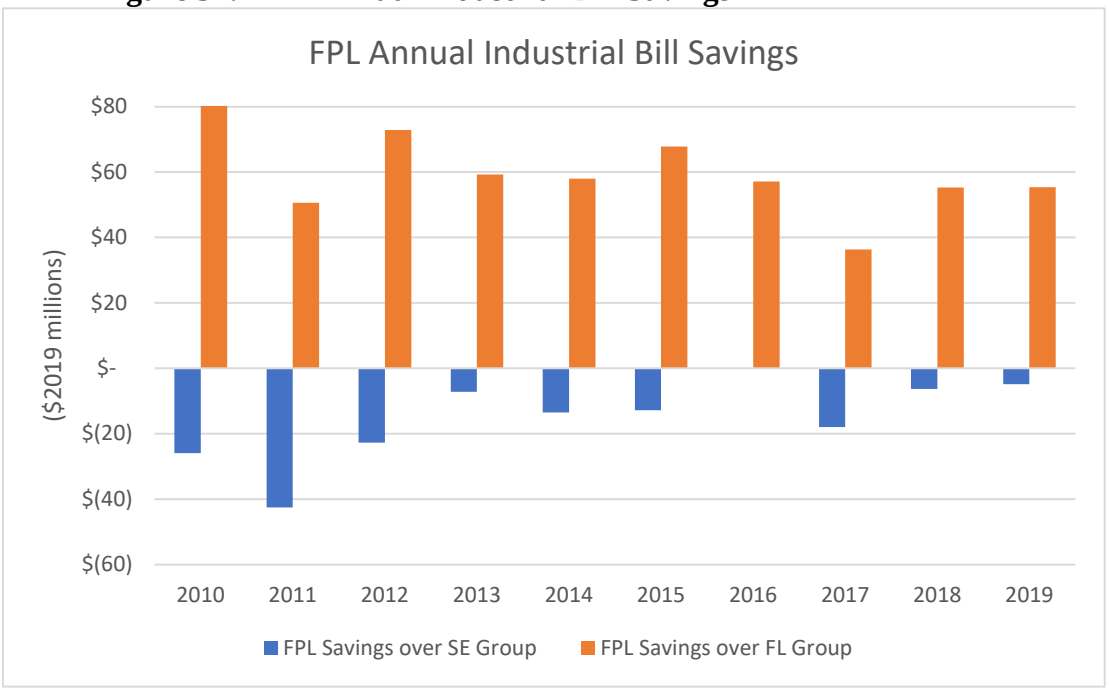


Figure 34: FPL Annual Industrial Bill Savings



Benchmarking Conclusion

Q. What are your conclusions regarding FPL's and Gulf's performance relative to the peer groups?

A. FPL has performed exceptionally well in comparison to its peers. In particular:

- FPL has ranked in the top decile of the 28 companies in the Straight Electric Group in every year for the past 10 years and has been the top performer for the past nine years.
- FPL has ranked as the top (out of four) Florida utility in each of the past 10 years.
- FPL has ranked as the top large utility (out of 11) in each of the past 10 years.
- FPL has outperformed comparable utilities in cost efficiency despite facing significantly greater situational challenges compared to its peers in the industry.

FPL's exceptional performance has resulted in significant economic and reliability benefits for its customers. For 2019 alone, if FPL had been merely an average performer:

- FPL's non-fuel operational and maintenance costs charged to customers would have been $2.6 billion higher than actual costs
- FPL's annual fuel costs charged to customers would have been $595 million higher than actual costs

- FPL's customers would have experienced 98 percent worse reliability on average over the last five years with an average interruption duration of 107 minutes, rather than FPL's actual average duration of 54 minutes.

Gulf is the smallest of the four Florida utilities in terms of net generation and number of electric customers served. These factors, prior to being acquired by NextEra, disadvantaged Gulf in terms of cost efficiency. In particular:

- Gulf's overall cost efficiency performance is ranked lowest among this peer group for each of the last nine years.
- Gulf operational performance has been at or above industry average levels over the past 10 years.

Despite the fact that the available benchmarking data do not cover the period when Gulf was more fully integrated into FPL, Gulf has already shown improvements in some cost efficiency and SAIDI, SAIFI, and CAIDI reliability metric rankings in 2019 since being acquired. In 2019, under new ownership, Gulf improved its non-fuel O&M per customer ranking, moving from 10th among the Straight Electric Group to 9th, despite its 2019 metric including one-time acquisition-related A&G expenses, with a non-fuel O&M per customer cost that is 14% lower than the average utility. Gulf has also made noticeable improvements in 2019 cost efficiency metrics for customer expense, labor efficiency, distribution O&M expense, and non-fuel production O&M expense, but there is still significant opportunity for cost efficiency improvements related

transmission O&M expense, uncollectible expense and gross asset base metrics and associated cost savings.

While data required to benchmark Gulf's 2020 performance against all companies included in my benchmarking study's peer groups is not yet available, I did review NextEra Energy's investor presentation for fourth quarter 2020, which shows that Gulf's non-fuel O&M cost efficiency performance and SAIDI distribution reliability metrics improved significantly in 2020 by approximately 17% to 21% compared to 2019.

VI. ROE PERFORMANCE INCENTIVE

Q. Is FPL seeking continued approval of an incentive to the Commission-approved ROE?

A. Yes. FPL is seeking approval of an ROE incentive to recognize and provide an ongoing incentive for the Company's provision of superior service. The proposed incentive to FPL's authorized ROE would recognize FPL's strong track record of exceptional performance in delivering superior value to its customers and as an incentive to promote future strong performance.

Q. Please describe the Company's requested ROE incentive.

A. The Company's proposal is for a one-half percentage point ROE incentive, which, taken in combination with FPL witness Coyne's proposed ROE, results in a Company-recommended allowed retail regulatory ROE midpoint for FPL

of 11.50 percent based on an overall capital structure of 59.6% equity and 40.4% debt.

Q. How does Duke Energy Florida's recently filed settlement with the FPSC compare to FPL's proposed ROE?

A. On January 14, 2021, DEF filed a settlement agreement in Docket 20210016-EI, which if approved by the FPSC, would include a proposed return on equity band of 8.85% to 10.85% with a midpoint of 9.85% based on a total capital structure of 53% equity and 47% debt. The ROE band would be increased by 25 basis points if the average 30-year U.S. Treasury rate increases 50 basis points or more over a six-month period, in which case the midpoint ROE would rise from 9.85% to 10.10%. If the trigger occurs, the revenue requirement increase would be capped at $24 million in 2022 or $27 million in 2023 and 2024.

Q. Can you comment on Duke Energy Florida's recently filed settlement relative to FPL's proposed ROE incentive in this proceeding?

A. The results of my benchmarking study show that FPL has created dramatic cost advantages for its customers at a time when FPL's reliability and customer service metrics were also far superior than those of its peers, including DEF.

Since DEF's last filed rate case in 2010, DEF's non-fuel O&M per MWh increased by 8%, while FPL's non-fuel O&M per MWh decreased by 24%. FPL's 2019 non-fuel O&M per MWh is only 48% of DEF's non-fuel O&M per

MWh value, compared to 2010 when FPL's non-fuel O&M per MWh was 68% of DEF's value.

Since DEF's last filed rate case in 2010, DEF's distribution CAIDI worsened, increasing by 23% from 2010 (76 minutes) to 2019 (93 minutes). In contrast, FPL's CAIDI has steadily improved by 28% from 2010 (84 minutes) to 2019 (60 minutes). While DEF's SAIDI improved by 3% from 2010 (93 minutes) to 2019 (90 minutes), FPL's SAIDI improved by 36% from 2010 (77 minutes) to 2019 (49 minutes).

FPL's level of superior performance created $1.3 billion[41] in annual non-fuel O&M saving benefits for its customers in 2019 compared to if FPL had operated at DEF's 2019 level of performance. These savings in effect equate to an approximate 380 basis point incentive to DEF's proposed settlement ROE midpoint of 9.85% when measured against FPL's 2022 revenue requirement. This is equivalent from a customer's perspective of allowing FPL an ROE of 13.64%. FPL's proposed ROE midpoint of 11.50%, which is 165 basis points above DEF's ROE midpoint, represents the equivalent of significantly less than half of the rate savings that FPL is achieving as compared to DEF's cost levels.

[41] $1,347 million in 2019 annual non-fuel O&M savings compared to DEF. (Exhibit JJR-8, page 1 of 2).

Q. Why is it appropriate for the Commission to approve the inclusion of an ROE incentive?

A. As I have previously discussed, my benchmarking analysis shows that FPL has consistently and substantially out-performed similarly sized companies, including DEF, across a wide array of financial and operational metrics including:

- cost efficiency,
- service quality and system reliability,
- operational performance including emissions, and
- rate level and stability.

The Company has achieved these results in spite of the fact that it faces a greater than average set of challenges (i.e., "degree of difficulty") from exogenous factors that impact a utility's ability to achieve top performance.

FPL has demonstrated superior performance in many areas of reliability, and financial and operational efficiency, which provides customers significant savings as compared with average industry performance. These benefits are the result of focused efforts by the Company and are enhanced by FPL's strong operational record.

Since the acquisition in January 2019, Gulf has already shown improvements in some cost efficiency and operational metric rankings, including non-fuel O&M per customer ranking and observable improvements in 2019 SAIDI, SAIFI, and CAIDI distribution reliability metrics.

It is important to establish a framework that provides the right incentive on a forward-looking basis. The Commission should encourage and reward the Company's strong performance, which provides very substantial benefits to its customers in terms of superior service reliability and lower rates.

Q. Has the Florida Public Service Commission allowed ROE incentives in previous rate proceedings?

A. Yes. FPL's proposal for a one-half percentage point ROE performance incentive is consistent with the Commission's past practice. In particular, in 2002, the Commission added 25 basis points to Gulf's ROE mid-point in recognition of what the Commission concluded was Gulf's high-level performance at that time. (Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI, p. 32, issued June 10, 2002).

Q. Have ROE incentives been allowed in federal or other state regulatory proceedings?

A. Yes. The Federal Energy Regulatory Commission and no fewer than 15 State regulatory commissions have adopted regulated returns which specifically considered the companies' operating performance. In addition to Florida and the Federal Energy Regulatory Commission, the regulatory agencies in

Alabama, Iowa, Indiana, New Mexico, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Virginia, and Wisconsin have all adopted authorized returns with adjustments to reflect past operating performance. Examples and descriptions of authorized returns with adjustments to reflect past operating performance are provided in my Exhibit JJR-15.

I offer these comparisons not for the purpose of saying that these mechanisms are the same as FPL's proposed ROE incentive, but rather to show that Florida is not alone regarding inclusion of ROE incentives as many other jurisdictions have also supported ROE incentives.

Q. Of the state jurisdictions you identify above, are there any in particular you would like to discuss regarding authorized increases in ROE for management performance?

A. Yes. The Pennsylvania Public Utility Commission has authorized increases to the ROE to reward management performance on several occasions citing Section 523 of the Public Utility Code, 66 Pa. C.S. §523, which states:

> The commission shall consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates under this title.

In December 2012, the Pennsylvania Public Utility Commission decided to authorize a management performance incentive to the ROE in a PPL rate

case. In PPL's Direct Testimony, the Company argued that they deserved the ROE adjustment for the following reasons:

The utility's management has delivered safe, reliable, and high-quality service at reasonable rates despite upward cost pressures, declining revenues, and lower credit ratings.

Management has taken steps to address these issues by investing in new technology to improve productivity (AMI, smart grid, etc.), adding a distribution automation system, investing in a new asset management stem, developing a new storm process, focusing on aging infrastructure, focusing capex on customer choice.

Reliability has improved since the prior rate case, citing capital investments.

The Commission wrote in its Decision:

> Based upon our analysis of the evidence of record, we are persuaded by the arguments of the Company that its management performance related to its advanced metering infrastructure, operating initiatives, customer contact center, electric competition, customer education, energy efficiency programs, and customer assistance programs is laudable and warrants consideration as a factor in our final cost of equity allowance... Accordingly, we shall grant PPL's Exception and adopt its twelve basis point management effectiveness adjustment to our prior return on equity recommendation in recognition of its exemplary managerial performance (Docket Number R-2012-2290597, December 2012).

Q. How does FPL's management performance compare to PPL's?

A. As shown in my Exhibit JJR-4, the results of my benchmarking study indicate that FPL has outperformed PPL in the Large Utility Group rankings for overall cost efficiency for each of the past 10 years, being consistently ranked first among the Large Utility Group, while PPL's average ranking for the 10-year period is sixth, or mid-level among the 11 peer companies. In fact, in 2012, the year PPL was awarded a 12 basis point performance based ROE incentive, PPL's overall cost efficiency metric ranked tenth out of 11 peer companies.

Q. Based upon your research and analysis, do you have a specific recommendation to the Florida Public Service Commission as to the inclusion of an ROE performance incentive to be reflected in the authorized return on equity for FPL in this proceeding?

A. Yes. The Florida Public Service Commission has granted in the past, an increase in a company's authorized return on equity to reward strong performance. FPL has consistently demonstrated strong fiscal responsibility, producing billions of dollars of savings for its customers, and has provided highly reliable, increasingly clean and efficient electric service at consistently affordable and stable rates. As such, I believe that the Company's proposed performance incentive of 0.50% for the allowed return on equity is appropriate given (1) FPL's strong performance, as demonstrated by my benchmarking assessment, and (2) good public policy to incentivize and recognize top tier performance. Such an incentive would produce incremental revenue requirement of $178 million per year in 2022, which is a small fraction of the

$3.158 billion[42] in annual customer benefits that FPL's performance has created for its customers in 2019.

VII. RATE CONSOLIDATION

Overview

Q. Please comment on the Company's proposed consolidation of FPL and Gulf rate structures.

A. The Company's proposed rate consolidation strikes an appropriate balance between applicable regulatory principles. As I discuss in the following section of my testimony, rate consolidation represents the union of ratemaking, merger benefits and public policy considerations, all of which bear on the question of how, and when, two utilities' sets of rates should be harmonized.

Ratemaking Considerations

Q. Please discuss key considerations and objectives in utility ratemaking.

A. Key considerations and objectives in utility ratemaking include:

having cost responsibility reflect cost causation, ensuring that rates do not unduly discriminate in favor of, or against, any customer or group of customers,

[42] $2,563 million in 2019 annual non-fuel O&M savings compared to Straight Electric Group mean (Exhibit JJR-8, page 1 of 2) plus $595 million in 2019 fuel cost savings compared to industry average heat rate (Exhibit JJR-8, page 2 of 2).

including favoring one locality over another, promoting economic efficiency, and achieving rate stability and public acceptance of rate structures.

These ratemaking objectives can conflict with each other yet must all be considered while promoting administratively feasible and effective solutions. The Company's proposed rate consolidation strikes an appropriate balance between these ratemaking objectives.

Q. Please discuss how the Company's proposed rate consolidation plan addresses the first two ratemaking considerations regarding having cost responsibility reflect cost causation and ensuring that rates do not unduly discriminate in favor of any customer or group of customers.

A. The proposed rate consolidation considers the cost of providing service to each class and the load characteristics of the various customer classes. By aligning former Gulf's rate schedules with FPL's rate eligibility criteria, the load characteristics of customers within each customer class will become more similar, as will the cost to serve each customer within the class. This alignment process allows the Company's proposed rate consolidation to provide a unified, systematic, and objective method to allocate costs through the application of company-wide allocation factors to the costs of serving all customers of the combined system to customer classes.

Starting January 1, 2022, FPL's proposed consolidated rates will reflect the reality that customers are receiving service from one functionally integrated

company and from a common set of assets and employees, without geographical distinction between former FPL and Gulf service areas. Gulf customers will be treated the same way FPL customers are treated today, where cost differences across customer classes are reflected in the rates.

As time passes, an attempt to continue the pre-merger / pre-consolidation distinctions between customers in the former Gulf region and the former FPL region would become increasingly challenging and arbitrary, as investments designed to benefit the entire system get rolled into pre-merger rate bases. A balancing of policy objectives is required in order to provide no undue or unreasonable preference to one locality over another, while also considering differences in the cost of service; the proposed transition rider and offsetting credit, which will be eliminated over time, achieves this balance while temporarily reflecting an initial difference in the cost to serve the former two systems to be gradually phased out.

Q. Please explain how FPL's proposed rate consolidation plan addresses economic efficiency.

A. Under the Company's proposed rate consolidation plan, the phase-out of the transition rider and offsetting rate credit as discussed in FPL witness Cohen's testimony, combined with the proposed multi-year rate plan, provides an efficient price signal to seek out and implement cost-effective improvements in operations which will benefit both sets of customers from former FPL and

former Gulf, and which will ultimately be fully reflected in all FPL's customers' rates.

Q. Please explain rate stability, its relation to public acceptance and how FPL's rate consolidation proposal addresses these ratemaking considerations.

