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June 9, 2025

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20250011-EI - Petition for rate increase by Florida Power & Light Company

Dear Mr. Teitzman:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of Daniel J. Lawton. This filing is being made via the Florida Public Service Commission's web-based electronic filing portal.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

Walt Trierweiler
Public Counsel

/s/ Mary A. Wessling
Mary A. Wessling
Associate Public Counsel
Florida Bar No.: 93590

CERTIFICATE OF SERVICE
DOCKET NO. 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 9th day of June, 2025, to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.

Docket No. 20250011-EI

Filed: June 9, 2025

DIRECT TESTIMONY

OF

DANIEL J. LAWTON

ON BEHALF

OF

THE CITIZENS OF THE STATE OF FLORIDA

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EXHIBITS

DIRECT TESTIMONY

OF

DANIEL J. LAWTON

On Behalf of the Office of Public Counsel

before the

Florida Public Service Commission

DOCKET NO: 20250011-EI

I. INTRODUCTION/BACKGROUND/SUMMARY/FINDINGS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Daniel J. Lawton. My business address is 12600 Hill Country Boulevard, Suite R-275, Austin, Texas 78738.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I have been working in the utility consulting business as an economist since 1983. My consulting engagements have included electric utility load and revenue forecasting, cost of capital analyses, financial analyses, revenue requirements/cost of service reviews, and rate design analyses in litigated rate proceedings before federal, state and local regulatory authorities, and in court proceedings. I have worked with numerous municipal utilities developing electric rate cost of service studies for reviewing and setting rates. In addition, I have a law practice based in Austin, Texas. My main areas of legal practice include administrative law representing municipalities in electric and gas utility rate proceedings and other litigation including appellate, and contract matters. I have included a brief

description of my relevant educational background and professional work experience in Exhibit (DJL-1) attached to this testimony.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN RATE PROCEEDINGS?

A. Yes. A list of cases where I have previously filed testimony is also included in Exhibit (DJL-1).

Q. ON WHOSE BEHALF ARE YOU FILING TESTIMONY IN THIS PROCEEDING?

A. I have been retained to review the Florida Power & Light Company ("Company" or "FPL") cost of capital request, and related financial issues, on behalf of the Florida Office of Public Counsel ("OPC").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this proceeding is to address the Company's requested overall cost of capital for FPL's regulated electric operations. I will address and separately estimate the Company's: (i) requested overall rate of return to be earned on rate base investment; (ii) proposed capital structure; (iii) financial risk; (iv) business risk; (v) cost rates for equity capital; (vi) cost rates for investment tax credits; and (vi) long-term debt. As discussed below, the Company's filing includes cost of service estimates based on what is described as a four-year Rate Plan covering the rate years 2026, 2027, 2028, and 2029 with base rate increases in the forecasted test years of calendar years 2026 and 2027. With the understanding that OPC strongly opposes approval of the proposed four-year rate plan as addressed further by other OPC expert witnesses, my analysis addresses cost of capital in each of the proposed rate years of the multi-year rate proposal.

The Company's proposed capital costs are presented and discussed in the direct testimony of FPL cost of capital witness, Mr. James Coyne, and FPL financial witness Mr. Scott Bores, and the results presented in the Company's filed MFR Section D "Cost of Capital Schedules." In addition, I address several issues related to the Company's financial integrity, investment requirements, cash flow issues, and impacts of the proposed multi-year rate plan related to return on invested capital.

Q. WHAT MATERIALS DID YOU REVIEW AND RELY ON FOR THIS TESTIMONY?

A. I have reviewed prior orders of the Florida Public Service Commission ("Commission"), the Company's direct testimony presented in this proceeding, Company responses to discovery requests in this proceeding, Value Line Investment Survey ("Value Line"), financial reports such as the 10-K filed with the Securities and Exchange Commission ("SEC") of the Company and other utility companies of comparable risk, and other relevant financial information available in the public domain. When relying on various sources, I have referenced such sources in my testimony and attached exhibits and included copies or summaries in my Exhibits and work papers as applicable.

Q. BEFORE PROVIDING A BRIEF SUMMARY OF YOUR FINDINGS AND RECOMMENDATIONS, PLEASE PROVIDE A BRIEF OVERVIEW OF THE FPL COST OF CAPITAL REQUEST.

A. After review and analysis of the Company's cost of capital request in this case, I have reached one major overall conclusion; FPL's shareholder profit request is a substantial overreach resulting in excessive rates and harms all Florida customers if such request is granted by this Commission. As I will demonstrate later in this testimony, the Company's

own numbers in the filed MFR's, testimony, and witness exhibits together demonstrate the excesses of the cost of capital request. Company cost of capital witness James Coyne relied on extreme and unreliable CAPM model results that has led to increasing the FPL shareholder profit request from the current 10.8% midpoint by 110-basis to 11.90%. Such a profit increase leads to increasing the first year of the rate plan revenue requirement by more than $550 million or about one third of the entire $1,544,780,000 proposed first year increase.[1] I will be addressing this matter when I address Mr. Coyne's Direct Testimony at Section X of this testimony.

Another way to evaluate the impact of FPL's shareholder profit request in this case, is to calculate the percentage amount of profit and associated federal income taxes that are included in customer (non-fuel) base rates. I discuss this issue in detail in Section II below. FPL's own numbers and the evidence in this case demonstrates that 49.6% of all base rates goes to pay shareholder profit and associated federal income taxes. In other words, about 50 cents of every consumer dollar paid for base rate tariff electric service goes for shareholder return and associated federal income taxes.

As I discuss below, the percentage of FPL's profit in base rates has been substantially increasing over time due to mostly inefficient financing of capital expansion by employing more costly equity rather than lower cost debt and this Commission should evaluate the disturbing trend. Moreover, I discuss in Section II how this issue is a problem that should be addressed.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS RELATED TO EQUITY RETURN IN THIS CASE.

[1] The calculation of the 110-basis point increase in return of about $550 million is provided in Exhibit (DJL-12).

A. My analysis of the Company's requested 11.90% cost of equity capital, or shareholder profit, in this proceeding is based on evaluating capital market data employing several commonly employed financial models. The models are described in the following pages as well as summarized in the attached Exhibits (DJL-8), (DJL-9), (DJL-10), and (DJL-11). My results from these models using current financial market data employing the Company's proposed peer risk group of electric companies are summarized in the following table: [2]

Table 1
Cost of Equity Estimates Employing FPL Comparable Risk Group[3]

MODEL	RANGE LOW - HIGH	MIDPOINT	Summary averages of midpoints
DCF Model (Average Growth)	9.62% - 9.95%	9.79%	
DCF Model (Sustainable Growth)	8.51% - 8.95%	8.73%	
Two-stage DCF	9.46% - 9.87%	9.66%	3 – DCF Models 9.4%
CAPM	9.70% - 9.70%	9.70%	
ECAPM	9.89% - 9.89%	9.89%	CAPM & ECAPM 9.8%
Risk Premium	10.39% - 10.64%	10.52%	
Average of all Models (Rounded)	9.60% - 9.83%	9.72%	9.7%
Average of all models (excluding risk premium)	9.44% - 9.67%	9.55%	9.6%
Minimum		8.51%	
Maximum		10.39%	
Reasonable Range	9.40% - 9.80%	9.60%	9.60%
Financial Risk adjustment[4]		-.40%	-.40%
Recommended equity return		9.20%	9.20%

[2] Discounted Cash Flow models ("DCF"), Capital Asset Pricing Model ("CAPM"), Empirical Capital Asset Pricing Model ("ECAPM") and Risk Premium Model.
[3] Each cost of equity capital estimate is discussed in the testimony and is presented in Exhibits (DJL-8), (DJL-9), (DJL-10), (DJL-11), and (DJL-13).
[4] The 40-basis point downward risk adjustment can be found in Section IX "Capital Structure".

The results of the cost of capital analyses shown in Tables 1 fall in a range of about 9.40% to 9.80% with a 9.60% midpoint. This 9.4% - 9.8% range includes the average of all models and the average of the models which excluded the risk premium models. Given the above, the indicated cost of capital range is 9.40 - 9.80% and a midpoint estimate cost of capital is 9.60%. However, I adjusted the midpoint downward by 40-basis points to reflect FPL's 59.60% equity ratio and lower financial risk relative to the comparable companies.

Q. WHAT IS YOUR OVERALL COST OF CAPITAL RECOMMENDATION FOR FPL IN THIS CASE?

A. Based on my analyses (which are fully explained in the following pages), I make the following conclusions and recommendations for FPL's cost of capital in each of the two test-years of the proposed multi-year rate plan:[5]

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[5] I have been made aware by counsel for the office that the OPC has taken various legal positions regarding the power or authority of the Commission to entertain the remote second fully projected test year. I am also aware that the OPC successfully challenge the authority of the Commission to determine a multi-year "rate plan" for a regulated utility in a litigated rate case that is not resolved via a settlement agreement in the form of a contract. (PSC Order No. PSC-2023-0177-FOF-GU, Docket No. 20220069-GU, p. 6, *In re: Petition for rate increase by Florida City Gas.)* My testimony, to the extent it opines on costs applicable to 2026 and 2027, does not concede the validity or legality of those years. Furthermore, although I am an attorney, I do not offer any opinion on Florida law as it relates to any of the matters in this case. I solely address the risk considerations associated with a so-called multi-year plan.

Table 2

Recommended Capital Structure and Cost Rates for FPL Operations Rate Year 2026[6]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.07%	9.20%	4.61%
LONG-TERM DEBT	32.65%	4.64%	1.51%
SHORT-TERM DEBT	1.30%	3.80%	0.05%
CUSTOMER DEPOSITS	0.82%	2.15%	0.02%
DEFERRED INCOME TAXES	10.96%	0.00%	0.00%
FAS 109 DEFERRED TAXES	3.20%	0.00%	0.00%
INVESTMENT TAX CREDITS	1.00%	7.40%	0.07%
TOTAL CAPITAL	100.00%		6.26%

Table 3

Recommended Capital Structure and Cost Rates for FPL Operations Rate Year 2027[7]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.12%	9.20%	4.61%
LONG-TERM DEBT	32.55%	4.69%	1.53%
SHORT-TERM DEBT	1.42%	3.279%	0.05%
CUSTOMER DEPOSITS	0.81%	2.15%	0.02%
DEFERRED INCOME TAXES	11.21%	0.00%	0.00%
FAS 109 DEFERRED TAXES	2.99%	0.00%	0.00%
INVESTMENT TAX CREDITS	0.90%	7.42%	0.08%
TOTAL CAPITAL	100.00%		6.29%

[6] Capital structure and cost rates (except equity cost and ITC cost) per Company filing MFR D-1a, 2026 test year page 1 of 1. Equity cost of 9.20% per this testimony and ITC cost based on the adjusted composite long-term debt and equity cost.

[7] Capital structure and cost rates (except equity cost and ITC cost) per Company filing MFR D-1a, 2027 test year page 1 of 1. Equity cost of 9.20% per this testimony and ITC costs per the adjusted composite of long-term debt and equity.