A. Stability and continuity mean that rate changes should be made in a predictable and gradual manner that allows customers reasonable time to adjust their consumption patterns in response to a change in rate structure. Rate stability, continuity and public acceptance of the proposed rates have been considered in developing the transition rider and offsetting rate credit proposal and in evaluating the fairness in merging the two sets of rates over time. Attempting to overcome the initial difference in cost to serve the two former systems too quickly may lessen public support. These factors have been considered in developing the consolidation proposal.

The Company's proposal gives further weight to stability and continuity by providing for the continuation of contractually established rates and seeking to limit the amount of change that any customer class faces in a single year. In addition, the transition rider, offsetting rate credit, and step-down proposal establish a reasonable period at the end of which no further distinctions need be drawn among customers served by the same entity on an equivalent basis, regardless of geographic location.

Q. Are there other criteria that should be considered in ratemaking?

A. Yes. Simplicity and understandability of rates is another criterion that should be considered. Simplicity means that the rate structure should be easily understood and any differences in rates should be understandable as being based on differences in costs, not differences in geography or attributes that don't lead to justifiable differences in the cost of providing service. In addition, consolidating former Gulf with former FPL rates eliminates customer confusion as all similarly situated customers will be on a path towards paying the same rates, regardless of whether they reside in the northern panhandle or in southern Florida.

Merger Benefits

Q. Please provide an overview of the merger benefits that have and will continue to inure as Gulf and FPL move towards full integration into a single corporation and single power system.

A. As discussed in the testimony of FPL's operational witnesses the merger and operational integration of Gulf and FPL is expected to produce hundreds of millions of dollars in savings and other benefits for customers over the duration of these rates. All customers have already started to benefit from the consolidation of FPL and Gulf, as much of the work to realize merger savings began at the time Gulf was acquired by NextEra in January 2019. FPL projects that consolidation will unlock greater than $2.8 billion of CPVRR benefit for customers.

My benchmarking study shows that Gulf has already shown improvements in many operational and cost efficiency metrics in the short time since being acquired by NextEra. Continuous improvements in system reliability through coordinated storm response, asset management and cost efficiencies resulting from consolidated operations and system planning will be achieved as a result of Gulf and FPL having legally merged into a single corporation in January 2021 and physically integrated into a single power system by end-of-year 2022.

Once FPL's and former Gulf's power systems are physically integrated into a single integrated power system, the Company will optimize generation dispatch, asset management and resource planning as a combined system to provide substantial long-term benefits to all its customers, regardless of whether a customer was once a former Gulf customer or a former FPL customer. Optimizing resource planning as a combined system will allow for increased siting flexibility with an opportunity to improve firm capacity values of solar, increased fuel diversity, reduced emissions, and reduced reserve margin requirements. All customers are better off if FPL takes a system-wide approach to capital planning and optimization, without concern for how the benefits and burdens flow to different divisions of an integrated system. Given FPL's historical sustainability of low rates on a standalone basis, as shown by my benchmarking study, and that integrating former Gulf and former FPL into a single combined power system will allow for more significant cost saving and

risk diversification benefits, a combined FPL is expected to continue to maintain low rates in the future.

Moving rates to the same basis as corporate decision-making through the Company's rate consolidation proposal should be considered by the Commission as a natural extension to the Company's consolidation of operations and the last step in the Company's merger process, reflecting the reality of a combined utility with a common cost of service, which has enormous quantifiable value to customers including projected system benefits, as described by FPL witnesses Sim and Bores, of approximately $1.5 billion as a result of generation upgrades already underway, the new transmission interconnection and the ability to dispatch from, and plan for, a common fleet of generation resources, and projected annual O&M savings of approximately $86 million,[43] which translates to CPVRR benefit of $1.3 billion.

[43] Projected annual O&M savings of $86 million is based on comparison of Gulf's forecasted 2022 adjusted O&M expense, on a standalone basis, of $168 million to Gulf's 2018 actual adjusted O&M expense of $254 million. See Company Witness Bores direct testimony, Exhibit SRB-3.

VIII. CONCLUSION

Q. Please summarize the major points of your direct testimony.

A. The results of my benchmarking analysis show that FPL has consistently and substantially out-performed similarly sized companies across a wide array of financial and operational metrics including:

- cost efficiency,
- service quality and system reliability,
- operational performance including emissions, and
- rate level and stability.

The Company has achieved these results in spite of the fact that it faces a greater than average set of challenges (i.e., "degree of difficulty") from exogenous factors that impact a utility's ability to achieve top performance and macro-economic trends that put significant cost pressures on FPL. FPL has done an exceptional job of controlling costs and achieving high levels of service to its customers.

In the short time since the acquisition in January 2019, Gulf has already shown improvements in some cost efficiency and operational metric rankings, another credit to FPL's superior management performance.

As a result of FPL's long-term planning strategy and superior management performance, FPL's customers have benefited from strong service reliability, rate stability and historically lower rate levels compared to the rates of other electric utilities in Florida and the broader Southeastern U.S. Region, resulting in significant annual savings. The Commission should encourage and reward the FPL's strong performance by adopting the Company's proposed ROE incentive, which is consistent with the Commission's authority, past policy and practice in addition to decisions made in other state regulatory jurisdictions and by FERC.

The Commission should also approve the Company's proposed rate consolidation, as it strikes an appropriate balance between applicable regulatory principles and ratemaking objectives.

Moving rates to the same basis as corporate decision-making through the Company's rate consolidation proposal is in the public interest, and should be considered by the Commission as a natural extension to the Company's consolidation of operations, as all customers are better off if FPL takes a system-wide approach to capital planning and optimization.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled rebuttal testimony of John J. Reed was inserted.)

ERRATA SHEET

WITNESS: **JOHN J. REED – REBUTTAL TESTIMONY**

PAGE #	**LINE #**	**CHANGE**
23	10	Remove “PSC-2017-0145-AS-EI” and insert “PSC-2017-0415-AS-EI”

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF JOHN J. REED

DOCKET NO. 20210015-EI

JULY 14, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John J. Reed. I am Chairman and Chief Executive Officer ("CEO") of Concentric Energy Advisors, Inc. ("Concentric") and CE Capital, Inc., which have their headquarters at 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. Did you previously file testimony in this proceeding?

A. Yes. I submitted direct testimony to the Florida Public Service Commission (the "Commission" or "FPSC") on behalf of Florida Power & Light Company ("FPL" or the "Company"), which is a wholly owned subsidiary of NextEra Energy, Inc., on March 12, 2021.

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

A. Yes. I am sponsoring the following rebuttal exhibit:

- JJR-16 – Combined Situational Assessment and Cost Efficiency Rankings.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to arguments of:

(1) Walmart Inc. ("Walmart") witness Steve Chriss, CLEO Institute and Vote Solar ("Vote Solar") witness Melissa Whited, Florida Rising, League of United Latin American Citizens of Florida, and Environmental Confederation of Southwest Florida, Inc. ("Florida Rising") witness Karl Rábago, Floridians Against Increased Rates,

Inc. ("FAIR") witness John Thomas Herndon and Office of Public Counsel ("OPC") witnesses Daniel Lawton and Kevin O'Donnell regarding FPL's proposed ROE Performance Incentive;

(2) FIPUG witness Jeffry Pollock, FAIR witness Timothy Devlin, Florida Retail Federation ("FRF") witness Tony Georgis, Florida Rising witness Karl Rábago, Vote Solar witness Melissa Whited, and OPC witnesses Daniel Lawton and Ralph Smith, regarding FPL's proposed RSAM and Four-Year Rate Plan; and

(3) OPC witness Ralph Smith, FIPUG witness Billie LaConte, and Federal Executive Agencies ("FEA") witness Michael Gorman regarding the JEA Consummation Payment.

II. ROE PERFORMANCE INCENTIVE

Q. Please summarize your reaction to Intervenor positions regarding the FPL's proposed ROE performance incentive.

A. Intervenor contentions and recommendations on this topic are inconsistent with regulatory policy objectives of incenting utility behavior that improves cost efficiency and system reliability, providing lower bills and improved service to customers. Intervenors fail to recognize FPL's exceptional performance; and attempt to discount it as a secondary result of FPL's dependence on natural gas fired generators and system investments. Some also incorrectly contend that

superior performance is the appropriate regulatory standard. These claims are unsupported and baseless, as I describe below.

Q. Do you agree with OPC witness Lawton and FAIR witness Herndon that exceptional service is the appropriate regulatory standard and should be a simple matter of routine operation?

A. No. As a practical observation, if witness Lawton and Herndon's contention were true, we would see a very different, more uniform level of performance among FPL's peers. That has not been the case as illustrated in the 2019 frequency distribution of Non-Fuel O&M per kWh for the Straight Electric Peer Group in Figure 1, below.

Figure 1: Frequency Distribution of 2019 Non-Fuel O&M $/kWh

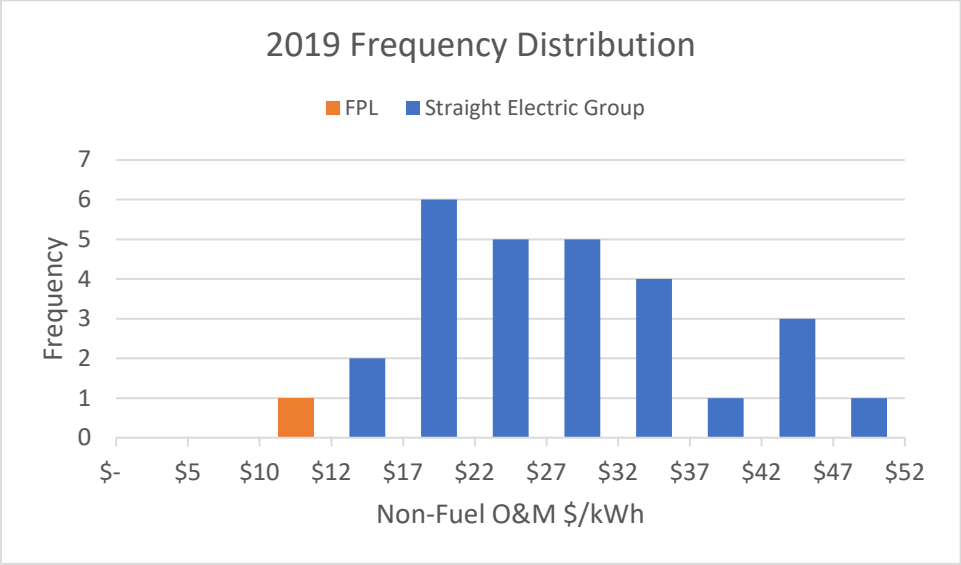


Figure 1 demonstrates significant cost performance differences among electric utilities, with FPL by far and away the low-cost leader. Referring to the benchmarking in my direct testimony, we likewise see very different levels of

performance in reliability and other key performance metrics even among similarly sized utilities.

Second, from a definitional standpoint, to claim that superior performance should be normal or routine is indefensible, as a matter of math and semantics. Definitionally, "superior" is neither normal nor routine. So to achieve superior performance, one would have to perform at least an above average level for electric rates, customer interruptions, and emission rates.

For 2019 alone, if FPL had been merely an average performer, its non-fuel operational and maintenance costs and its annual fuel costs charged to customers would have been higher than its actual costs by $2.6 billion[1] and $595 million,[2] respectively. In addition, if FPL had been an average performer rather than an exceptional one, FPL's customers would have experienced an average service interruption with twice as long of a duration.[3]

As shown in Figure 1 above and by the results of my benchmarking study provided in Exhibits JJR-3 through JJR-14, FPL's performance has been exemplary over each of the past ten years. Compared to electric utilities in the Southeastern U.S. Group, FPL has maintained some of the lowest, most stable residential rates as shown in Exhibit JJR-14.

[1] See page 50 of Reed direct testimony and Exhibit JJR-8, page 1 of 2.
[2] See page 81 of Reed direct testimony.
[3] Metric comparison is for FPSC Distribution Only SAIDI. Florida Utility Group five-year average distribution SAIDI of 107 minutes includes Florida Public Utilities and excludes FPL and Gulf. See page 77 of direct testimony.

Q. Is OPC witness O'Donnell correct in his assertion that FPL's low customer bills and best-in-class non-fuel O&M performance are primarily due to low natural gas prices and the fact that gas plants require fewer employees?

A. Absolutely not. I benchmarked FPL's cost performance across each major function including Non-Fuel Production O&M, Transmission O&M, Distribution O&M, A&G Expense, Customer Expense, Uncollectible Expense, Days Sales Outstanding, Labor Efficiency, Total Non-Fuel O&M, Gross Asset Base and Additions to Plant per Incremental Customer as provided in Exhibit JJR-6 and FPL stands as best-in-class. Further, when comparing FPL, Duke Florida, and Tampa Electric regarding the percent of generation from natural gas, FPL's percentage is the lowest (OPC witness O'Donnell, Table 12). Accordingly, it should follow from witness O'Donnell's contention that both Duke Florida and Tampa Electric would have lower bills and lower non-fuel O&M. That is not the case.

Duke Energy Florida's 2019 typical residential bill[4] is $128.68, Tampa Electric is $101.56 and FPL is $100.85. Duke Energy Florida's 2019 non-fuel O&M is $24.70/MWh, Tampa Electric is $19.71/MWh, and FPL is $11.81/MWh.[5] FPL's track record on cost management is unparalleled, consistently demonstrated across all areas of the business and across many years.

[4] Average of 2019 summer and 2019 winter typical 1,000 kWh residential total bill as reported by Edison Electric Institute and presented in Exhibit JJR-14, page 1 of 3.

[5] Exhibit JJR-6, page 29 and Confidential Exhibit JJR-6 workpaper provided in response to OPC First Request for Production of Documents No. 36.

Q. Florida Rising witness Rábago and Vote Solar witness Whited present utility rankings for average residential electric bills, with Rábago even disagreeing with the use of a 1,000 kWh per month typical bill comparison. How do you respond?

A. I disagree with their contentions; bill comparisons need to be made on some normalized basis, and we have used the typical residential 1,000 kWh/month bill, which is the industry-accepted benchmark utilized and reported by the EEI to compare a residential bill at a certain usage level to other utilities. There are many significant variables that affect residential electrical load characteristics much more so than the availability of utility sponsored energy efficiency programs, which is the factor Ms. Whited focused on. Most notable are regional differences in weather that drive large differences in summer air conditioning and winter heating load. In addition, regional differences in availability and penetration level of natural gas, heating oil and/or propane and building characteristics also drive average residential use per customer.

Comparison of all-in $/kWh energy rates allow for a comparison of a utility's production cost against another. In addition to production cost efficiency, differences in regional system load factor and fuel supply infrastructure will drive regional differences in production costs. For this reason, I benchmarked FPL's energy rate against only southeastern large investor-owned utilities. For these same reasons, the average residential customer bill comparisons presented in Whited's and Rábago's testimonies do not allow for a meaningful

comparison of production cost efficiency benchmarks as the rankings are skewed by large regional differences. Customer load characteristics, service area demographics, and fuel infrastructure in New York are very different from those in Florida. For these reasons, Mr. Rabago's and Ms. Whited's analyses are basically meaningless.

Q. Florida Rising witness Rábago's characterizes FPL's plant investments and prior investment decisions as "excessive" and "unwise." How do you respond?

A. Mr. Rábago's generalization of FPL's "excessive plant investments and early retirements of uneconomic plants and unwise prior investment decisions" is not accurate and is entirely unsupported. FPL has been consistent throughout by making informed decisions based on most up to date cost projections used to evaluate the CPVRR of various scenarios. Retiring an uneconomic power plant in a manner that can generate customer savings is a "wise" decision. Doing nothing and continuing to operate an uneconomic power plant without making any attempt to mitigate costs overmarket, would be an "unwise" decision. The fact that the plant is retired early does not mean the original decision to build it was "unwise." As stated by the Commission, "Conditions, Company plans, and regulatory requirements change."[6] Some companies are considered more proactive than others in responding to, and even anticipating, change; FPL has been one of the industry leaders in this regard and its customers are demonstrably better off as a result.

[6] Order No. PSC-10-01530FOF-EI

Q. OPC witness Lawton seems unconvinced as to the level of FPL's performance, questioning whether there has been a complete review of FPL's historical performance. How do you respond?

A. Although witness Lawton makes the statement, his testimony did not include any reference to my direct testimony or exhibits, where I discuss and show the results of my benchmarking study. I benchmarked FPL's financial and operational performance over the past ten years relative to four peer groups, the results of which shows that FPL has consistently and substantially out-performed similarly sized companies across a wide array of financial and operational metrics including:

- cost efficiency – the ability to maximize output and minimize costs,
- service quality and system reliability,
- operational performance including emissions, and
- rate level and stability.

This performance has put customers of FPL in a highly favorable position in terms of the level and value of service they receive.

Q. OPC witness Lawton claims that customers have been paying rates based on a 35% federal income tax rate rather than the statutory 21% tax rate as added profits at the expense of customers." How do you respond?