As discussed below, these recommended return levels (9.20% equity return in each year of the proposed rate years) are reasonable. These proposed changes to the Company's rate request result in an overall cost of capital of 6.26% for rate year 2026 and, 6.29% for rate year 2027. Again, other OPC witnesses address the issue of a second forecasted test year and the merits of the proposed four-year rate plan. I include the 2027 capital structure and cost rates for a complete record on capital cost. These alternative capital costs are consistent with current market capital costs in the utility industry, consistent with recent regulatory authority decisions around the country, and consistent with just and reasonable rates for consumers.

My analysis of the Company's overall cost of capital request, which includes: (i) a multi-year rate plan with two separate years of overall capital costs; (ii) substantially increased equity capital and long-term debt capital to fund investment over the four- year rate plan; (iii) Mr. Coyne's overstated recommended 11.90% equity return for FPL electric operations; and (iv) the overall weighted return request to be earned on rate base investment of 7.63% in 2026 and 7.64% in 2027, (see Company MFR Schedule D-1a for 2026 and 2027 test years, respectively) - indicates that the Company's request is overstated, inconsistent with current and expected market capital costs, and inconsistent with just and reasonable rates for consumers.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS IN THIS CASE.

A. Based on my analyses (which are fully explained in the following pages), I make the following conclusions and recommendations:

(i) I recommend a return of 9.20% for shareholder equity for FPL, which is consistent with current market capital cost requirements for electric utility operations and is more than adequate for FPL to maintain its financial integrity and creditworthiness;

(ii) I recommend no changes to FPL's proposed capital structure, which consists of 59.6% equity on a financial basis for each year of the multi-year rate plan. The equity ratio is well above the current 52% average equity ratios of operating electric utilities around the country, so I have adjusted the FPL equity return downward by 40-basis points due to the lower financial risk given the 59.60% equity level;

(iii) I recommend no changes to FPL's long-term or short-term debt costs, but I do adjust investment tax credit costs in capital structure to reflect my proposed composite cost of equity and long-term debt capital; and

(iv) I recommend an overall cost of capital applied to rate base investment of 6.26% for rate year 2026 and 6.29% for rate year 2027 and forward.

II. OVERVIEW OF THE COMPANY'S RATE REQUEST AND ISSUE SUMMARY

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RATE REQUEST.

A. The Company is proposing a four-year forecasted rate plan (calendar-years 2026, 2027, 2028, and 2029)[8] which requires two substantial base rate increases and other elements authorizing added income for the Company.[9] The Company's current rates are based on a multi-year rate plan (calendar years 2022, 2023, 2024, and 2025),[10] established through a Commission-approved negotiated settlement agreement. Under the proposed multi-year rate plan, the Company's case is based on two projected test periods with substantial base rate increases for the calendar years 2026 and 2027.[11] The total amount of capital investment (rate base) for each of the first two-years of the Proposed Rate Plan is

[8] The term "rate year" is used to define the period proposed rates from this case will be in effect.
[9] Direct Testimony Scott Bores at page 54, lines 16 - 23.
[10] See PSC-2021-0202-AS-EI ("2021 Settlement").
[11] Direct Testimony Scott Bores at page 54, lines 16 - 23.

$75,829,876,000 in 2026, and $80,751,580,000 in 2027. [12] The Company is requesting rate increases of $1,545 billion in 2026,[13] and an additional $0.927 billion in 2027.[14] Thus, the total base rate increase to customers in the first two years is $2.472 billion. The Company's four-year Rate Plan contains two added components: i) Tax Adjustment Mechanism ("TAM") covering all years of the Rate Plan, and ii) the investment tax credit ("ITC") component of the 2028 - 2029 Solar and Battery Base Rate Adjustment.[15] Other OPC witnesses address the impacts and risks of the proposed TAM and ITC component of the rate plan.

Q. PLEASE DESCRIBE THE COST DRIVERS THAT THE COMPANY ASSERTS CREATE THE NEED FOR THE PROPOSED RATE REQUEST.

A. The Company through the testimony of witness Ms. Ina Laney sets forth 11 claimed cost drivers since the last 2023 test year used for setting current rates.[16] These claimed cost drivers are presented to justify the 2026 rate increase include the following:

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[12] See MFR A-1, Projected Test Year Ended 12/31/2026 and MFR A-1, Projected Test Year Ended 12/31/2027 at page 1.
[13] See MFR A-1, Projected Test Year Ended 12/31/2026 page 1.
[14] See MFR A-1, Projected Test Year Ended 12/31/2027 page 1.
[15] Direct Testimony Ina Laney at page 5, lines 13 - 16.
[16] Direct Testimony Ina Laney at pages 26 - 38.

TABLE 4[17]
COMPANY CLAIMED COST DRIVERS FOR RATE REQUEST

Capital Initiatives	$1,839 Million
Loss of Reserve Amortization	$336 Million
Change in Weighted Cost of Capital	$256 Million
Unprotected Excess ADIT Amortization	$167 Million
Inflation and Customer Growth	$134 Million
Depreciation Costs	$122 Million
Dismantlement Costs	$56 Million
Cost offsets (IRA Tax Credits, Revenue Growth, O&M costs)	-$1,390 Million
Other	$24 Million
Total	$1,545 Million

FPL witness Laney describes the elements outlined in Table 4 above as the drivers of the need and claimed cost justification for the first year rate increase.

Q. DO YOU AGREE WITH FPL WITNESS LANEY'S VIEW OF COST DRIVERS SUPPORTING FPL'S RATE INCREASE REQUEST?

A. No, I do not. While Ms. Laney's analysis of various cost increase and decrease elements adds up to the $1.545 billion first year rate request, Ms. Laney's analysis misses entirely the true cost driver in this proceeding – shareholder profit. The Company's requested shareholder profit in this case is an astounding 11.90%. This 11.90% profit level request is combined with a 59.6% equity ratio to finance rate base capital. To put this 11.90% shareholder profit in perspective, Table 5 below demonstrates the Company profit request

[17] Direct Testimony Ina Laney at page 27, lines 1 - 13.

amounts to about 50 cents of every dollar of base rate (non-fuel) revenue requirement going to shareholder profit and the associated federal income taxes. In other words, for every dollar paid by consumers in base rates, about 50 cents would go to shareholders and related federal income taxes, if approved.