A. He is wrong factually and also wrong as a matter of basic ratemaking. He also appears to be attempting to re-argue an issue pursued by OPC in 2018 that has already been decided by the Commission First, Lawton fails to mention that

FPL used the tax savings resulting from the Tax Cut and Jobs Act of 2017 to partially restore the reserve amortization after FPL did not seek cash recovery from customers for approximately $1.3 billion in storm restoration costs for Hurricane Irma that caused damage throughout much of FPL's service territory in September 2017. Instead of collecting $1.3 billion from customers though a storm surcharge, FPL used available reserve amortization to offset the book expenses related to Hurricane Irma storm restoration[7], and used the tax savings to fund the restoration cash costs. The use of these funds for these purposes did not result in "added profits." This is the issue previously decided by the Commission.

Second, when rates are established by Commission order, whether as a litigated outcome or in the context of approving a settlement agreement, those rates remain in place until modified by Commission order. Costs and revenues of course vary during the rate effective or settlement agreement period and utilities report their earnings (as FPL did with this Commission) based on those actual costs and revenues. Any change in tax obligations, or any other cost or component of revenue, naturally flows through such earnings reports. Thus, where a regulator reviews such reports and, as in this case, confirmed that FPL was earning within its authorized range, witness Lawson's contention is meritless.

[7] FPL 2019 FERC Form 1

Q. OPC witness Lawton also raises gas hedging as a criticism of FPL's performance. How do you respond?

A. Witness Lawton's comment that "hedging is a costly practice" is a matter of him misapplying the purpose of hedging and (recent) history. Lawton's comment suggests he is looking for the Company to outperform the market on fuel procurements, which is not consistent with hedging. He therefore will see any unfavorable deviations to the option of "not hedging" as "expensive." This comparison is both unfair, based on 20/20 hindsight, and reflects a complete lack of understanding as to the nature and purpose of hedging. Hedging is not about outguessing the market. Those utilities who implement fuel price hedges and regulators who approve fuel hedging for utilities do so for the purpose of reducing price volatility, not to try to outguess where fuel prices will be. Hedging decisions are made well in advance of natural gas flow and therefore at the time a hedging decision is made, the Company doesn't know and doesn't pretend to predict what the actual market settlement price will be. Mr. Lawton purports to hold FPL to a standard that does not exist and never existed with respect to a bona fide fuel hedging program.

Q. Walmart witness Chriss contends that the requested ROE performance incentive "appears to be arbitrary in its derivation and much higher than the comparable adders cited" for Gulf Power and PPL. How do you respond?

A. I disagree. There are few utilities of FPL's size that are in such a challenging position like FPL, as illustrated by my situation assessment, that establishes the

"degree of difficulty" that a utility's management faces in achieving top performance. By arraying the situational assessment rankings or "degree of difficulty" on one axis and cost efficiency rankings on a second axis, we can evaluate whether management has outperformed or under-performed relative to peer group companies. In Figures 2 and 3 shown below, I have updated the combined situational assessment and cost efficiency rankings for the Straight Electric Group from Exhibit JJR-9 to include PPL and present the results for years 2012, reflecting when PPL was authorized a 12 basis point performance-based adder and 2019. Similar comparisons for ten years (2010 through 2019) are provided in Exhibit JJR-16. As shown in these charts, PPL has not achieved cost efficiency levels that even come close to FPL's performance. FPL's stand-alone position in the far upper right quadrant in Figures 1 and 2 below and Exhibit JJR-16 indicate that FPL has significantly outperformed all other utilities in the nation, including PPL and Gulf Power. FPL's relative performance to PPL and Gulf Power, supports the Company's request for a performance-based incentive that is greater than those previously provided to PPL and Gulf Power, to maintain and improve FPL's current level of management performance, which includes continuing to integrate Gulf into FPL's electric power system and business model.

Figure 2: 2012 Combined Situational Assessment & Cost Efficiency Ranking

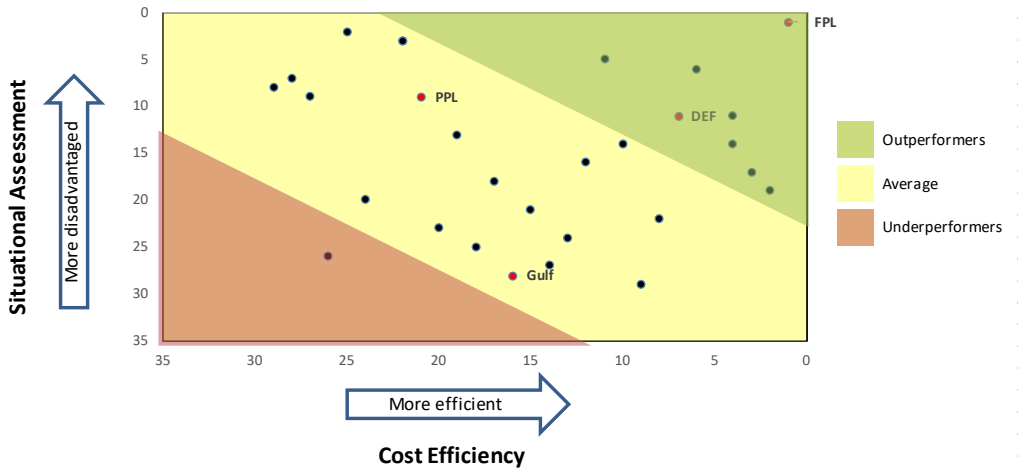
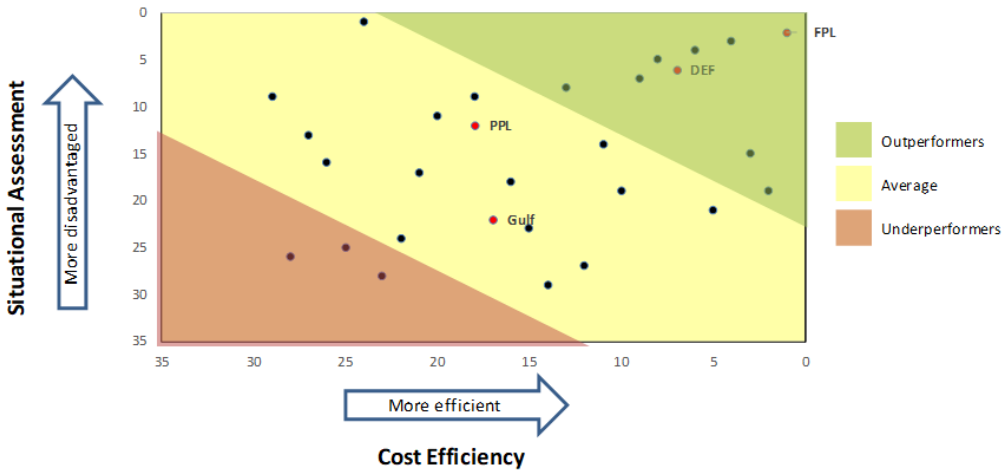


Figure 3: 2019 Combined Situational Assessment & Cost Efficiency Ranking



III. RESERVE SURPLUS AMORTIZATION MECHANISM

Q. Please summarize the intervenor witnesses' contentions regarding FPL's RSAM proposal, which you respond to in the Section III.

A. The intervenor arguments fail to acknowledge that FPL's proposed RSAM is a core part of the Company's proposed multi-year rate plan, and that rejecting RSAM would incapacitate the Company's Four-Year Rate Plan. Intervenor contentions illustrate their misunderstandings regarding how the proposed RSAM and revenue requirements work and that depreciation parameters, the pace of reserve amortization and allowed return must be part of an integrated depreciation study. Intervenors' myopic zero-sum thinking fails to see how FPL's proposed Four-Year Rate Plan, as enabled by RSAM would benefit both FPL's customers and its investors; and ignores FPL's superior management performance and resulting cost efficiencies allowed through longer stay outs from general base rate case proceedings as enabled by RSAM.

Q. Does RSAM as proposed by FPL create intergenerational inequities?

A. Absolutely not. Because amortization of the reserve surplus may only be made prospectively as no correction can be made to the accounts of prior customers, it is unavoidable that there will be some difference in treatment among generations should depreciation parameters change during an asset's life. However, this in no way suggests any unfair or inequitable treatment of those customers. Given that FPL's assets in service span vintages with in-service dates at least as far back as the 1970s, a reserve surplus is not the result of an over-collection from current customers. As a theoretical estimate at the current

point in time, based on current depreciation assumptions, the reserve surplus is very different from the deferred incremental variations in fuel costs that are recovered from, or refunded to, ratepayers through a fuel adjustment clause mechanism. For such fuel overcollections, the fuel has been consumed and its cost can be fully reconciled and addressed. For assets in service, the service life is still uncertain, and no permanent reconciliation and disposition is possible. For these reasons, there is no customer refund obligation associated with a depreciation reserve surplus.

If there is a reserve surplus, we would expect that current and future customers will pay less in depreciation expense than prior customers did for the same use of the asset, regardless of the time period over which the surplus is amortized (or whether or not FPL's RSAM proposal is approved).

Q. Intervenor witnesses Devlin, Lawton and Pollock argue that the Company's RSAM proposal will cause future customers to "pay more" for the assets in rate base. How do you respond?

A. Intervenor witnesses appear to misunderstand how the revenue requirements work. As discussed above, the existence of a theoretical reserve surplus necessarily means that future customers will pay less in depreciation expense over the remaining life of the assets than they otherwise would as that surplus is returned over whatever amortization period is utilized, i.e., future depreciation expense will be reduced by the amortization. Because depreciation expense must be non-negative, amortizing the surplus does not

"add to rate base," but rather slows the reduction in rate base. More importantly, amortizing the surplus restores rate base to where it theoretically should be, had the current depreciation parameters always been in place. The fact that the reserve surplus is being amortized prospectively means current and future customers always will pay no more than their ratable share of the assets and will in fact receive a share (over some period) of the benefit of that surplus as it is amortized. Further, in any event, the conclusion of these witnesses takes far too narrow a view of this issue, completely ignoring the multi-year benefits, including the deferral of future base rate increases, produced through an RSAM-enabled plan.

The intervenor arguments also fail to acknowledge that the depreciation reserve surplus relates to investor supplied capital, and not customer supplied capital. How the reserve surplus is returned, and how it is used by the Company should reflect this. It is therefore appropriate to use the reserve surplus as a balancing buffer, and other uses that relate to investor capital.

Under a traditional ratemaking framework, the reserve surplus is typically amortized over the remaining life of the assets. However, there is more than one just and reasonable method to amortize a reserve imbalance, such that the actual reserve is in balance at the end of life of the assets. FPL's RSAM proposal only shapes the pace at which the reserve surplus is amortized and the remaining balance for assets in rate base is corrected to reflect current

depreciation parameters. In FPL's Four-Year Rate Plan that amortization benefit is the deferral of near-term base rate increases in 2024 and 2025, resulting in earnings stability, longer rate case stay-out durations, reduced customer bill impacts and increased rate stability and predictability.

Q. Intervenors criticize the Company for proposing a different set of depreciation parameters for an outcome where RSAM and the Four-Year Plan are not approved. How do you respond?

A. Intervenor witnesses Devlin, Rábago, Georgis, Lawton, and McCuller are inconsistent in their views on how to handle a depreciation reserve surplus. As I have discussed above, there is more than one just and reasonable method to amortize a reserve imbalance, such that the actual reserve is in balance at the end of life of the assets. It is perfectly acceptable to use the reserve surplus as proposed by the Company to support its Four-Year Rate Plan. As an example of aligning timing of amortization with plan objectives, FPL's proposed Four-Year Rate Plan assumes non-cash amortization of the reserve surplus to be used to avoid the need to increase base rates in 2024 and 2025. FPL's proposed Four-Year Rate Plan is reasonable and an appropriate policy choice.

In the event RSAM is not accepted, the Commission would approve new base rates for 2022 and 2023 in this proceeding, and FPL likely would file another base rate petition in 2023 for new cash-based rates effective in 2024 and 2025, as described in rebuttal testimony of FPL witness Barrett. From a ratemaking

and rate stability standpoint, the Company's proposal to avoid this future rate case makes sense.

Q. Please describe the overall value proposition of FPL's proposed Four-Year Plan, enabled by RSAM.

A. While the flexibility afforded to FPL by its prior RSAM and multi-year rate plans have resulted in favorable financial analysts and credit rating reports supporting an ability for FPL to continue to access capital at favorable rates, it has also provided equally important and substantial benefits to its customers.

In the event FPL's proposed RSAM and Four-Year Rate Plan are rejected in this proceeding, FPL witness Barrett estimates that $2 billion more in cash revenues would need to be collected from ratepayers over the four years 2022 through 2025.[8] Additionally, if FPL were to petition for another base rate increase in 2023, inflation risk and interest rate risk would shift to the customer. Utility costs have been increasing faster than inflation, as observed through recent approval of negative "X-Factors" or Productivity Growth Indices by the Massachusetts Department of Public Utilities for National Grid and Eversource's Annual Performance Based Ratemaking Adjustment proceedings in Dockets D.P.U. 20-68 and D.P.U. 20-96.

The Company's proposed use of the amortization of the reserve surplus to mitigate bill impacts in the latter half of its Four-Year Rate Plan, provides the

[8] Rebuttal Testimony of Robert E. Barrett at 12.

near-term benefit to customers of deferring the need for FPL to file another petition in 2023 for base rate increases in 2024 and 2025.

Q. Are you aware of any other utilities that use a mechanism similar to FPL's proposed RSAM?

A. Yes. FAIR witness Devlin's claim to the contrary is incorrect as evidenced by prior decisions of this Commission. Both Duke Florida (FPSC Order No. PSC-13-0598-FOF-EI and FPSC Order No. PSC-10-0398-S-EI) and Tampa Electric (FPSC Order No. PSC-2017-0456-S-EI) have employed mechanisms that are similar to FPL's proposed RSAM. In addition, Duke Florida's recently approved settlement agreement, FPSC Order No. PSC-2021-0202-AS-EI, employed a similar mechanism as FPL's proposed RSAM related to the discretionary use of Department of Energy reimbursements related to the Dry Cask Storage.

IV. JEA CONSUMMATION PAYMENT

Q. Intervenor witnesses Smith, LaConte, and Gorman argue that the amortization of consummation payment to JEA for Scherer Unit 4 retirement should be disallowed. How do you respond?

A. FPL's proposed cost recovery of the $100 million JEA Consummation Payment, which is described in FPL witness Forrest's rebuttal testimony, is part of a negotiated agreement between FPL and JEA to retire Scherer Unit 4. As discussed in the direct testimony of FPL witness Bores, the early retirement of

Scherer Unit 4 is projected to result in $583 million of CPVRR savings for customers. The JEA Consummation Payment falls under the same policy framework as power purchase agreement ("PPA") buyouts and buy-downs; and power project participation termination agreements.

The use of power plant retirement consummation payments, PPA buyouts and buy-downs and power project termination agreements by utilities for power supply arrangements that are no longer economic are common in the energy industry and should be encouraged by regulators as they are often in the public interest, resulting in savings to ratepayers compared to costs of continued performance under the terms of the existing arrangements. Many regulators have approved these types of reformative termination or reassignment payments with the understanding that these types of agreements and associated payment amounts are a result of negotiations between arms-length parties that allow significant value to be unlocked for the benefit of customers through CPVRR savings. Many regulators have allowed a fair rate of return on these types of payments as investments in the public interest. The following are examples of early retirement consummation and PPA buyout agreements that received regulatory approval, including allowed cost recovery.

- FPL's purchase of Cedar Bay and Indiantown Cogeneration power plants in 2015 and 2016, respectively, to terminate above-market payments under existing PPAs

- FPL's 2017 consummation payment to JEA for early retirement of St. Johns River Power Park and early termination of associated Joint Operating Agreement.
- NSTAR Electric's Auction of PPAs and resulting 2004 PPA termination and buyout agreements for Ocean State Power and Pittsfield/Altresco
- Western Massachusetts Electric Company's negotiated MASSPOWER PPA buyout in 2000
- Niagara Mohawk's negotiated 1998 buyout of its New York "six-cent" PURPA contracts with Independent Power Producers (IPPs)
- Connecticut Light and Power's negotiated 1998 Hartford Hospital Cogen PPA buyout

Q. Please describe FPL's purchases of Cedar Bay in 2015 and Indiantown Cogen in 2016; and FPL's 2017 consummation payment to JEA for early shutdown of St. Johns River Power Park.

A. In Order No. PSC-15-0401-AS-EI, the FPSC approved FPL's purchase of Cedar Bay, a coal-fired power plant, for $520.5 million as being more cost effective than continuing the existing purchased power contract, with a term that extended through 2024. In an August 27, 2015 news release, PSC Commissioner Lisa Edgar stated, "Today the Florida PSC found that the

Settlement Agreement is in the public interest. It will save FPL customers money and reduce CO2 emissions in Florida."[9]

In Order No. PSC-16-0506-FOF-EI, the FPSC approved FPL's purchase of Indiantown Cogeneration, a 330 MW coal-fired plant, for $451 million. The Commissioners agreed that the purchase was more cost effective than continuing above-market payments under the existing power purchase contract through 2025.[10]

In Order No. PSC-2017-0145-AS-EI, the FPSC approved FPL's $90.4 million payment to JEA in exchange for agreeing to early shutdown of St. Johns River Power Park and early termination of the associated Joint Operating Agreement with co-owner JEA. The termination agreement was estimated to save FPL's customers $183 million and improved FPL's emissions profile.