TABLE 5
(000's)
TOTAL REVENUE REQUIREMENT AND PROFITS

1	**Total Base Current Operating Revenues**	**$9,884,769**[18]
2	**Requested Rate Increase**	**$1,544,780**[19]
3	**Total 2026 Revenue (non-fuel)**	**$11,429,549**[20]
4	**Total Rate Base Request**	**$75,129,676**[21]
5	**Weighted Equity Cost @ 11.90% ROE**	**5.96%**[22]
6	**Requested Shareholder Profit**	**$4,477,729**[23]
7	**Federal Income Tax Gross-up**	**1.265823**[24]
8	**Total Profit and FIT**	**$5,668,011**[25]
	Profit and FIT as a Percent of Base Revenues	**49.59%**[26]

As shown in Table 5 above, nearly half of every dollar paid by FPL customers in base rates would be driven by the requested shareholder profit request and associated federal income taxes.

[18] See MFR C-1 Test Year 12/31/2026, line 5, column 10.
[19] See MFR A-1 Test Year 12/31/2026, line 8, column 3.
[20] Sum of lines 1 and 2.
[21] See MFR A-1 Test Year 12/31/2026, line 1, column 3.
[22] See MFR D-1a Test Year 12/31/2026, line 8, columns 10 and 11.
[23] Line 4 * line 5.
[24] Calculated as 1/(1-Corporate Tax Rate) or 1/(1-21%).
[25] Line 6 * line 7.
[26] Line 7/line 3.

As shown in Table 6 below, FPL's profit request is part of a disturbing trend that can be identified in the Company's rate filings where increased profit levels amount to a higher and higher component of base rates.

TABLE 6
FPL HISTORICAL TOTAL REVENUE REQUIREMENT AND PROFITS
($000's)

Line	DESCRIPTION	DOCKET NO. 20210015-EI	DOCKET NO. 160021-EI
1	**Total Base Current Operating Revenues**	$7,938,744[27]	$5,922,205[28]
2	**Requested Rate Increase**	$1,108,442[29]	$866,354[30]
3	**Total 2026 Revenue (non-fuel)**	$9,047,186[31]	$6,788,559[32]
4	**Total Rate Base Request**	$55,507,996[33]	$32,536,116[34]
5	**Weighted Equity Cost @ 11.90% ROE**	5.52%[35]	5.19%[36]
6	**Federal Income Tax Gross-up**	1.265823[37]	1.515151[38]
7	**WEIGHTED RETURN & TAX**	6.987%[39]	7.8636%[40]
8	**Total Profit and FIT**	$3,878,533[41]	$2,558,521[42]
	Equity Return and FIT as a Percent of Base Revenues	42.80%[43]	37.69%[44]

[27] See Docket No. 20210015-EI MFR C-1 Test Year 12/31/2022, line 5, column 10.
[28] See Docket No.160021-EI MFR C-1, Test Year 12/31/2017 line 5, column 10.
[29] See Docket No. 20210015-EI MFR A-1 Test Year 12/31/2022, line 16, column 3.
[30] See Docket No.160021-EI MFR A-1 Test Year 12/31/17 Line 16, column 3.
[31] Sum of lines 1 and line 2.
[32] Sum of lines 1 and line 2.
[33] See Docket No. 20210015-EI MFR A-1 Test Year 12/31/2022 line 2, column 3.
[34] See Docket No.160021-EI MFR A-1, Test Year 12/31/2017 line 2, column 3.
[35] See Docket No. 20210015-EI MFR D-1a, Test Year 12/31/2022 line 8, column 11.
[36] See Docket No.160021-EI MFR D-1a, Test Year 12/31/2017, line 4, column 11.
[37] Calculated as 1/(1-Corporate Tax Rate) or 1/(1-21%) in the 2021 rate case.
[38] Calculated as 1/(1-Corporate Tax Rate) or 1/(1-35%) in the 2016 rate case.
[39] Line 5 * line 6.
[40] Line 5 * line 6.
[41] Line 7 * line 4.
[42] Line 7 * line 4.
[43] Line 8/line 3.
[44] Line 8/line 3.

As shown on Tables 5 and 6, each time FPL files a case the equity return component as a percentage of base rates increases substantially. Now in the current case, FPL's equity returns are at almost 50 cents of every base rate dollar paid by consumers.

Q. WHY ARE FPL'S EQUITY AND INCOME TAX LEVELS SUCH LARGE AND INCREASING COMPONENTS OF BASE RATES?

A. One reason is that a large portion of revenues in Florida are collected through various clauses and surcharges and not in base rates. This will impact base rate levels. Another factor is high growth in rate base will increase equity return and federal income tax components, thus FPL's rate base growth has an impact. A third factor is the equity return level and how capital is financed, i.e. capital structure. FPL has enjoyed higher equity return awards and has been authorized to maintain very high 59.6% equity levels in capital structure. Comparable electric utilities around the country are authorized much lower equity levels in capital structure, on average about 52% equity in capital structure. The 7.6% difference (59.6% FPL equity level – the 52% average utility equity level) is substantial especially at high equity return levels. For example, under FPL's proposal, the weighted debt cost is 1.51%.[45] FPL's proposed equity cost in this case grossed up for federal income taxes is 7.54%.[46] Capital expansion costs substantially more when most of expansion is financed at a cost of 7.54% equity versus a 1.51% debt rate. FPL has had and continues to have large capital expenditures, and with the higher equity return levels and equity rich capital structures, this makes equity financing the most expensive financing for consumers.