Q. Please describe NSTAR Electric's 2004 PPA buyout agreements that received regulatory approval in Massachusetts.

A. In D.P.U./D.T.E. 96-23 and D.P.U./D.T.E. 97-111, the Massachusetts Department found that Boston Edison Company's (BECo, d/b/a NSTAR Electric) restructuring settlement and its affiliate, Cambridge Electric Light Company and Commonwealth Electric Company's (Cambridge/ Commonwealth, also d/b/a NSTAR Electric) restructuring plan, which both

[9] "PSC Approves Cedar Bay Agreement between FPL and OPC," State of Florida Public Service Commission, News Release dated 8/27/2015.

[10] "PSC Approves FPL's Purchase of Indiantown Cogeneration L.P.," State of Florida Public Service Commission, News Release dated 10/3/2016.

provided for the buyout of above-market purchase power obligations, were consistent with the 1997 Restructuring Act.

My firm, Concentric Energy Advisors was selected to manage the divestiture of NSTAR Electric's 24 PPAs, which began in 2003. A "reverse auction" was conducted in which bids included two pricing options: (1) a lump-sum payment and (2) energy only pricing per MWh to be paid by bidder to NSTAR Electric for energy delivered under the specific PPA entitlement. Twelve bids were received, including three portfolio bids and nine contract-specific bids. Some of the bids submitted were from PPA counterparties.

Under the termination agreements that resulted from the auction of Cambridge/Commonwealth's PPAs and BECo's PPAs, these companies agreed to reformation and termination payments that totaled 1.45 billion. After hearings on the process, results and estimated customer savings, all of the payments were approved for collection from customers.

Q. Are you aware of an example where the regulator did not align utility and customer interests in deciding to not allow cost recovery of the requested full PPA buyout payment? If so, please describe what happened.

A. Yes. In February 2017, Consumers Energy filed an application with the Michigan Public Service Commission ("MPSC") seeking a financing order authorizing the issuance of securitization bonds covering qualified costs related to early termination of its PPA with Entergy for energy and capacity from

Entergy's Palisades nuclear power plant, located in Covert Township, Michigan. In its application, Consumers testified that the cost of equivalent energy on the open market for remaining term of contract, June 1, 2018 through April 11, 2022, was less than that of the remaining contract value of the PPA by $344 million. Entergy had first informed Consumers that it did not intend to terminate the Palisades PPA for economic reasons. Consumers thereafter negotiated with Entergy for early termination of the PPA, which resulted in an agreement where Consumers would provide a one-time payment of $172 million to Entergy as a buyout payment to terminate the PPA. The $172 million buyout payment was equal to half of the estimated $344 million savings associated with early termination of the PPA. Consumers contended that the remaining $172 million of savings would be realized by Consumers' customers.[11] Entergy announced its intentions to shut down Palisades permanently in October 2018, assuming regulatory approvals were obtained for the PPA termination.[12] In September 2017, the MPSC approved Consumers' request to terminate the PPA early but granted recovery of only $136.6 million rather than the full $172 million that Consumers had requested for the PPA buyout payment. In its decision to only grant recovery for $136.6 million, the MPSC stated the following:

[11] Michigan Public Service Commission, Case No. U-18250, Opinion and Order, September 22, 2017. "In the matter of the application of Consumers Energy Company for a financing order approving the securitization of qualified costs and related approvals"

[12] "Entergy to Shut Down Palisades Nuclear Power Plant," Reliable Plant (Available online at https://www.reliableplant.com/Read/30690/entergy-power-plant)

> "Faced with this degree of uncertainty, the Commission is not persuaded that the proposed figure of $172 million is sufficiently supported in the record – which, the Commission acknowledges, would be difficult to do since it is the product of a negotiation and thus, in general, not appropriate for ratemaking purposes in a financing order."

As a result of the MPSC's Order, Consumers and Entergy did not complete the proposed buyout transaction. Palisades continues to operate under the existing PPA through 2022.[13]

Q. What takeaway points can be learned from the Michigan Public Service Commission's decision to reduce Consumers Energy's allowed recovery of its Palisades buyout payment to $136.6 million?

A. As a result of not evaluating whether the PPA buyout option in its totality, as negotiated, was better or worse for Consumer Energy's customers compared to alternative options, the Commission's decision did not achieve alignment of the interests of the Company with that of its ratepayers. As a result of not incentivizing the behavior that would have been in the best customers' interest, the original power purchase agreement contract remained in effect until end of its effective term and Consumer Energy's customers saw no benefit. Here is textbook example of Voltaire's aphorism, "The perfect is the enemy of good." Customers would have benefited as long as the consummation payment was

[13] "Palisades to operate to 2022," World Nuclear News, September 29, 2017. (Available online at https://www.world-nuclear-news.org/C-Palisades-to-operate-to-2022-2909177.html)

lower than the estimated customer savings associated with the early termination of the PPA. In circumstances where the agreement was negotiated on an arms-length basis, the result should be approved if it is found to benefit customers.

Q. Please summarize the early retirement a consummation and PPA buyout examples described above and how they relate to the JEA consummation payment for the retirement of Scherer 4.

A. The JEA consummation payment for early retirement of Scherer 4 is in the public interest and cost recovery of it should be allowed by the Commission. It is very similar to FPL's prior consummation payment to JEA in 2017 for the early shutdown of St. Johns River Power Park and FPL's purchases of the Cedar Bay and Indiantown Cogeneration coal plants as cost saving alternatives to continuing over-market PPAs at the respective facilities. In these three prior cases, the Commission agreed it was in the public interest to approve and allow cost recovery for the consummation payments associated with the early shutdown and asset purchases, citing customer savings and improved emission profiles. In other jurisdictions, the use of PPA buys has been common and cost recovery of buyout payments has been allowed by regulators as being in the public interest, as they provide customer savings. Important lessons can be learned from the one exception described above, where the Michigan Commission did not approve cost recovery for Consumer Energy's requested full amount for its Palisades PPA buyout payment and as a result, Consumer Energy's customers saw no benefit from cost mitigating alternatives to their existing over-market PPA.

Q. Does this conclude your Rebuttal Testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Scott R. Bores was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF SCOTT R. BORES

DOCKET NO. 20210015-EI

MARCH 12, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Scott R. Bores. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Senior Director of Financial Planning & Analysis.

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

A. I am responsible for FPL's financial forecast, analysis of financial results, corporate budgeting, resource assessment and planning, and load forecast activities.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Connecticut in 2003 with a Bachelor of Science degree in Accounting. I received a Master of Business Administration from Emory University in 2011. I joined FPL in 2011 and have held several positions of increasing responsibility, including Manager of Property Accounting, Director of Property Accounting, and my current position as Senior Director of Financial Planning & Analysis ("FP&A"). Prior to FPL, I held various accounting roles with Mirant Corporation, which was an independent power producer in Atlanta, Georgia, as well as worked for PricewaterhouseCoopers, LLP. I am a Certified Public Accountant ("CPA") licensed in the State of Georgia and a member of the American Institute of CPAs. I have previously filed

testimony before the Florida Public Service Commission ("FPSC" or the "Commission"), most recently in support of the FPL SolarTogether Program, Docket No. 20190061-EI.

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

A. Yes. I am sponsoring the following exhibits:

- SRB-1 Consolidated MFRs Sponsored or Co-sponsored by Scott R. Bores
- SRB-2 Supplemental FPL and Gulf Standalone Information in MFR Format Sponsored or Co-sponsored by Scott R. Bores
- SRB-3 Gulf Power O&M Performance 2018 vs. 2022
- SRB-4 2021 Planning and Budgeting Process Guidelines
- SRB-5 MFR F-5 Forecasting Flowchart and Models
- SRB-6 MFR F-8 Major Forecast Assumptions
- SRB-7 Drivers of the Increase in Revenue Requirements 2018 vs. 2022
- SRB-8 Summary of CPVRR Analysis for Generation Upgrade Projects
- SRB-9 FPL's Adjusted O&M Benchmark
- SRB-10 Drivers of the Increase in Revenue Requirements 2023 vs. 2022
- SRB-11 Summary of CPVRR Analysis for Scherer Unit 4 Retirement

I am co-sponsoring the following exhibit:

- TCC-9 Rates for FPL and Gulf as Separate Ratemaking Entities, filed with the direct testimony of FPL witness Cohen.

Q. Are you sponsoring or co-sponsoring any consolidated Minimum Filing Requirements ("MFRs") in this case?

A. Yes. Exhibit SRB-1 lists the consolidated MFRs that I am sponsoring or co-

sponsoring.

Q. Are you sponsoring or co-sponsoring any schedules in "Supplement 1 – FPL Standalone Information in MFR Format" and "Supplement 2 – Gulf Standalone Information in MFR Format"?

A. Yes. Exhibit SRB-2 lists the supplemental FPL and Gulf standalone information in MFR format that I am sponsoring or co-sponsoring.

Q. How will you refer to FPL and Gulf when discussing them in testimony?

A. In discussing operations or time periods prior to January 1, 2019 (when Gulf Power Company was acquired by FPL's parent company, NextEra Energy, Inc.), "FPL" and "Gulf" will refer to their pre-acquisition status, when they were legally and operationally separate companies. For operations or time periods between January 1, 2019 and January 1, 2022, "FPL" and "Gulf" will refer to their status as separate ratemaking entities, recognizing that they were merged legally on January 1, 2021 and consolidation proceeded throughout this period. Finally, in discussing operations or time periods after January 1, 2022, most references will be only to "FPL" because Gulf will be consolidated into FPL. Therefore, unless otherwise noted, my testimony addresses requests for the consolidated Company.

Q. Please relate the MFRs and schedules in MFR format being submitted to the time periods that they address.

A. FPL is filing MFRs based upon the forecast process completed in early 2021. This process produced three distinct forecasts that underpin the MFRs and schedules filed with FPL's petition: (1) FPL with unified rates for customers located in the former FPL and former Gulf service areas, (2) FPL as a separate

ratemaking entity for customers in the former FPL service area and (3) Gulf as a separate ratemaking entity for customers in the former Gulf service area. Because of consolidation, the forecasts for FPL and Gulf as separate ratemaking entities are identical in nature to that of FPL with unified rates, with one noteworthy exception—the unified forecast accounts for additional operations and maintenance ("O&M") expense synergies expected to be realized as part of the proposed rate unification. These will be discussed in further detail later in my testimony. A 2022 Test Year serves as the basis for the revenue requirement calculation of the 2022 Base Rate Increase, and a 2023 Test Year is used for purposes of the Subsequent Year Adjustment ("2023 SYA").

FPL is also proposing a solar base rate adjustment ("SoBRA") mechanism for solar generating facilities projected to be placed in-service during 2024 and 2025. As further described by FPL witness Barrett, the 2022 and 2023 base rate adjustments together with the SoBRA mechanism and other elements are part of a four-year rate plan proposed by FPL which, if granted, would require the Company to manage its operations without a general base rate increase for 2024 and 2025. To support the four-year rate plan, FPL's 2022 test year and 2023 SYA MFRs include schedules that utilize the same underlying forecast as the FPL unified rates plan but contain a Company adjustment to account for the reduction in depreciation accruals and corresponding impact to revenue requirements as described further by FPL witnesses Ferguson and Fuentes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

(1) Describe current and future benefits realized through consolidation and FPL's proposal to unify rates to reflect a consolidated cost of service;

(2) Explain the process used for the preparation and approval of the forecast upon which FPL's projected MFRs are based, as well as the forecast that serves as the basis for FPL and Gulf Standalone Information in MFR format;

(3) Explain the major cost drivers since 2018 that necessitate a base rate increase effective January 1, 2022 (the "2022 Base Rate Increase");

(4) Explain the cost drivers from 2022 to 2023 that necessitate a subsequent year adjustment effective January 1, 2023;

(5) Describe additional elements of the four-year rate plan proposed by FPL witness Barrett;

(6) Explain the Cumulative Present Value of Revenue Requirement ("CPVRR") benefit associated with the retirement of Scherer Unit 4; and

(7) Discuss FPL's proposal for addressing any changes in tax law that may occur subsequent to the establishment of new base rates.

Q. Please summarize your testimony.

A. During the period of FPL's 2016 Rate Settlement (2017-2021) approved by the Commission in Order No. PSC-16-0560-AS-EI, Docket No. 160021-EI, FPL has made significant improvements in lowering base operating costs and at the same time has made important investments in its infrastructure to support growth, improve its generation fleet, strengthen or "harden" the system to better withstand

bad weather, improve reliability and lower customer costs. In addition, since being acquired by NextEra Energy Inc. ("NEE") on January 1, 2019, Gulf has made significant improvements in lowering operating costs and invested in its infrastructure to improve performance and the quality of service for its customers. FPL and Gulf have legally merged and are requesting Commission approval to take the next logical step, which is to consolidate cost of service and unify retail rates under FPL because it will better reflect the reality of the companies' consolidated operations and will realize additional synergies for the benefit of customers. My testimony will describe the approximately $2.8 billion in CPVRR benefits that our customers are projected to realize as a result of the consolidation.

The MFRs filed in this proceeding have been prepared according to FPL's rigorous, established planning and forecasting process, relying on inputs from internal and external subject matter experts, processed through financial models widely used in the industry, and with review and approvals designed to ensure their reliability for use in setting rates.

FPL's proposed 2022 Base Rate Increase is needed to address increased revenue requirements since 2018, the year last used for establishing base rates. The primary drivers of the change in revenue requirements are: (1) capital investment initiatives that support system growth, increased reliability, storm hardening and generation investments which provide long-term economic benefits to customers; (2) the change in the weighted average cost of capital; (3) inflation and customer

growth; (4) the impact of the amortization of the Reserve Amount authorized by the 2016 Rate Settlement that partially offsets the growth in base revenue requirements; (5) productivity gains that also partially offset the growth in base revenue requirements; (6) the adoption of the Reserve Surplus Amortization Mechanism ("RSAM")-adjusted depreciation rates that also partially offset the growth in base revenue requirements; and (7) revenue growth that also partially offsets the growth in base revenue requirements. As calculated on FPL witness Fuentes' Exhibit LF-5, absent a rate increase in 2022, FPL's projected earned return on equity ("ROE") falls to 8.40%, substantially below FPL's cost of equity as discussed by FPL witnesses Barrett and Coyne.

FPL's proposed 2023 SYA reflects the projected increase in base revenue requirements from 2022 to 2023. The primary drivers of this increase are: (1) capital investment initiatives that support further deployment of emission-free solar generating facilities, increased reliability, system growth, and enhancements to our combined cycle fleet; (2) changes to the weighted average cost of capital; (3) the impact of inflation and customer growth; and (4) revenue growth that partially offsets the growth in base revenue requirements. As calculated on FPL witness Fuentes' Exhibit LF-5, without an increase in revenue requirements in 2023, FPL's earned ROE is projected to fall by more than 100 basis points from the 2022 requested ROE of 11.50%. With no rate increase in 2022 and 2023, FPL's ROE in 2023 is projected to be 7.03%, substantially below the requested ROE as discussed by FPL witnesses Barrett and Coyne.

In the proposed four-year rate plan, FPL is requesting to accelerate the amortization of unprotected excess deferred income taxes that were to be amortized in 2026 and 2027 such that those amounts would instead be amortized in 2024 and 2025. This acceleration is necessary to facilitate FPL's ability to defer cash rate increases over that period.

As described by FPL witness Forrest, FPL has reached an agreement with JEA to retire Scherer Unit 4, an inefficient coal generating facility. Even accounting for the cost to terminate and continued expense obligations, the retirement of Scherer Unit 4 is projected to save customers $583 million CPVRR.

Finally, FPL proposes a mechanism that will allow FPL to adjust base rates in the event tax laws change during or after the conclusion of this proceeding. Following enactment, FPL would calculate the impact of the change in tax law by comparing revenue requirements with and without the change, and submit the calculation of the rate adjustment needed to ensure FPL is not subject to tax expenses that are not reflected in the MFRs submitted with its base rate request.

II. FPL AND GULF CONSOLIDATION

Q. Is consolidation of FPL and Gulf bringing value to customers?

A. Yes. Customers have already started to benefit from the consolidation of FPL and Gulf. FPL projects that consolidation will unlock greater than $2.8 billion of

CPVRR benefit for customers. This will be achieved through the planning and dispatch of a single, integrated utility system as well as reductions in O&M expense that have already been achieved and which help offset the rate request.

Q. Please describe the benefits associated with the joint planning and dispatch of a single, integrated utility system.

A. As part of preparing the 2020 Ten Year Site Plan, FPL and Gulf embarked on a process to develop a resource plan as a single, integrated utility system that has continued to evolve over the last year. The integrated utility system was the culmination of a three-step analytical process that is described in greater detail by FPL witness Sim and results in greater than $1.5 billion of projected CPVRR net benefits for customers. These savings are being achieved through generation upgrades to the Gulf generation fleet, including conversion of Gulf Clean Energy Center (formerly Plant Crist) from coal to natural gas, the addition of solar generating facilities in Gulf's service area, capacity upgrades to Plant Lansing Smith, the addition of the North Florida Resiliency Connection ("NFRC") project, and the integration of the former Gulf and FPL systems for resource planning purposes. With the construction of the NFRC, FPL and Gulf will be able to combine resources for the benefit of all customers by jointly planning and dispatching the combined system with a single 20% reserve margin.

Q. Please describe the benefits from reductions in O&M expense.

A. Upon acquisition by NEE in 2019, Gulf's new leadership immediately began to look for opportunities to enhance the customer experience and improve operating performance. A key focus of this review was a search for immediate

opportunities to reduce costs and improve Gulf's O&M performance. As demonstrated on Exhibit SRB-3, during 2018, prior to the acquisition of Gulf by NEE, Gulf's actual adjusted O&M expense totaled $254 million. As a result of strong cost management and enhancements made to Gulf's operations in the three years following acquisition by NEE, Gulf has forecast its 2022 adjusted O&M expense would be $168 million, a reduction of $86 million, or greater than 30%. This tremendous accomplishment over a short period of time will continue to provide customer benefits for years to come. In fact, the O&M expense savings of $86 million translates into a projected $1.3 billion CPVRR net benefit for customers and coupled with the generation planning and dispatch benefits described previously, results in more than $2.8 billion of projected long-term benefits for customers.

Q. How are the benefits you've described above reflected in the MFRs, and how will customers realize these benefits going forward?

A. The immediate benefits described above are included in the MFRs in the form of both capital revenue requirements and lower O&M expense. It is also important to note that the savings associated with these initiatives affect more than just retail base rates; they also result in lower fuel costs and lower overall bills for customers.

III. FORECASTING AND MFR PREPARATION PROCESS

Q. Describe your responsibility for the development of FPL's forecast.

A. As FPL's Senior Director of FP&A, I have responsibility for developing the O&M budget, the capital expenditure budget, and the total company per books financial forecast. I provided guidance to all business units to ensure that corporate assumptions were followed. This includes providing the teams at both FPL and Gulf with instructions to prepare separate budgets and to incorporate the identified O&M synergies into a combined forecast. I am also a member of the budget review committee ("Review Committee"). Other key members of the Review Committee are the FPL President and Chief Executive Officer; the NEE Executive Vice President, Finance and Chief Financial Officer; the FPL Vice President of Finance; the Gulf Vice President of Finance; and the NEE Vice President, Controller and Chief Accounting Officer.

Q. What forecast years have been included in this filing?

A. FPL has provided forecast years 2021, 2022, and 2023 for use in this proceeding. The Company is proposing that new rates be effective January 1, 2022, at a level sufficient to cover the Company's revenue requirements in 2022. FPL proposes 2022 as the Test Year in this proceeding to best reflect the Company's revenues, costs and investments during the year in which new rates are proposed to go into effect. The 2021 plan year is included as the Prior Year, consistent with the Commission's filing requirements.

FPL also is proposing a 2023 SYA, which will allow for new rates effective January 1, 2023 at a level sufficient to recover the Company's revenue requirement that year. Accordingly, FPL has filed all necessary MFRs for calendar year 2023 to support the 2023 SYA by showing the Company's projected financial position in that year.

Q. Please summarize the process used to develop the forecasts underlying FPL's filing in this docket.

A. FPL follows a rigorous and long-standing process in the development and approval of its O&M and capital expenditures budgets, financial forecasts and MFRs. Beginning in 2013, FPL incorporated into the planning process a step that is specifically focused on generating and evaluating productivity and efficiency improvement ideas – an initiative known internally as Project Momentum. This process has continued to evolve over time and, in 2017, the initiative became known as "Project Accelerate." Project Accelerate is intended to generate the next wave of operating efficiencies through the implementation of new technologies and automation of manual processes. Although already the industry leader in cost management, FPL has continued to look for opportunities to do even better. Annually, every business unit engages in developing, evaluating and proposing ideas that are expected to provide ongoing customer benefits to be implemented over the succeeding 24 months. As a result of this ongoing effort since 2018, FPL has been able to produce significant O&M savings that have directly reduced the revenue increase needed in this request by $224 million as reflected on Exhibit SRB-9. As FPL witness Reed demonstrates, FPL has been

best-in-class in non-fuel O&M cost performance among all peer groups for the last decade and continues to look for opportunities to improve. The savings expected to be generated by these efforts are fully reflected in the forecasts in this filing. Understandably, FPL has experienced diminishing incremental levels of savings from each Project Accelerate cycle since 2017, primarily because many of the highest-impact opportunities for savings already have been identified and are being implemented; however, the cumulative results of these efforts have been significant, and the cost reduction impacts of past Project Momentum and Project Accelerate cycles also are reflected in the budgets.

The next step in the planning process was the development and approval of the Company's planning and budget assumptions. These include projections for inflation, customer and load growth, and new service accounts. These assumptions were prepared by various subject matter experts, reviewed and approved by me, and ultimately evaluated and approved by the Review Committee. Once approved, these projections, together with detailed budget instructions, were issued to the operating and staff units of the Company in the FPL and Gulf 2021 Planning and Budgeting Process Guidelines ("Planning Process Guidelines"), a copy of which is provided as Exhibit SRB-4.

The 2021 planning and budgeting process was similar to prior years, except for the need to develop standalone budgets for FPL as a separate ratemaking entity, Gulf as a separate ratemaking entity, and FPL with unified rates for customers

located in the former FPL and former Gulf service areas, which results in synergies that are reflected in the combined O&M budget that serves as the basis for the MFRs developed for the combined rate request. As I will describe in greater detail later in my testimony, these synergies primarily result from rate unification and ability to manage and operate as a combined utility.

The 2021 planning process resulted in the 2021-2025 O&M and capital budgets. All business units entered their forecast for O&M and capital into FPL's SAP system at the work breakdown structure ("WBS") level. Each activity is required to have a unique WBS element which maps all activities and costs to the required Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts.

Using the assumptions and Planning Process Guidelines, each of the major business units prepared a budget presentation that described its business unit objectives and goals, key initiatives and specific business unit level assumptions, as well as a preliminary funds request to support those business objectives. In September 2020, the budget presentations were presented and reviewed with the Review Committee. This session involved a review and discussion of each business unit's goals, objectives and funding request for the next five years. The Review Committee was able to have open dialogue and challenge the assumptions to ensure that each business unit developed a final plan that met the Company's overall objectives of continuing to provide a great value proposition for customers for the foreseeable future.

Upon completion of the session with the Review Committee, there were subsequent follow-up discussions with the business units to resolve items raised during the review session. Final approvals were made in late 2020. Accordingly, the final plans and forecasts approved by FPL's Review Committee reflect the Company's current and best assessment of the business environment in the 2022 Test Year as well as the 2023 Subsequent Year.

Q. How were forecasts other than O&M and capital expenditures developed?

A. Concurrent with the development of the detailed O&M and capital expenditure budgets, other key components of the financial forecast were developed, including the energy sales and revenue forecasts. The energy sales forecast is the subject of FPL witness Park's direct testimony. The sales and revenue forecasts were reviewed and approved for use in the financial forecast by FPL's Review Committee.

Other inputs into the financial forecast were prepared and provided by other subject matter experts. These inputs include other base revenues, various working capital items, taxes other than income taxes and financing plans. These inputs were collectively reviewed and approved by me with the resulting comprehensive forecast reviewed and approved by the Review Committee.

Q. How are all of the various inputs combined into a consolidated financial forecast?

A. All of the above-mentioned items were provided as inputs into FPL's financial forecast and regulatory model developed by Utilities International Inc. ("UI").

FPL has used the UI platform for financial forecasting and in support of the preparation of certain MFR schedules for more than 20 years, including the MFRs that supported FPL's rate requests in Docket Nos. 001148-EI, 050045-EI, 080677-EI, 120015-EI, and 160021-EI as well as the present proceeding. The model was updated in 2014 and then again in 2020 to allow for the consolidated forecasting of FPL and Gulf.

A key attribute of the UI model is the common data repository ("CDR"), which houses forecast per book inputs by company, including all the plant-specific asset information. The CDR includes capital-related calculations, including depreciation expense and Allowance for Funds Used During Construction. Additional calculations are performed in the Financial & Regulatory Information System ("FRI") model that produce a total company balance sheet and income statement at a FERC account level and lead to the development of the FPL standalone and Gulf standalone forecasted regulatory results (i.e., total company per book net operating income ("NOI"), rate base, and capital structure) in the same manner as it does for historical regulatory amounts included in FPL's Earnings Surveillance Reports ("ESR"). The standalone results, including identified O&M synergies, are combined to produce total company financial statements and regulatory results.

Once the FRI model calculates the per book forecast, the results are passed to the cost of service module. As described by FPL witness DuBose, the total per book

regulatory results are used in the development of jurisdictional separation factors. Those factors are then transferred back to FRI, so that retail jurisdictional NOI, rate base and capital structure can be calculated within the forecast module. FPSC and company adjustments, which are supported by FPL witness Fuentes, are then applied in FRI so that jurisdictional-adjusted amounts can be calculated.

The jurisdictional-adjusted results for NOI, rate base and capital structure are then utilized to develop the various Cost of Service Studies. The Cost of Service Studies calculate the revenue requirements at the individual rate class level and are the subject of the direct testimony of FPL witness DuBose. The completed financial forecast was then reviewed and approved by the Review Committee and is the source of forecast information for the MFRs filed in this proceeding. All MFRs were reviewed and approved by the originating business unit, as well as the MFR sponsors and co-sponsors. Exhibit SRB-5 contains a flowchart of the forecasting process and models. The same process, from beginning to end, was used to develop the forecast and supplemental standalone information in MFR format for FPL and Gulf.

Q. What process did FPL follow for developing the 2021 forecast?

A. Gulf was legally merged into FPL on January 1, 2021, and has been functionally consolidated into FPL, but each entity will continue to be treated as a separate ratemaking entity with separate tariffs and rates in 2021 pending the Commission's approval of FPL's request for unified rates to be effective January 2022. Each company therefore developed O&M expense and capital budgets for

the next five years under the assumption that FPL and Gulf would continue to consolidate their operations in 2021, and also dispatch the combined system upon commercial operation of the NFRC in mid-2022. The forecasts for FPL as a separate ratemaking entity and Gulf as a separate ratemaking entity serve as the basis for the 2021 forecast for both companies and are reflected in the 2021 prior year information in the consolidated MFRs as well as the standalone schedules for FPL and Gulf.

Q. How did FPL develop the 2022 Test Year and 2023 Subsequent Year forecast?

A. As described above, FPL and Gulf each prepared separate forecasts of O&M expense and capital expenditures for the next five years (2021-2025). An additional step as part of the budget process undertaken in 2020 was to identify merger savings that would accrue to the benefit of customers if FPL and Gulf were successful in achieving unified rates. These savings include O&M efficiencies from needing only one set of executives to lead the combined entity as well as administrative efficiencies due to having only one company for accounting, ratemaking and regulatory reporting purposes. The synergies were developed by the respective business units, reviewed by a merger steering committee and entered into the budget system for tracking and validation. The savings were netted against the separate FPL and Gulf O&M expenses to develop the combined forecast.

The forecasts are prepared at a monthly level of detail, and for capital expenditures, are budgeted at an activity level. Additionally, the combined capital expenditures forecast for all five years is the basis of the related external financial disclosure in the Company's 10-K and 10-Q filings with the Securities and Exchange Commission and is subject to an internal Sarbanes-Oxley review and approval process.

Q. What are the major assumptions that FPL used in developing its forecast?

A. The major assumptions used by FPL in developing its forecast are listed in MFR F-8, which is Exhibit SRB-6 to my direct testimony.

Q. Does the Company's forecast of revenue requirements in 2022 and 2023 provide a reasonable basis for evaluating the Company's projected deficiency?

A. Yes. FPL's forecasts are products of a rigorous process involving a multi-year planning horizon. The total Company per book forecasts for the 2021 Prior Year, 2022 Test Year and 2023 Subsequent Year were developed, reviewed, and ultimately approved in late 2020, and the resulting MFRs were developed and approved in early 2021. The assumptions and process used in developing these forecasts are robust and reasonable, and the forecasts can be relied upon for rate setting.

IV. DRIVERS OF 2022 BASE RATE INCREASE

Q. What is the total amount of FPL's requested 2022 Base Rate Increase, and how is it calculated?

A. As reflected on FPL witness Fuentes's Exhibit LF-3, FPL's requested base revenue increase for 2022 is $1.108 billion and is determined as the difference between FPL's projected net operating income of $2.971 billion and FPL's required net operating income of $3.798 billion multiplied by the revenue expansion factor of 1.34153. For further detail regarding the calculation of these revenue requirements, please refer to FPL witness Fuentes's testimony.

Q. What are the primary drivers of the net increase in revenue requirements in the 2022 Test Year relative to actual results for 2018, the last test year used for setting rates?

A. The primary drivers of the change in revenue requirements are depicted on Exhibit SRB-7 and are: (1) capital investment initiatives that support system growth, increased reliability, storm hardening and generation investments which provide long-term economic benefits to customers; (2) the change in the weighted average cost of capital; (3) the impact of inflation and customer growth; (4) the impact of the amortization of the Reserve Amount authorized by the 2016 Rate Settlement that partially offsets the growth in revenue requirements; (5) productivity gains that also partially offset the growth in base revenue requirements; (6) adoption of RSAM depreciation parameters that also partially offset the growth in base revenue requirements; and (7) revenue growth that also

partially offsets the growth in base revenue requirements. Each of these drivers will be discussed individually, and they are summarized as follows:

Capital Initiatives	$1,968 million
Change in Weighted Average Cost of Capital	$147 million
Inflation and Customer Growth	$134 million
Reserve Amortization	($560) million
O&M Productivity (net of Costs to Achieve)	($224) million
RSAM Depreciation Parameters	($203) million
Revenue Growth	($123) million
Other	($31) million
TOTAL	$1,108 million

Q. Please describe the capital initiatives that impact 2022 revenue requirements.

A. Through the end of 2022, retail rate base is forecasted to increase approximately $17 billion over FPL's and Gulf's 2018 level, primarily as a result of the investments made to improve reliability, upgrade the generation fleet, support system growth, strengthen or "harden" our infrastructure to better withstand bad weather and ensure regulatory compliance. Exhibit SRB-7, page 2 of 2, depicts the revenue requirements in 2022 resulting from each of these capital initiatives.

Power Delivery Reliability

Power Delivery will invest approximately $5.8 billion from 2019 to 2022 to continue to provide superior reliability for our customers in a cost-effective manner. As described by FPL witness Spoor, FPL will deploy innovative technology to further leverage our existing smart grid to prevent outages and reduce outage durations, thereby improving reliability and increasing customer satisfaction. Additionally, FPL is rebuilding the 500 kV transmission structures to enhance and ensure the continued reliable performance of the electric system in Florida. Our Power Delivery reliability investments, including the NFRC, represent about $645 million of the revenue requirements increase in 2022.

Generation Upgrades

FPL is undertaking several generation upgrade projects that are projected to provide long-term benefits (i.e., lower costs) and improved reliability for customers. Together, these five projects represent about $470 million of the base revenue increase in 2022.

First, during 2021, FPL will have invested nearly $540 million for the installation of six 74.5 MW solar facilities that are projected to enter service during January 2022. This project, which is described in greater detail by FPL witness Valle, will continue FPL's strategy of advancing clean energy while keeping customers' bills low. When complete, this project will provide 447 megawatts (nameplate) of zero-emissions generation while also providing significant long-term system

savings for our customers. FPL witness Sim's testimony discusses the projected net benefits from the combined 2022 and 2023 planned solar additions. In addition, as described by FPL witness Broad, by the end of 2021, Gulf will have added three 74.5 MW solar facilities to their service area. These three projects in total are projected to cost approximately $310 million and provide 224 megawatts of fuel-free energy to Northwest Florida. Together, all of these solar projects represent about $100 million of the base revenue increase in 2022, which is expected to be partially offset in 2022 and later years with fuel and other system savings.

Second, FPL will have invested approximately $900 million to construct the approximately 1,160 MW Dania Beach Clean Energy Center Unit 7, which will provide much needed efficient baseload generation in the critical Southeast Florida load pocket. By Order No. PSC-2018-0150-FOF-EI, the Commission approved the need for this generation and determined the Dania Beach Clean Energy Center Unit 7 was $337 million more cost-effective for customers than the next best alternative. This project is projected to enter service in mid-2022 and represents about $80 million of the base revenue increase in 2022, which will be partially offset by a reduction in fuel cost when it enters commercial operation.