[45] See FPL's MFR Schedule D-1a, line 8, column 11 5.96% grossed up for tax factor 1.2658.
[46] See FPL's MFR Schedule D-1a, line 8, column 11 5.96% grossed up for tax factor 1.2658.

Q. HAVE YOU EVALUATED OTHER FLORIDA ELECTRIC UTILITY OPERATIONS IN TERMS OF PERCENTAGE PROFIT RECOVERY IN BASE RATES?

A. Yes. I have evaluated profit requests relative to base rate revenues for the recent Duke Energy Florida, LLC (Duke Florida) case (Docket No. 20240025-EI) from last year. Duke Florida, a large Florida electric utility, operates under the same clauses and rules as FPL. The difference is Duke Florida employs a 53% equity ratio for financial operations, which is much lower than FPL's 59.6% equity ratio. The summary results of this analysis of Duke Florida compared to the FPL profit request is summarized in Table 7:

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TABLE 7[47]

SUMMARY COMPARISON OF SHAREHOLDER PROFIT REQUEST AS A PERCENT OF BASE RATE REVENUES FPL VERSUS DUKE

LINE		DUKE ENERGY FLORIDA Docket No. 20240025-EI	FLORIDA POWER & LIGHT Docket No. 20250011-EI
1	Total Base Current Operating Revenues	$2,969,785[48]	$9,884,769[49]
2	Requested Rate Increase	$593,446[50]	$1,544,780[51]
3	Total 2026 Revenue (non-fuel)	$3,563,231[52]	$11,429,549[53]
4	Total Rate Base Request	$20,534,271[54]	$75,129,676[55]
5	Weighted Equity Cost @ 11.15% ROE for Duke and 11.90% for FPL	5.09%[56]	5.96%[57]
6	Federal Income Tax Gross-up	1.265823[58]	1.265823[59]
7	Equity return w/ Federal Income Tax Gross-up	6.443%[60]	7.5443[61]
8.	Total Profit and FIT	$1,323,031[62]	$5,668,011[63]
9.	Equity Return and FIT as a Percent of Base Revenues	37.13%[64]	49.59%[65]

[47] These shareholder profit calculations are shown in Exhibit (DJL-2).
[48] Duke Energy Florida Docket No. 20240025-EI, MFR C-1, Test Year 12/31/2025, line 5, column 8.
[49] See MFR C-1 Test Year 12/31/2026, line 5, column 10.
[50] Duke Energy Florida Docket No. 20240025-EI< MFR Schedule A-1, Test Year 12/31/2025, line 8, column C.
[51] See MFR A-1 Test Year 12/31/2026, line 8, column 3.
[52] Sum of lines 1 and 2 above.
[53] Sum of lines 1 and 2.
[54] Duke Energy Florida Docket No. 20240025-EI -MFR Schedule A-1, Test Year 12/31/2025, line 1, column C.
[55] See MFR A-1 Test Year 12/31/2026, line 1, column 3.
[56] Duke Energy Florida Docket No. 20240025-EI- MFR Schedule D-a1, Test Year 12/31/2025, line 1, column 12.
[57] See MFR D-1a Test Year 12/31/2026, line 8, columns 10 and 11.
[58] Federal income tax gross-up = 1/(1-FIT Rate of 21%).
[59] Federal income tax gross-up = 1/(1-FIT Rate of 21%).
[60] Line 5 * line 6.
[61] Line 5 * line 6.
[62] Line 7 * line 4.
[63] Line 4 * line 7.
[64] Line 8/line 3.
[65] Line 8/line 3.

As shown in Table 7, at line 9, the FPL shareholder profit and income tax as a percentage of base rates is by far much higher than Duke Florida even though both utilities operate in Florida and face the same regulatory and other risks. The key difference is that Duke Florida employs a higher percentage of debt to finance the system rate base investment. I discuss capital structure in more detail in Section IX "Capital Structure."

Q. DOES FPL HAVE A HIGHER PROFIT PROPOSAL BECAUSE THEY HAVE A DIFFICULT TIME EARNING THE AUTHORIZED RETURN?

A. If recent history is to be a guide, the answer is no. FPL not only consistently reported earning the authorized return on equity midpoint of 10.8% but also earned upwards of an additional 100 basis point in most months since the last case for the period January 2022 - January 2025.[66] I have included in Exhibit (DJL-2) a summary of FPL's earned equity return by month as reported by FPL to the Commission in the monthly Rate of Return Surveillance Reports. As shown in Exhibit (DJL-2), on a monthly basis FPL generally earned about 100 basis points above the authorized equity return midpoint.

Q. IS FPL REQUESTING A HIGHER SHAREHOLDER PROFIT LEVEL IN THIS CASE?

A. Yes, the Company is requesting a shareholder profit level of 11.90%, which is 110 basis points above the current authorized 10.80% midpoint equity return. The equity return increase of 110 basis points impact on the Company's requested rate increase is summarized in the following Table 8:

[66] FPL's midpoint equity return was the result of a change required by the Settlement Agreement authorizing an increase in ROE in October 2023.