Third, as described by FPL witness Sim, FPL is retiring its two steam-based generating units at the Manatee facility and constructing the world's largest solar-powered battery storage system. The 409 MW facility will be connected to an

existing solar facility at the Manatee site, ensuring the battery is charged by clean, renewable energy. This large battery and two smaller 30 MW batteries installed at other solar sites are projected to have a CPVRR benefit of $101 million as described by FPL witness Sim. This project represents about $70 million of the base revenue increase in 2022.

Fourth, as part of Gulf's separation from the Southern Company system and the ongoing efforts to modernize the combined fleet, FPL is investing approximately $430 million for the installation of four combustion turbine ("CT") units in the former Gulf service area to meet reliability needs. As described in greater detail by FPL witness Sim, the CTs will allow for unanticipated system peaks and for quick start generation in the Northwest load pocket. These generating units represent approximately $60 million of the base revenue increase in 2022.

Fifth, FPL plans to invest approximately $520 million from 2019-2022 on several projects to upgrade the combined cycle fleet. As described by FPL witness Broad, these upgrades will provide operational benefits such as greater generating efficiency (i.e., lower heat rate) and power output (i.e., more megawatts), thereby generating overall fuel savings. As reflected on Exhibit SRB-8, the generation upgrades are expected to provide customers with a CPVRR benefit of approximately $780 million over their operating life. These projects represent about $165 million of the base revenue increase in 2022.

Capital Requirements for Growth

Capital requirements for growth, in this analysis, represent the capital revenue requirements associated with the power delivery infrastructure needed to support the addition of new service accounts to the system. The total increase to revenue requirements in 2022 related to system growth is $526 million.

As provided by FPL witness Park, from 2018 through 2022, FPL estimates that it will add nearly 292,000 new customers. Revenue requirements to support system growth include the costs of expanding the transmission and distribution infrastructure to serve the growth in new service accounts.

FPL will have invested more than $4.5 billion in distribution and transmission infrastructure to support system growth, changing load patterns and the addition of new service accounts over the 2019 to 2022 period. The expenditures incurred to support growth are explained by FPL witness Spoor.

Power Delivery Storm Hardening

FPL will have invested approximately $2.1 billion from 2019 to 2022 in its storm hardening program through base rates. With the establishment of the Storm Protection Plan Cost Recovery Clause ("SPPCRC") and settlement approved in Order No. PSC-2020-0409-AS-EI, the majority of storm protection plan ("SPP") capital expenditures incurred beginning January 1, 2021 and all SPP capital expenditures beginning January 1, 2022 will be recovered in the SPPCRC. As

described by FPL witness Spoor, the investments the Company has made in strengthening the grid have allowed for faster restoration following storms, such as those experienced during the 2020 storm season. The Power Delivery storm hardening investment program represents about $270 million of the revenue requirements increase in 2022.

Regulatory Compliance

As discussed by FPL witness Spoor, FPL will incur approximately $270 million of capital expenditures for the period 2019 to 2022 related to investments and activities required by federal and state governmental and regulatory bodies. These include expenditures related to increased compliance costs for North American Electric Reliability Corporation ("NERC") and FERC reliability matters, as well as relocation of facilities as required by state agencies and local municipalities.

FPL is also investing $86 million from 2019-2022 in new cybersecurity technology and systems to ensure the Company's assets and critical information are safeguarded. As discussed by FPL witness Spoor, FPL must comply with new NERC standards, including supply chain risk management to protect our equipment and customers from outside threats.

In addition, FPL will incur $57 million of expenditures to comply with Nuclear Regulatory Commission ("NRC") requirements related to Turkey Point Units 3

and 4 subsequent license and preparation costs associated with filing the St. Lucie Units 1 and 2 subsequent license renewal application. These capital expenditures are discussed by FPL witness Coffey.

In total since 2019, capital investments that provide long-term benefits to customers resulting in a compliant, stronger, more reliable and efficient infrastructure, and those required by law, represent about $56 million of revenue requirements in 2022.

Q. Please explain the difference in weighted average cost of capital and its effect on the 2022 revenue requirements.

A. As noted on MFR D-1a, the 2022 requested rate of return is 6.84%, which is 0.2% higher than the 6.64% actual earned rate of return for FPL and Gulf on a combined basis for 2018. The increase in the weighted average cost of capital is driven by the reduction in deferred income tax balances, primarily as a result of the 2017 Tax Cuts and Jobs Act ("TCJA"). As described by FPL witness Barrett, FPL is requesting an overall ROE of 11.50%.

Comparing the combined FPL and Gulf 2018 capital structure, accumulated deferred income tax balances decreased from 21.7% to 16.7% in the 2022 Test Year, primarily as a result of the TCJA, which eliminated bonus depreciation and resulted in the creation of excess deferred income taxes which FPL began amortizing in 2018. Deferred taxes have a 0% cost basis in the capital structure, so the decreased proportion of deferred taxes increases the weighted average cost

of capital. In total, the net effect of the items mentioned above results in increased revenue requirements of $147 million.

Q. Please describe the cumulative effect that inflation and customer growth will have on the 2022 revenue requirements.

A. Inflation represents the increased costs for goods and services in 2022 compared to the cost of the same goods or services in 2018. Changes to the Consumer Price Index ("CPI") since 2018, including the forecast through 2022, indicate that inflation will have added 6.3 percent to the cost of goods and services in 2022 relative to 2018. The forecast of CPI is derived from third party subject matter experts and is discussed in more detail by FPL witness Park.

As provided by FPL witness Park, FPL is projecting 5.4 percent cumulative growth in total customers from 2018 through 2022. FPL will incur additional non-fuel base O&M costs associated with providing operational and administrative support to its growing customer base.

To be conservative, the calculation of the impact of inflation and customer growth in this portion of the analysis has quantified only the impact on non-fuel base O&M. Clearly, inflation and customer growth have also had an impact on the cost of capital goods and services, but those impacts have not been quantified here. The impact of growth on capital investments was discussed earlier. The impact of base O&M inflation and customer growth over the 2019 to 2022 period on 2022 revenue requirements is estimated to be $134 million. Refer to Exhibit

SRB-9 for the calculation of inflation and customer growth over the 2019 to 2022 period.

Q. Please explain the impact of the amortization of the Reserve Amount and its effect on the 2022 Test Year revenue requirements.

A. The 2016 Rate Settlement allowed FPL to amortize up to $1.0 billion of surplus depreciation, plus the $250 million that FPL had remaining at the end of the prior settlement period. Together, this total of $1.250 billion was defined in the 2016 Rate Settlement as the Reserve Amount. Amortization of the Reserve Amount is recorded as a credit to depreciation expense and a debit to the accumulated depreciation reserve (i.e., an increase to rate base). The Company continues to have flexibility in the timing and amount of that amortization through the end of the settlement term so long as FPL's ROE does not fall below 9.60% or exceed 11.60%.

Flexibility in the amortization of the Reserve Amount is one of the key features of the 2016 Rate Settlement. For the settlement period of 2017 to 2021, by amortizing the non-cash Reserve Amount, the Company has been able to offset variability in operating costs and revenues while continuing to invest in capital projects that provide long-term customer benefits and maintaining an appropriate earned ROE. In 2017, FPL incurred approximately $1.3 billion in storm costs related to Hurricane Irma. Rather than raise customer rates through a multi-year surcharge as provided for in the 2016 settlement agreement, FPL instead utilized the flexibility in the settlement agreement and chose to amortize the full $1.250

billion of the Reserve Amount remaining to offset most of the $1.3 billion storm costs. Utilizing savings from the TCJA, FPL then began to replenish the reserve in 2018. Subsequently, after evaluating its remaining expected reserve position, FPL also determined it would be able to absorb the costs associated with Hurricanes/Tropical Storms Dorian, Isaias and Eta, again avoiding a storm surcharge on customer bills. In addition, FPL utilized the flexibility afforded under the surplus mechanism to offer support to our customers during the CoVID-19 pandemic.

When comparing the 2022 Test Year to 2018 actual results, the amortization of the Reserve Amount during the settlement period affects the 2022 revenue requirements in two ways. First, during 2018, FPL reversed $541 million of amortization expense, primarily as a result of tax expense savings from the TCJA. This had the one-time effect of increasing revenue requirements in 2018 through higher depreciation expense. This reversal was unique to 2018 and is not projected in the 2022 revenue requirements, thereby creating a $541 million reduction in revenue requirements as compared to 2018. In addition, FPL had a decrease in rate base of $213 million when comparing the utilization of reserve amortization between the 2018 actual results and the 2022 test year. In 2018, rate base increased $1,106 million as result of reserve amortization, primarily related to utilizing the remaining reserve amortization to offset the cost of Hurricane Irma in December 2017. For the 2022 test year, the impact of utilization of the reserve amortization over the settlement period is an increase in rate base of $893 million,

resulting in the $213 million decrease over the period. This decrease in rate base reduces revenue requirements in 2022 by $19 million. The combined effect of both of these impacts is that 2022 revenue requirements are $560 million lower than 2018.

Q. Please describe the impact of FPL's productivity initiatives on the 2022 Test Year revenue requirements.

A. FPL is projecting a reduction in revenue requirements of $224 million when comparing the Company's projected 2022 base O&M to a benchmark level of base O&M in 2018. The benchmark used in this analysis begins with 2018 actual adjusted expenditures as the base year and follows the Commission benchmark approach, as reflected on MFR C-41, to calculate a 2022 benchmark level of O&M. See Exhibit SRB-9 for the calculation. This reduction in base O&M relative to the benchmark is comprised of $276 million of projected cost savings, partially offset by $52 million in revenue requirements associated with technology investments that will enable FPL to achieve these significant savings. As described earlier in my testimony, Project Accelerate is the main catalyst that has contributed to FPL's tremendous success in lowering its operating costs since the last base rate case. This has allowed FPL to continue to operate at a lower O&M cost in 2022, adjusted for inflation and customer growth, relative to 2018 while continuing to provide superior service to its customers. FPL's non-fuel O&M per kWh cost position already was best in class as a result of previous productivity gains achieved through Project Momentum during the 2012-2016 settlement period. Yet, the improvements made through Project Accelerate resulted in FPL

improving upon its best-in-class position among the benchmarked peer utilities described by FPL witness Reed. Based on FPL's O&M projections for 2022, which are $276 million lower than in 2018, it is highly doubtful that FPL relinquishes its best in class position anytime soon.

The productivity improvements that support this cost position are evident across the Company and support FPL's ongoing initiative to keep O&M expenses down to save our customers money and improve service. The efforts of FPL's Nuclear business unit, for example, have reduced 2022 revenue requirements when compared to 2018, despite cost increases due to inflation. As discussed in the testimony of FPL witness Coffey, this is primarily the result of the Nuclear Continuous Improvement Process, which engages employees to develop and implement solutions to operate more efficiently without compromising safety.

Throughout the rest of the organization, business units also have been able to find efficiencies to manage costs to fully offset the impact of customer growth and inflation. These ongoing productivity improvements enable FPL to mitigate inflation-related increases and help keep FPL's costs among the lowest in the industry.

Q. Please describe the impact of the RSAM depreciation parameters included as part of FPL's four-year rate plan.

A. FPL's four-year rate plan includes the adoption of the RSAM, which is facilitated by changes to the depreciation lives and parameters as described in greater detail

by FPL witness Ferguson. As noted by FPL witness Barrett, if the RSAM is not adopted, then the depreciation parameters and resulting depreciation rates provided in the 2021 depreciation study presented by FPL witness Allis should be adopted, which results in a $203 million increase to the 2022 revenue requirements.

Q. Please describe the impact of Revenue Growth and its effect on 2022 revenue requirements.

A. As provided by FPL witness Park, FPL is projected to have higher retail sales in 2022 than in 2018, resulting in an increase in retail base revenues and a corresponding decrease in FPL's revenue requirements in 2022 by $123 million.

V. DRIVERS OF 2023 SYA

Q. What is the total amount of FPL's requested base revenue increase in the 2023 SYA?

A. As reflected on FPL witness Fuentes's Exhibit LF-3, FPL's requested base revenue increase for 2023 is $607 million. For further detail regarding the calculation of these revenue requirements, please refer to FPL witness Fuentes's testimony.

Q. Please explain why the 2023 SYA is necessary.

A. FPL's revenue requirement increases significantly in 2023, and as reflected on FPL witness Fuentes's Exhibit LF-5, without a subsequent year adjustment, FPL's ROE is expected to drop more than 100 basis points, putting it below the bottom

of the requested ROE range. Assuming FPL's 2022 request is granted in full, the 2023 SYA reflects only the incremental revenue need in 2023 to achieve a projected ROE equal to the requested midpoint of 11.50%. The drivers of the increase in revenue requirement from 2022 versus 2023 are depicted in Exhibit SRB-10.

Q. What are the primary drivers of the net increase in the 2023 SYA revenue requirements?

A. FPL's retail rate base is forecasted to increase approximately $4.1 billion, primarily as a result of the investments made to further the advancement of emission-free, large-scale solar generation, support system growth, improve reliability and enhance our combined cycle fleet. Exhibit SRB-10, page 2 of 2, depicts the revenue requirement in 2023 resulting from each of these capital initiatives.

The primary drivers of the increase in revenue requirements in 2023 are: (1) capital investment initiatives for solar generating facilities, system growth, increased reliability and enhancements to our combined cycle fleet; (2) the impact of inflation and customer growth; (3) an increase in the weighted average cost of capital; and (4) revenue growth that partially offsets the increase in revenue requirements. Each of these drivers will be discussed individually, and they are summarized as follows:

Capital Initiatives	$616 million
Change in Weighted Average Cost of Capital	$59 million
Inflation and Customer Growth	$23 million
Revenue Growth	($73) million
Other	($18) million
TOTAL	$607 million

Q. Please describe the capital initiatives that impact the 2023 revenue requirements.

A. FPL continues to invest in projects that support system growth and provide long-term customer benefits such as O&M cost savings, increased system efficiency, fuel and emissions savings and improved system reliability.

As described in greater detail by FPL witnesses Sim and Valle, FPL's resource planning process indicates that the addition of ten 74.5 MW solar generating facilities in 2023, combined with the six 74.5 MW solar additions in 2022, is cost-effective for customers. The total 745 MW of nameplate capacity associated with these 2023 facilities will continue FPL's deployment of zero-emission solar for the benefit of customers. These ten solar generating facilities have a revenue requirement of $105 million and will be offset by fuel savings.

As described in further detail by FPL witness Park, FPL projects to add approximately 68,000 customers within its service area in 2023. Capital

requirements for growth, in this analysis, represents the revenue requirements associated with the power delivery infrastructure needed to support the addition of new customers to the system during 2023. In order to support future growth, FPL will incur approximately $1.35 billion of capital expenditures to expand the transmission and distribution infrastructure. This results in an increase of $150 million in revenue requirements for 2023.

During 2023, as discussed by FPL witness Spoor, the Company will invest approximately $1.41 billion in order to continue to provide superior reliable service to our customers through the continued rebuild of the 500 kV transmission system and the further deployment of smart devices to reduce outage durations. These reliability investments increase the 2023 revenue requirement by approximately $190 million.

FPL also projects an increase in base revenue requirements of approximately $120 million for the period 2022 to 2023 related to investments made to enhance FPL's combined cycle generation fleet. This includes the remaining five months of the full year revenue requirement for the highly efficient Dania Beach Clean Energy Center projected to enter service June 1, 2022. Also, in 2023, as described by FPL witness Broad, FPL will continue to invest in the combined cycle fleet to further improve the heat rate which will provide long-term benefits to customers.

Q. Please describe the impact of inflation and customer growth on the 2023 revenue requirements.

A. As described previously, inflation represents the increased cost of goods and services in 2023 as compared to 2022. The CPI projection for 2023 indicates that goods and services will cost 0.8% more relative to 2022. In addition, as described by FPL witness Park, the Company projects to add an additional 68,000 customers in 2023. The impact of inflation and projected customer growth on O&M in 2023 results in a $23 million increase in revenue requirements.

Q. Please explain the increase in the weighted average cost of capital and its effect on the 2023 revenue requirements.

A. As demonstrated on MFR D-1a, the 2023 weighted average cost of capital is 0.10% higher than the 2022 weighted average cost of capital. The difference is primarily attributable to the continued amortization of excess deferred income taxes, which lowers the amount of zero cost capital included in our capital structure, and an increase in the long-term cost of debt. The increase in the weighted average cost of capital is projected to increase the 2023 revenue requirements by $59 million.

Q. Please describe the impact of revenue growth on the 2023 revenue requirements.

A. Retail base revenue resulting from increased sales reflects modest growth, resulting in a decrease in 2023 revenue requirements of $73 million.