TABLE 8

FPL REQUESTED EQUITY RETURN PROFIT IMPACT ON INCREASE REQUEST FOR YEAR ENDING 12/31/2026 ($ MILLIONS)

LINE	DESCRIPTION	FPL REQUESTED ROE 11.90% AMOUNT (000's)	FPL CURRENT ROE 10.80% AMOUNT (000's)	SOURCES
1	RATE BASE	$75,129,876	$75,129,876	MFR SCHEDULE B-1
2	ROR	7.63% @ 11.90% ROE	7.08% @ 10.80% ROE	MFR SCHEDULE D1-A, also see Exhibit (DJL-11 slide 3) for 10.8% ROE.
3	REQUESTED RETURN	$5,731,953	$5,319,195	LINE 1 * LINE 2
4	CURRENT INCOME	$4,580,123	$4,580,123	MFR SCHEDULE C-1
5	DEFICIENCY (EXCESS)	$1,151,831	$739,072	LINE 3 - LINE 4
6	INCOME GROSS-UP	1.34115	1.34115	MFR SCHEDULE C-44
7	REVENUE REQUIREMENT	$1,544,780	$991,206	LINE 6 * LINE 7
8	DIFFERENCE		$(553,574)	ANNUAL IMPACT OF 10.80% ROE INCREASE TO 11.90%

As demonstrated in Table 8, the Company's requested 110-basis point increase in shareholder profit accounts for $553,574,000 of the requested $1,544,780 first year increase. Over the four-year Rate Plan, this amounts to over $2.2 billion of increased consumer rates for higher shareholder profits and associated federal income taxes.

Q. DOES THE UTILITY BENEFIT FROM A MULTI-YEAR RATE PLAN?

A. Yes. First, the utility benefits by having planned and locked-in rate increases to address forecasted revenue changes, cost changes, and investment changes. This will prevent, or at least minimize, earnings erosion and maintain of profits and cash flow metrics. It also minimizes regulatory lag associated with the processing of rate changes by having predetermined rate changes (or other adjustments e.g., TAM) for different plan years, which in turn enhances cash flow metrics, and the quality of earnings that are maintained through periodic cash and in some instances non-cash increases. From a ratepayer perspective, a rate plan shifts regulatory lag risks to consumers, but from the Utility's perspective, these periodic increases provide certainty of recovery of planned investment and avoid all regulatory lag and earnings erosion due to these investments. Such planned increases limit and reduce risk and enrich a utility's financial health. One way to see these benefits is to review the FPL earnings for January 2022 through January 2025 in Exhibit (DJL-2) where the Company was able to earn substantially above the authorized midpoint equity return in most months over the rate periods.

Q. ARE THE RISKS OF REGULATORY LAG AND EARNINGS EROSION SHIFTED TO CUSTOMERS IN A MULTI-YEAR RATE PLAN?

A. Yes. The Company developed and controls the plan into the future. To the extent the revenue forecast is understated, expense forecast is overstated, or planned investment

schedules are slower than projected, the Company will earn added profits. Any risks of regulatory lag and earnings erosion do not vanish – rather, customers will now have those risks in the form of paying higher rates for higher utility profits.

Q. DO YOU MAKE A RECOMMENDATION ON THE PROPOSED MULTI-YEAR RATE PLAN?

A. No. Other OPC expert witnesses will address forecasts and rate plan issues. I just outline the evidence and facts as such evidence and facts relate to cost of capital and support the lower utility risks associated with the proposed multi-year plan.

III. REGULATORY ISSUES AND COST OF CAPITAL

Q. PLEASE EXPLAIN THE COST OF CAPITAL CONCEPT AS IT RELATES TO THE REGULATORY PROCESS.

A. The overall rate of return to be earned on rate base investment is an essential element in the regulatory and rate setting process and is typically a major part of overall revenue requirements. For example, in this case, the Company's requested overall return for rate year 2026 (the first year of the rate plan) is 7.63%.[67] As is discussed earlier, a 110-basis point reduction in the 11.90% rate of return on equity (to a 10.80% level) can have a large impact on overall revenue requirements. As shown in the Table 8 above, a 110-basis point reduction in equity return in the 2026 test year would result in an approximate $553.574 million per year reduction in annual revenue requirements including the impact of the federal income tax gross-up factor for electric customers.[68] Stated another way, each equity return basis-point in this case impacts revenue requirements (return and federal income

[67] See FPL MFR Schedule A-1 line 2 and MFR Schedule D-1.
[68] Tax Factor equal 1/(1-tax rate), which is (1/(1-.21)) equals 1.26582. This tax factor of 1.26582 times the requested shareholder profit level requested equals taxes and profits.

taxes) by about $5.03 million ($553.574 mm/ 110-basis points). Given the Company proposal for a four-year rate plan, each basis point translates into over $20 million (4 * $5.033 mm) in just the 2026 test year. Thus, any change in equity return can have a large impact on revenue requirements for consumers.

Q. PLEASE EXPLAIN HOW THE VARIOUS COMPONENTS OF COST OF CAPITAL ARE DETERMINED.

A. The overall rate of return in the regulatory process is best explained in two parts. First, return on securities, such as long-term debt and short-term debt, both of which are included in the capital structure, are contractually set at issuance. The reasonableness of the cost of this contractual obligation between the utility and its investors is examined by regulatory agencies as part of the utility's overall revenue requirement.

The second part of a company's overall return requirement is the appropriate cost rate to assign the equity portion of capital costs. The return on equity should be established at a level that will permit the Company an opportunity to earn a fair rate of return. By fair rate of return, I mean a return to equity holders, which is sufficient to hold and attract capital, sufficient to maintain financial integrity, and a return to equity holders comparable to other investments of similar risks.

Two U.S. Supreme Court decisions are often cited as the legal standards for rate of return determination. The first is *Bluefield Water Works and Improvement Company v. Public Service Commission of West Virginia*, 262. U.S. 679 (1923). The *Bluefield* case established the following general standards for a rate of return: The return should be sufficient for maintaining financial integrity and capital attraction, and a public utility is entitled to a return equal to that of its investments of comparable risks.

The second U.S. Supreme Court decision is the *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944). In the *Hope* decision, the Court affirmed its earlier *Bluefield* standards and found that methods for determining return are not the test of reasonableness; rather, the result and impact of the result are controlling.

The cost of capital is defined as the annual percentage that a utility must receive to maintain its financial integrity, to pay a reasonable return to security owners, and to ensure the continued attraction of capital at a reasonable cost and in an amount adequate to meet future needs. Mathematically, the cost of capital is the composite of the cost of several classes of capital used by the utility such as debt, preferred stock, and common stock, weighted on the basis of an appropriate capital structure.

The ratemaking process requires the regulator to determine the utility's cost of capital for debt, preferred stock, and equity costs. These calculations of costs, when combined with the proportions of each type of capital in the capital structure, result in a percentage figure that is then multiplied by the value of assets (investment) used and useful in the production of the utility service to ultimately arrive at a rate charged to customers. Rates should not be excessive (exceed actual costs) or burdensome to the customer and at the same time should be just and reasonable to the utility.

Q. PLEASE EXPLAIN THE COST OF EQUITY CONCEPT.

A. The cost of equity, or return on equity capital, is the return expected by investors over some prospective time period. The cost of equity one seeks to estimate in this proceeding is the return investors expect prospectively when the rates from this case will be in effect.

The cost of common equity is not set by contract, and there are no hard and fast mathematical formulae with which to measure investor expectations with regard to equity

requirements and perceptions of risk. As a result, any valid cost of equity recommendation must reflect investors' expectations of the risks facing a utility.

Q. WHAT PRINCIPAL METHODOLOGY DO YOU EMPLOY IN YOUR COST OF EQUITY CAPITAL ANALYSES?

A. I employ the DCF methodology for estimating the cost of equity, keeping in mind the generally accepted premise that any utility's cost of equity capital is the risk-free return plus the premium required by investors for accepting the risk of investing in an equity instrument. It is my opinion that the best analytical technique for measuring a utility's cost of common equity is the DCF methodology. I also employ the two-stage DCF to reflect different growth rate assumptions. Other return on equity modeling techniques such as the CAPM, ECAPM, and bond yield equity risk premium model are often used to check the reasonableness of the DCF results. I have reviewed all of these modeling methods to arrive at my recommendations in this case.

Q. PLEASE DESCRIBE THE RISKS YOU REFER TO ABOVE.

A. As I stated earlier in this testimony, equity investors require compensation above and beyond the risk-free return because of the increased risk factors investors face in the equity markets. Thus, investors require the risk-free return plus some risk premium above the risk-free return. The basic risks faced by investors that make up the equity risk premium include business risks, financial risks, regulatory risks, and liquidity risks.

IV. CURRENT CAPITAL MARKET CONDITIONS

Q. PLEASE DESCRIBE CURRENT AND EXPECTED ECONOMIC CONDITIONS.

A. Current economic conditions reflect declining, but still elevated inflation, a moderate loosening of monetary policy, and since the fourth quarter of 2024, decreasing federal funds, short-term interest rates, stable and expected declines for interest rates in general, lower growth with signs of negative growth in Gross Domestic Product ("GDP"), and a strong labor employment market.

Following a prolonged period of low-price pressures in the economy from 2012 through 2019, the CPI had been at 2.5% or lower, but this trend changed as discussed below.[69] Throughout the first year of the pandemic from March 2020 through February 2021, the CPI was below 2.0%.[70] Starting in March 2021, CPI began to climb above 2.5%, and the CPI increase had been steady until the reports of 8.6% for May 2022, 9.1% for June 2022, and thereafter declining in July 2022 to 8.5%.[71] The 9.1% CPI for June 2022 is the largest 12-month increase since the 12-month period ending November 1981.[72] The most recent Bureau of Labor Statistics ("BLS") report for April 2025 shows a 2.3% inflation rate over the prior 12 months.[73] CPI has substantially declined from the 9.1% high in response to monetary policy actions raising the federal funds rate.

As discussed below, the Federal Reserve employs the Personal Consumption Expenditure ("PCE") metric for measuring long-run inflation. During recent months, the annual measure of the PCE price index is as follows:

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[69] U.S. Department of Labor Bureau of Labor Statistics, News Release at page 19 (June 10, 2022).
[70] U.S. Department of Labor Bureau of Labor Statistics, News Release at page 19 (June 10, 2022).
[71] U.S. Department of Labor Bureau of Labor Statistics, News Release at page 1 (June 10, 2022) and U.S. Department of Labor Bureau of Labor Statistics, News Release at page 1 (July 13, 2022) and August 10, 2022.
[72] U.S. Department of Labor Bureau of Labor Statistics, News Release at page 1 (July 13, 2022).
[73] U.S. Department of Labor Bureau of Labor Statistics, News Release "Consumer Price Index" (May 13, 2025).

Table 9[74]

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX
NOVEMBER 2024 THROUGH APRIL 2025

November 2024	**2.5%**
December 2024	**2.6%**
January 2025	**2.5%**
February 2025	**2.5%**
March 2025	**2.3%**
April 2025	**2.1%**

Inflation has declined substantially whether measured by the CPI or PCE index. As demonstrated in the above Table 9, the PCE rate had been holding steady at around 2.5%, about 50 basis points above the Federal Open Market Committee ("FOMC") 2.0% target rate and has most recently trended down to 2.1%.

Q. WHAT HAS BEEN THE RECENT FEDERAL RESERVE RESPONSE TO INFLATION?

A. When addressing inflation, the Federal Reserve and FOMC look to the percent change in inflation as measured by the metric PCE as the primary measure of price changes when determining and implementing long-term monetary policy goals.[75] The FOMC has

[74] Personal Consumption Expenditures Expenditure Price Index, Bureau of Economic Analysis ("BEA") also see bea.gov/data/personal-consumption-expenditures-price-index (April 16, 2025). Also, see April 30, 2025 release for March 2025 and see the May 30, 2025 release for April 2025.