VI. FPL'S FOUR-YEAR RATE PLAN

Q. Please refer to the four-year rate plan described by FPL witness Barrett. Are there specific elements that you plan to describe?

A. Yes. FPL is requesting to accelerate the amortization of excess unprotected deferred income taxes as part of the four-year rate plan.

Q. Please describe FPL's proposal to accelerate the amortization of unprotected excess deferred income taxes as part of the four-year rate plan.

A. FPL is currently amortizing unprotected excess deferred income taxes generated by the TCJA over a 10-year period pursuant to the settlement reached in Docket No. 20180046-EI, which the Commission approved in Order No. PSC-2019-0225-FOF-EI. FPL began amortizing unprotected excess deferred income taxes in 2018, meaning there will be two years of amortization remaining at the end of the 2022-2025 period contained in FPL's four-year rate plan. In support of the four-year rate plan, FPL is requesting to accelerate the amortization of the amount of unprotected excess deferred income taxes that would be amortized in 2026 and 2027 such that those amounts would instead be amortized in 2024 and 2025. As noted by FPL witness Barrett, FPL's four-year rate plan offers customers base rate certainty at least until January 2026. This certainty is being accomplished by deferring cash rate increases in 2024 and 2025 even though FPL's revenue requirements will continue to increase. The acceleration of the remaining two years of unprotected excess deferred income tax amortization will help offset the

increasing revenue requirements and is a key component of the four-year plan and FPL's ability to manage the uncertainty over that length of time.

Q. Please quantify the amount of unprotected excess deferred income tax amortization that FPL is seeking to accelerate as part of its proposal.

A. FPL is seeking to accelerate $163 million of unprotected excess deferred income tax amortization, or $81.3 million in both 2024 and 2025.

Q. Are there any Internal Revenue Service ("IRS") regulations or other accounting rules that must be considered prior to changing the amortization period?

A. No. As discussed in my testimony in Docket No. 20180046-EI, unprotected excess deferred income taxes are not subject to IRS normalization rules; therefore, the Commission has the discretion to establish any amortization period it deems appropriate and could approve the proposed amortization as part of the four-year rate plan.

VII. SCHERER UNIT 4 RETIREMENT

Q. Please provide an overview of the Scherer Unit 4 retirement.

A. FPL currently owns an approximately 76% interest in the Scherer Unit 4 coal generating facility located in Georgia. The remaining approximately 24% of the unit is owned by JEA. Scherer is inefficient and expensive to maintain compared to the rest of FPL's efficient and modern generating fleet. As described in greater detail by FPL witness Forrest, FPL and JEA have agreed to partner together to

retire their interests in Scherer Unit 4, which will create significant value for customers.

Q. What value does the retirement of Scherer Unit 4 create for FPL customers?

A. FPL's analysis of retiring Scherer Unit 4 effective January 1, 2022, projects $583 million of CPVRR savings for customers as reflected on Exhibit SRB-11. The savings primarily result from avoiding costly ongoing capital and O&M expenses specific to operating Unit 4 as well as an annual transmission service payment that was required to transmit electricity from the unit in Georgia to the FPL balancing authority. FPL will remain obligated for common facility costs at the Scherer site that are required whether Unit 4 is operational or retired. In addition, to ensure the needed partnership with JEA for the joint retirement, FPL has agreed to make a $100 million payment to JEA as discussed by FPL witness Forrest. As described in greater detail by FPL witness Fuentes, FPL is requesting that the payment to JEA be recorded as a regulatory asset and amortized over a 10-year period. All of these savings and costs are included in the CPVRR analysis that shows $583 million of savings as well as the 2022 Test Year forecast and the 2023 SYA forecast presented in this docket.

Q. Please describe the economic analysis performed for this transaction.

A. The economic analysis for this transaction compared two FPL system resource plans: (1) the base case scenario ("base case scenario"), in which FPL would continue to operate its 76% ownership share in Scherer Unit 4 through the end of its useful life, currently expected to be 2052 per the depreciation parameters approved in FPL's 2016 Rate Settlement; and (2) the scenario included in this

filing whereby FPL partners with JEA to shut down Scherer Unit 4 and avoid the costly ongoing operating costs.

Q. How does FPL plan to cover the shortfall in generating capacity caused by retiring Scherer Unit 4?

A. FPL's share of Scherer Unit 4 amounts to approximately 635 MW of net generating capacity. Consistent with what FPL presented in the 2020 Ten-Year Site Plan approved by the Commission, FPL plans to make up for the lost generation capacity through a combination of efficient generation additions. This includes the addition of combined cycle upgrades on the GE 7FA fleet as discussed by FPL witness Broad as well as the addition of zero-emission solar generating facilities as described in greater detail by FPL witness Valle. The cost of these generation upgrades is included in the CPVRR analysis that results in $583 million of projected net benefits for FPL's customers.

Q. How has FPL accounted for the remaining net book value within its economic analysis?

A. The economic analysis includes the impact of establishing regulatory assets for the projected $831 million in remaining unrecovered net book value associated with retired assets. As described in greater detail by FPL witness Ferguson, FPL is proposing a 10-year amortization period for the regulatory asset representing the remaining net book value of the Scherer facility. The economic analysis contemplates that these investments are recovered on a straight-line basis over a 10-year period, with $367 million recovered through base rates and $463 million

related to environmental clause assets recovered through the environmental cost recovery clause.

VIII. POTENTIAL CHANGE IN TAX LAW

Q. Please provide an overview of the potential change in tax law.

A. With the change in administration and the inauguration of President Biden, there exists the possibility for a change in tax law either during or after the conclusion of the rate case that could have a material impact on the four-year proposal being presented by FPL. President Biden has indicated he plans to reverse a portion of the tax cuts contained in the TCJA, with a potential outcome being an increase in the federal corporate tax rate from the current 21%. There also exists the potential for other provisions of tax law to impact FPL, but those cannot be assessed until the final law is passed.

Q. Has FPL accounted for or included any potential tax law changes in its current filing?

A. No. FPL's 2022 Test Year forecast and 2023 SYA are based on current tax law as passed in the 2017 TCJA. In addition, FPL is following Order No. PSC-2019-0225-FOF-EI as it relates to accounting for excess deferred income taxes.

Q. How would changes to the corporate income tax rate impact the financial position of FPL?

A. While the ultimate impact of the potential legislation is still unknown, the Biden Administration has discussed an increase in the federal corporate income tax rate,

which would significantly increase FPL's cost of service. A higher tax rate would result in an increase in FPL's tax expense and revenue requirements, which would be partially offset over time by the increase in deferred income tax liabilities in FPL's capital structure.

Q. Please describe FPL's proposal for accounting for a change in tax law.

A. FPL proposes that the impact of any change in tax law be handled through an adjustment to the base rates. Within 90 days of the enactment of the new tax law, FPL will submit the calculation of the required change in base rates to the Commission for review. If timing permits, FPL will submit a revised revenue requirement calculation for Commission consideration as part of FPL's base rate request. Otherwise, FPL will submit the calculation for Commission approval of a subsequent base rate adjustment. In no instance will FPL defer incremental income tax expense for 2021 or request the tax-related base rate adjustment be implemented before January 1, 2022.

Q. How does FPL propose to quantify the impact of any potential change in tax law?

A. FPL will prepare two sets of updated MFR schedules A-1, B-1, C-1 and D-1a for both the 2022 test year and 2023 SYA that reflect the Commission's final base rate order. These MFR schedules will be prepared two ways: 1) utilizing current tax law under the TCJA; and 2) applying the new tax law. The difference in revenue requirements between the two sets of MFR schedules will demonstrate the difference resulting from the new tax law and will be the amount that FPL proposes to utilize to calculate an adjustment to base rates for both 2022 and

2023. For 2024 and 2025, FPL proposes no adjustment to base rates consistent with its four-year proposal. If new tax law is not enacted until after 2023, FPL will still utilize the 2023 updated MFRs, reflecting the Commission's final base rate order, to determine the amount of the one-time base rate adjustment needed to ensure that FPL is not subject to an unplanned increase in revenue requirements as a result of changes in tax law. For the time period between enactment of the new tax law and implementation of new tax-adjusted base rates, FPL will defer the impact of new tax law to the balance sheet for collection through the Capacity Clause in the subsequent year. Any difference between actual income tax expense and the amount of the 2022 or 2023 base rate increase will be recorded in net operating income and reflected in FPL's earnings surveillance reports for all periods.

Q. How will FPL account for any changes in deferred taxes as a result of a new tax law?

A. Depending on the nature of any final tax law, any deficient or excess deferred income taxes that arise will be deferred as a regulatory asset or liability on the balance sheet and included within FPL's capital structure. If the tax law continues to prescribe the use of the Average Rate Assumption Method, FPL will flow back or collect the protected deferred income taxes over the underlying assets remaining life to ensure compliance with Internal Revenue Service normalization rules. Similar to the TCJA, if the new tax law does not specify the treatment of unprotected deferred income taxes, FPL proposes to flow back or collect the unprotected deferred income taxes over a 10-year period, consistent

with FPL's treatment under the TCJA and Order No. PSC-2019-0225-FOF-EI. FPL will account for the impact of deferred income taxes as part of the calculation that will be completed within 90 days of enactment of the new tax law.

Q. In the event that the Commission does not grant FPL's request to unify rates and instead directs FPL and Gulf to remain separate ratemaking entities, how do the separate ratemaking entities propose to account for a change in tax law?

A. An increase in the federal corporate income tax rate would significantly increase the cost of service for FPL and Gulf as separate ratemaking entities just as it would for consolidated FPL. Therefore, the impact of the tax law change on FPL and Gulf as separate ratemaking entities should be addressed through an adjustment to base rates calculated and implemented in the same manner as I described for unified FPL.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled rebuttal testimony of Scott R. Bores was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF SCOTT R. BORES

DOCKET NO. 20210015-EI

JULY 14, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. Yes.

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

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

- SRB-12 – 2024 and 2025 High-Level Revenue Requirements
- SRB-13 – FPL Productivity Savings

I am co-sponsoring the following exhibit:

- LF-10 – FPL's Notice of Identified Adjustments filed May 7, 2021 and Witness Sponsorship, filed with the rebuttal testimony of FPL witness Fuentes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to rebut the incorrect assertions from numerous intervenor witnesses regarding: (1) the reliability of the forecast FPL proposes to use to set rates for 2023 (OPC witness Smith); (2) the propriety of and need for the 2023 Subsequent Year Adjustment ("2023 SYA") (OPC witnesses Smith and Lawton); (3) FPL's increasing revenue requirements in 2024 and 2025 (FEA witness Gorman); (4) the Reserve Surplus Amortization

Mechanism ("RSAM") in the past and how it will be used under FPL's four-year rate plan (OPC witnesses Smith and Lawton); (5) FPL's need for accelerated amortization of unprotected excess accumulated deferred income taxes ("EADIT") (OPC witness Smith) and the proposed tax reform mechanism as necessary components of the four-year proposal (FIPUG witness LaConte and OPC witness Smith); (6) the value of the consummation payment as part of the overall Scherer 4 transaction (OPC witness Smith, FIPUG witness LaConte, FEA witness Gorman); and (7) recovery of Directors and Officers Liability ("DOL") insurance expense (OPC witness Smith).

Q. Please summarize your rebuttal testimony.

A. Intervenor witnesses attempt to cast doubt over FPL's forecast of years beyond 2022, but make no genuine effort to provide a valid basis for their assertions. The Minimum Filing Requirements ("MFRs") developed to support the 2022 Test Year and 2023 SYA were subject to the same rigorous forecasting process resulting in forecasts of revenue requirements and are reasonable and reliable for setting base rates in this proceeding. The forecast demonstrates that the 2023 SYA is necessary to avoid falling more than 100 basis points below the allowed midpoint return on equity ("ROE"), and approving it is consistent with Florida Public Service Commission ("Commission") policy and past practice. In addition, FPL has provided evidence showing that its continued investments for customers in 2024 and 2025 increase the revenue requirements in those years, even though FPL's four-year plan does not seek any general rate increases after 2023. The RSAM, acceleration of unprotected EADIT to 2024

and 2025 and tax reform mechanism are therefore necessary to manage the revenue deficiency and the numerous uncertainties and risks over the period of FPL's four-year rate plan.

The financial results from 2017 through 2020 belie the claim by various intervenor witnesses that the RSAM was utilized solely as a mechanism to earn at the top-end of the allowable ROE range. Rather, FPL's superior management of costs and productivity improvements created the value that enabled FPL to earn at the top of the approved ROE range in the past, and the financial scenarios for 2024 and 2025 indicate that the RSAM will not drive FPL to earn at the top of the range during the four-year term. In fact, FPL will need to use about $1.345 billion of the proposed $1.48 billion Reserve Amount simply to earn at the midpoint in 2024 and 2025, leaving only about $135 million over the entire four year period to manage through the many risks associated with multi-year "stay outs." The Reserve Amount is therefore insufficient to absorb a change in the corporate tax rate. The tax mechanism proposed by FPL, which is substantially similar to mechanisms previously approved by the Commission, is a necessary component of the four-year plan.

Additionally, OPC witness Smith's and FEA witness Gorman's recommended disallowance of the $100 million consummation payment related to Scherer Unit 4 is confiscatory. The $100 million consummation payment to JEA is a necessary investment to unlock $583 million of projected CPVRR savings for

customers. FPL should be allowed to include that payment within rate base and earn a fair return like any prudent investment made for the benefit of customers.

Finally, the Commission should reject OPC witness Smith's recommendation that 50% of DOL insurance expense should be disallowed in order to reflect an allocation to shareholders. This insurance is a prudent cost to attract and retain skilled leadership, is part of conducting business for a large corporation and has been historically part of FPL's cost of service.

II. 2023 SUBSEQUENT YEAR ADJUSTMENT

Q. Are the Company's forecasts for 2023 reasonable and reliable for setting rates in this proceeding?

A. Yes. Similar to the 2022 projected test year, the basis and process used in developing the 2023 forecasts are robust and reasonable, and the resulting forecasts of revenue requirements can be relied upon for rate setting. FPL's forecasts are the products of a rigorous process involving a multi-year planning horizon that I describe in great detail in my direct testimony.

Q. Did the circumstances surrounding the 2020 pandemic make estimates beyond 2022 unreliable?

A. No. OPC witness Lawton suggests that the 2020 pandemic somehow invalidated estimates beyond 2022. However, nothing about the forecast process for the 2023 SYA diverges from the process used to forecast 2021 and

2022. To the contrary, the Company followed the same rigorous process and the underlying work and support for each of these forecasts share a common platform and approach, equally appropriate for 2023 as for 2021 and 2022. Mr. Lawton does not point to anything about the 2020 pandemic that would impact the 2023 forecast differently than the forecast for 2021 or 2022.

Q. Has the economic outlook already changed from the time you prepared the forecast for 2022 and 2023?

A. Yes. The economic landscape has begun to change since FPL filed its rate case, but, ironically, those changes indicate that FPL will likely need *more* revenues in future periods to earn a fair and reasonable return. Pursuant to the four-year proposal described by FPL witness Barrett, FPL takes on the responsibility to manage through these increases in the cost of doing business, not only in the 2023 SYA, but also through each year of the four-year proposal as I will discuss in more detail.

Q. Has the Commission previously approved the use of subsequent year adjustments?

A. Yes. Order Nos. 13537, PSC-92-1197-FOF-EI, and PSC-93-0165-FOF-EI are examples of instances in which the Commission approved the use of "two fully projected test years" in rate cases for FPL, Florida Power Corporation, and Tampa Electric Company, respectively.

Q. Is the Company's request for a 2023 SYA appropriate and consistent with Commission policy?

A. Yes. Use of the Company's proposed 2023 subsequent year to approve the 2023 SYA in this proceeding is appropriate under Commission Rule 25-6.0425 and represents an efficient and reasonable basis upon which to establish rates for the Company. The justification for the 2023 SYA is especially critical in this case due to FPL's commitment to forgo general base rate increases in 2024 and 2025 upon approval of its four-year plan. OPC witness Lawton's attempt to apply an "extraordinary circumstances"[1] threshold requirement for subsequent year adjustments is contrary to precedent and undermines the Commission's goal to set rates on a going forward basis that will enable a utility to recover its costs and earn a fair and reasonable return. This principle has been addressed by the Florida Supreme Court which stated in a 1985 challenge to a Commission order granting FPL a rate increase in 1984 with a subsequent year adjustment for 1985:

> At the heart of this dispute is the authority of [the] PSC to combat "regulatory lag" by granting prospective rate increases which enable utilities to earn a fair and reasonable return on their investments. We long ago recognized that rates are fixed for the future and that it is appropriate for [the] PSC to recognize factors which affect future rates and to grant prospective rate increase based on these factors.

[1] Direct Testimony OPC witness Lawton at Page 15, Line 15 through Line 21.

Q. Why is the 2023 SYA necessary, and why is it good public policy?

A. As demonstrated in the Company's filing, FPL projects a $605 million revenue deficiency in 2023.[2] Without the 2023 SYA, the Company projects its ROE in 2023 will fall more than 100 basis points, putting it below the bottom of the allowed range. On one hand, OPC witness Smith asserts that 2023 SYA is not necessary, but on the other hand, his own calculations indicate that the Company has a $457 million[3] revenue deficiency and will be unable to earn a reasonable return in 2023.

Additionally, OPC witness Smith's assertion that the 2023 SYA is not good public policy ignores the realities of running a regulated utility. The 2023 SYA allows the Company to avoid filing another rate case in 2022 for new base rates effective in January 2023. Filing back-to-back rate cases would require FPL to expend significant time and resources – time that is better spent finding additional ways to create value for FPL's customers. Through a series of multi-year rate plans, FPL has been able to prepare, file and execute base rate proceedings occurring infrequently (every three or four years), without building a large permanent staff devoted to processing rate cases, in part because the filings have been infrequent. In addition, FPL has utilized the time between those rate cases to find significant costs efficiencies that accrue to the benefit of customers in the form of a lower rate case request and lower rates over the long-term. If base rate proceedings were to become an annual requirement,

[2] Exhibit LF-12, Page 1 of 6, to FPL witness Fuentes's Rebuttal Testimony.
[3] Exhibit RCS-3, Schedule A, line 8, column E to OPC witness Smith's Direct Testimony

customers would bear additional costs and the Company would be investing significant resources into rate proceedings instead of finding additional opportunities to drive out significant cost and create long-term value for customers. Certainly, such an approach also is directly counter to the multi-year plans that have been approved by the Commission and which have worked exceptionally well for customers for more than 20 years, as discussed at greater length by FPL witness Barrett.

Q. Will the Commission maintain the ability to oversee FPL's earnings in 2023 and future years in the absence of back-to-back rate cases?

A. Yes. FPL is required to submit to the Commission earnings surveillance reports ("ESR") on a monthly basis. These reports set forth the level of FPL's earnings and other financial results. The Commission utilizes the ESRs to ensure that FPL is not earning above the allowed ROE range and has the authority to initiate an earnings investigation when appropriate. Through this robust process, the ESRs effectively and efficiently have served to protect customers and the Company during multi-year rate plans and "stay outs," and it will serve the same function during the 2023 subsequent year and remainder of the four-year rate plan being proposed in this proceeding.

Q. How does the 2023 SYA impact the Company's earnings?

A. FPL is not petitioning for an increased ROE in the subsequent year. The 2023 SYA would set rates at the midpoint ROE authorized by the Commission. The mathematical fallout is that the 2023 SYA is midpoint seeking, and OPC witness Lawton's suggestion that the 2023 SYA will serve only to increase

equity earnings is just not true. Conversely, without a subsequent year adjustment, the Company's ROE will fall below the proposed authorized range, meaning the Company will be unable to earn a fair return and would be forced to return to the Commission a few months from now to seek an incremental base rate increase to be effective January 1, 2023.

III. 2024 AND 2025 REVENUE REQUIREMENTS

Q. Has FPL supported its position that it will experience a revenue deficiency in 2024 and 2025?

A. Yes. FEA witness Gorman's rejection of FPL's four-year plan on the grounds that the Company did not produce a full set of MFRs for each year overlooks information FPL has produced in this proceeding and misconstrues the nature of FPL's four-year proposal. In responses to various interrogatories, the Company has provided high-level base scenario projections that indicate FPL's base rate revenue requirements are projected to grow in excess of $500 million per year in both 2024 and 2025 as a result of FPL's continued investment for the benefit of customers. Exhibit SRB-12 provides a high-level revenue requirement calculation for 2024 and 2025. Even after accounting for additional base revenues projected to be received under FPL's proposed SoBRA mechanism, and assuming approval of the Company's requested base revenue increase in 2022 and 2023, FPL projects incremental revenue requirements of $433 million in 2024 and $911 million in 2025 to earn at the

proposed midpoint return on equity, or a total of $1.345 billion. This will leave only approximately $135 million of the Reserve Amount remaining for FPL to utilize to manage uncertainty and risk in the business, which represents approximately only 0.4% of total base revenues over the four-year rate plan time period, hardly the shareholder benefit claimed by intervenor witnesses.

Q. What types of uncertainties and risks will the Company need to manage?

A. As OPC witness Lawton points out, there is an unusually high degree of risk and uncertainty surrounding the impact of the COVID-19 pandemic on the economy over the longer term, including the impact on productivity, the labor force, and technological innovation – all factors which FPL relies on to drive further efficiency and execute its capital plan for the benefit of customers. Additionally, OPC witness Lawton argues that the Company did not consider "more rapid recovery and the influences of recent fiscal and some monetary initiatives."[4] To the contrary, as discussed by FPL witness Park, FPL has considered these initiatives and other market dynamics as part of the four-year plan, and it is the exact reason FPL is asking for the flexibility afforded under the RSAM. For example, IHS Markit, FPL's third-party source for economic projections, reflected much higher current and long-term inflation assumptions in their June 2021 forecast than FPL utilized in preparation of their forecasts over the four-year plan. Additionally, on June 16, 2021, the Federal Open Market Committee, a committee that conducts monetary policy for the United States central bank, raised its inflation expectations and announced that it may

[4] Direct Testimony OPC witness Lawton at Page 9, Line 1 through Line 2.

need to increase interest rates earlier than expected. These are significant changes that occurred only a few months after the Company's base rate filing and highlight the potential risks and uncertainties the Company will assume as part of the four-year rate plan. To be able to assume that uncertainty and provide the significant benefits of rate stability and predictability to its customers, FPL requests approval of all the elements outlined in the four-year rate plan and described in witness Barrett's direct testimony.

Q. Why is FPL proposing to accelerate the amortization of unprotected EADIT amortization into 2024 and 2025?

A. The Company's proposed four-year rate plan, as described in detail in FPL witness Barrett's direct testimony, will enable FPL to forgo general base rate increases in both 2024 and 2025 while providing customers with rate stability and certainty through at least January 2026. The accelerated amortization of unprotected EADIT, which is classified as a regulatory liability, is an essential element of the four-year proposal. Although accelerating EADIT amortization in 2022 and 2023 as proposed by OPC witness Smith would reduce the revenue deficiency in the projected test year and the subsequent year, it would have the negative consequence of increasing the revenue requirements in both 2024 and 2025, thereby no longer allowing FPL to commit to the Four-Year Rate Plan. The acceleration of unprotected EADIT amortization into 2024 and 2025 is necessary for FPL to be able to earn a fair and reasonable return while managing risks and uncertainties over the four-year term.

IV. RESERVE SURPLUS AMORTIZATION MECHANISM

Q. Please describe how FPL intended to utilize the RSAM at the time it entered into the 2016 Settlement Agreement?

A. Under the 2016 Settlement Agreement, FPL agreed to no general base rate increases in 2019 or 2020, even though it planned to continue making long-term investments for the benefit of customers. The flexibility under the RSAM allowed FPL to make these investments, manage the uncertainty in the business and defer cash rate increases, which provided an immediate benefit to customers in the form of base rate stability and lower rates. And, as evidenced by the terms to which the parties agreed in 2016, it was always the intent of the signatories that FPL would in fact utilize the entire $1.25 billion reserve established in that Agreement.

Q. Did FPL use RSAM to "pay" for Hurricane Irma restoration costs and thereby burden future customers with a cost that current customers should pay?

A. Absolutely not. OPC witness Smith is incorrect in his assertion. FPL did not pay for Hurricane Irma restoration costs with RSAM. FPL has yet to find a vendor who will accept RSAM as payment for anything. Contrary to this mischaracterization, the costs of Hurricane Irma restoration were funded by internal cash flow and liquidity including cash flow generated by the income tax revenue requirement savings associated with the Tax Cuts and Jobs Act of 2017. This essentially is the same treatment OPC agreed to with Duke Energy

Florida (Order No. PSC-2018-0103-PCO-EI; Order No. PSC-2019-0232-AS-EI). RSAM was employed, as allowed by the 2016 Settlement Agreement, to partially offset the book expense of Hurricane Irma. Three items were simultaneously true: 1) tax savings paid for storm costs over roughly the same period as would have been the case with a storm surcharge; 2) the amount of RSAM used through the settlement period was essentially as expected by all parties to the agreement (though in fact a bit less as evidenced by the estimated $346 million remaining at the end of 2021); and 3) FPL was able to provide an extra year of deferral of a base rate increase.

Q. Please explain how the RSAM allowed FPL to make the investments you described and how that impacted FPL's earnings.

A. The intervenors' repeated assertions that FPL used the RSAM to earn at the top of the range are, at best, uninformed. FPL's continued capital investments in 2019 and 2020, which I describe in my direct testimony, occurred despite the lack of general base rate increases in those years. Yet, investment of that capital for the benefit of customers resulted in incremental revenue requirements in both 2019 and 2020. FPL utilized the RSAM approved under the 2016 Settlement Agreement to amortize the established $1.25 billion surplus reserve in order to earn at the *midpoint ROE*. Contrary to what intervenor witnesses would like the Commission to believe, as demonstrated in Exhibit SRB-13, the $1.25 billion RSAM approved in the 2016 Settlement Agreement would not have been sufficient to allow FPL to earn anywhere near the top of the allowed ROE range.

Q. If FPL utilized amortization of the reserve established under the 2016 Settlement Agreement to earn at the midpoint ROE, how was FPL able to earn near or at the top of the ROE range during the term of the 2016 Settlement Agreement each year?

A. Over the term of the 2016 Settlement Agreement, FPL worked diligently on identifying and implementing productivity savings. Specifically, as shown in Exhibit SRB-13, since 2017 FPL has been able to generate approximately $1.1 billion in productivity savings. It is these savings that have allowed FPL to earn above the midpoint ROE, a position that FAIR witness Devlin supports as reasonable[5], and not the use of the RSAM. Without these productivity savings, which continue to benefit customers and have reduced the O&M included within FPL's 2022 Test Year and 2023 SYA, FPL would have earned about 100 basis points less than it did during each year from 2017 through 2021.

Exhibit SRB-13 clearly demonstrates that it was the productivity improvements that allowed FPL to earn near the top of the range, and that FPL only utilized the RSAM to add an average of four basis points of ROE above the midpoint. In fact, FPL did not utilize all of the $1.25 billion afforded under the 2016 Settlement Agreement, but rather that customers have retained the benefit of the $346 million of surplus that FPL has forecast to remain at the end of 2021.

[5] Direct Testimony FAIR witness Devlin at Page 25, Line 5 through Line 8.

FPL's actual earned return was not, by any means, a "guaranteed" return, as Mr. Smith states on Page 12 of his direct testimony. Instead, it was the result of substantial efforts made by FPL to improve long-term productivity. What FPL has done is beyond what a prudent utility does, as discussed by FPL witness Reed and reflected in FPL's significantly higher performance compared to its peers.[6] In addition, customers will realize the benefits of this O&M productivity in not only the current base rate request, but for the foreseeable future.

Q. Will the RSAM work in a similar manner under FPL's current Four-Year Rate Plan?

A. Yes. As noted in my testimony above, FPL will be utilizing the flexibility awarded under the RSAM to avoid cash rate increases, offer rate stability and manage the uncertainty and risk that is inherent in a four-year proposal. Approximately 90% of the requested RSAM amount is needed to allow FPL to earn at the midpoint ROE in 2024 and 2025, leaving the $135 million remaining amount to manage the business and absorb higher costs that are most certainly going to present themselves as a result of rising inflation and interest rates. This means that if FPL wants the opportunity to earn at the top of the allowed ROE range, it must find further efficiencies and productivity improvements in the business. This is the benefit of the four-year proposal in that customers get rate stability for an extended period of time, and there is incentive for FPL to focus on further cost efficiencies that will accrue to the benefit of customers at the

[6] Exhibits JJR-3 through JJR-14 to FPL witness Reed Direct Testimony.

time rates are next reset. Just like under the 2016 Settlement Agreement, the RSAM as part of the current four-year proposal does not guarantee FPL earns at the top of the allowed ROE range, but affords FPL the opportunity should it continue to find cost efficiencies and create long-term value for the benefit of customers.

V. SCHERER UNIT 4 RETIREMENT

Q. FPL is requesting regulatory asset treatment for the unrecovered net book value of Scherer Unit 4. Why is it appropriate for FPL to earn a return on this asset?

A. Scherer Unit 4 has been a valuable component of FPL's generation fleet for over 30 years and provided customers with reliable electricity; however, it is no longer economical to operate given FPL's efficient and modern generation fleet. Like any prudent investment that has served for the benefit of customers, FPL should be entitled to earn a return on its investment. Furthermore, the economic analysis which yielded $583 million of projected CPVRR savings for customers includes the impact of establishing regulatory assets for the remaining unrecovered book value and recovery over ten years. Lastly, it can be argued that the disallowance of a return on the unrecovered book value of Scherer Unit 4 would be penalizing the Company for finding creative ways to reduce costs and would disincentivize the Company from seeking similar customer-value driven opportunities in the future.

Q. In order to retire Scherer Unit 4, FPL had to make a consummation payment to JEA. Why is it appropriate for FPL to include this amount in retail rate base?

A. The retirement of Scherer Unit 4 is projected to yield $583 million of CPVRR savings for customers inclusive of the $100 million consummation payment to JEA. FPL owns a 76.36% undivided interest in Scherer Unit 4 with the remaining 23.64% undivided interest owned by JEA. As discussed by FPL witness Forrest, FPL does not have the ability to retire its percentage ownership of Scherer without the agreement of JEA and absent the consummation payment to JEA, FPL would not have been able to jointly retire this unit to create the projected $583 million of savings for FPL customers. The consummation payment is like any other prudent investment that yields customer benefits and FPL should be entitled to earn a return on that investment.

Q. Is it appropriate to assume that FPL customers will be exposed to higher fuel costs as a result of the Scherer Unit 4 retirement? Additionally, is it appropriate to remove fuel savings from the Scherer Unit 4 CPVRR analysis?

A. No. Contrary to what OPC witness Smith seems to believe, and as further discussed by FPL witness Forrest, it would not be appropriate to assume that FPL customers would be exposed to higher fuel costs as a result of the Scherer Unit 4 retirement. The Company plans on replacing the generation associated with the retirement of Scherer Unit 4 with efficient combined cycle upgrades and more importantly, with zero-cost fuel and emissions-free solar. This

replacement generation has already been factored in the CPVRR analysis that results in the $583 million of projected savings to FPL customers. Additionally, it would be very inappropriate to selectively choose one variable in the CPVRR analysis that provides customer benefit and ask that it be ignored as there is a remote possibility a portion of the savings may not materialize. It is also important to note that there are assumption changes that could increase the CPVRR benefit for customers, including higher emissions or coal compliance costs. FPL includes its best estimate of fuel projections in all resource planning work and CPVRR calculations including those utilized in need determinations, SoBRAs, and other proceedings before the Commission.

VI. TAX LAW

Q. Please reiterate FPL's proposal as it relates to a potential change in tax law during the Four-Year Rate Plan.

A. FPL's 2022 Test Year forecast and 2023 SYA are based on current tax law. Should there be a change in tax law either during or after the conclusion of the rate case, FPL proposes to adjust base rates for the impact of the new tax legislation. The calculation of the required change in base rates will be submitted to the Commission for review within 90 days of the enactment of the new tax law. FPL is not asking for any adjustment in base rates prior to a change in tax law, it is simply seeking a mechanism to allow for an adjustment to base

rates should new tax laws be enacted that change FPL's cost of service during the term of FPL's four-year proposal.

Q. Should FPL include the impact of any new tax law in its earnings surveillance reports and offset with RSAM, as suggested by OPC witness Smith?

A. Absolutely not. A potential change in the income tax rate will significantly impact revenue requirements. The Company's four-year rate plan, and the $1.48 billion of RSAM, an essential component of this plan, do not contemplate any potential impacts due to changes in tax law and FPL cannot absorb the corresponding significant increase to revenue requirements.

Q. Does FPL agree that its proposal for an adjustment to base rates should apply to either an income tax rate increase or decrease?

A. Yes. FPL commits to adjust base rates for any change in tax law, whether it is an income tax rate increase or decrease.

VII. DIRECTORS AND OFFICERS LIABILITY EXPENSE

Q. Do you agree with OPC witness Smith's proposed adjustment to reduce DOL insurance expense by 50% to reflect an allocation to shareholders?

A. No. DOL insurance is an essential and prudent cost to attract and retain skilled leadership and is appropriately included in the Company's determination of revenue requirements in this case. DOL insurance is a necessary part of conducting business for a large corporation. In light of the growing risk

exposures related to corporate governance, it would be impossible to attract and retain experienced directors and officers without the protections offered by the DOL program.

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

A. Yes. DOL insurance directly benefits customers and is a necessary and reasonable expense for FPL to provide service to its customers.

Q. Does this conclude your rebuttal testimony?

A. Yes.

(Transcript continues in sequence in Volume 2.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 21st day of September, 2021.

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024