[75] *President's Message: CPI vs. PCE Inflation: Choosing a Standard Measure,* Federal Reserve Bank of St. Louis (July 1, 2013) at page 2, The Federal Reserve has employed the PCE inflation metric rather than the CPI measure since about 2000 in setting long-term monetary policy. After extensive analysis the Federal Reserve selected the PCE metric because: i) the expenditure weights in the market basket measure change as consumers substitute goods and

consistently increased the federal funds rate as part of a tightening of monetary policy to reduce inflation. In July 2023, the FOMC increased the federal funds rate by 25 basis points from 5.25 to 5.50%, the peak of the recent increases in the federal funds rate increases.[76] Additionally, during the post COVID-19 higher inflation period, the FOMC further tightened liquidity by reducing its balance sheet by reversing the Quantitative Easing programs.[77]

Now the federal funds rate has been reduced to a 4.25% to 4.5% range, or 100 basis points in reduction to the federal funds rate, and quantitative tightening has been slowed from $25 billion of redemption of treasury securities per month to $5.0 billion per month.[78]

The recent May 7, 2025, FOMC press release stated:

> in support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4 1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.[79]

In the earlier March 19, 2025, the "Summary of Economic Projections," the FOMC members provided forecasts for the federal funds rate as follows:

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services, ii) the PCE market basket includes more comprehensive coverage of goods and services, and iii) historical PCE is subject to revision and correction beyond seasonality adjustments.

[76] Federal Reserve FOMC Statement July 26, 2023.

[77] Federal Reserve FOMC Statement June 15, 2022.

[78] Federal Reserve FOMC Statement March 19, 2025.

[79] Federal Reserve FOMC Statement May 7, 2025. Also see the most recent FOMC Statement of May 7, 2025 included in Exhibit (DJL-3).

TABLE 10[80]

CURRENT AND PROJECTED FEDERAL FUNDS RATE AND PCE INFLATION

Year	Federal Funds Rate[81]	PCE INFLATION
Current April 2025 level	**4.50%**	**2.5%**
Projected 2025	**3.9%**	**2.7%**
Projected 2026	**3.4%**	**2.2%**
Projected 2027	**3.1%**	**2.0%**
Longer--run	**3.0%**	

The most recent FOMC projections in Table 10 indicate decreases in the federal funds rate in 2025, 2026, 2027, and the longer-run. These FOMC projections indicate that the federal funds rate will decrease to 3.9% by year-end 2025. The federal funds rate is expected to be lowered to 3.4% by 2026 and 3.1% in 2027 with a longer-term goal of about 3.0% for this interest rate. Obviously, the current projections are all subject to change as the Federal Reserve delicately balances its dual mandate of reducing inflation while maintaining employment in the general economy.

Also, in the March 19, 2025 *Summary of Economic Projections*, the FOMC members provided forecasts for the PCE inflation rate in the United States will average 2.7% over the entire year 2025, decline to 2.2% for the year 2026, and further decline to 2.0% in the year 2027.[82]

[80] See FOMC Projections released March 19, 2025, in Exhibit (DJL-3).
[81] *Summary of Economic Projections*, Federal Open Market Committee, page 2 Table 1, Federal Funds Rate and PCE Inflation based on Median Projections (March 19, 2025). Current PCE rate based on February 2025 from March 19, 2025, Press Release.
[82] *Summary of Economic Projections*, Federal Open Market Committee, page 1 Table 1, PCE Inflation Median Projections (March 19, 2025).

Recent and continued 2024 - 2025 declining trends in inflation, whether measured by the CPI or PCE, have caused a slowing of tighter Federal Reserve monetary policy - signaling a continued move toward lower short-term interest rates. Current FOMC inflation estimates for 2025, and the long-term, support a lower 2.0% rate of inflation which suggests lower long-term interest and capital costs. Further, the current Federal reserve projections of 2025 federal funds rate indicates reductions for both the near term and longer-run future.[83] The end result is that cost of capital today should decline in the rate effective period 2026 and beyond.

Taken together, this information shows capital costs have trended higher for 2022 and into 2024, but short-term rates are forecast to return to lower levels in the near future. Certainly, there is no market evidence suggesting long-term capital costs are substantially increasing, which would be necessary to support FPL's ROE request in this case.

Q. ARE ECONOMIC CONDITIONS EXPECTED TO SHOW CONTINUED GROWTH IN THE 2025 - 2027 AND BEYOND PERIOD?

A. Yes, but FOMC forecasts of 2025 through 2027 GDP growth are lower than the earlier December 2025 estimates.[84] Forecasts are for continued but slower economic growth. If economic growth declines further due to recent changes in tariff and trade policy, causing recession factors such as unemployment increases coupled with a slowed and stagnant economy, then the FOMC will be pressured to back down the federal funds rate further to push GDP growth and employment while still balancing lower inflation goals. To this point, the most recent GDP report for the first quarter of 2025 shows GDP growth

[83] See Exhibit (DJL-3) FOMC March 19, 2025, projections.
[84] Federal Reserve FOMC Economic Projections March 19, 2025.

decreasing at an annual rate of 0.30%.[85] This is after the fourth quarter 2024 GDP increase of 2.4%. The decrease of GDP growth in the 1ST quarter 2025 is the result of "increased imports, which are a subtraction in the GDP calculation."[86] The Federal Reserve press release of May 7, 2025 noted that "swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace."[87] For now, the Federal Reserve does not appear overly concerned with the 1st quarter of 2025 GDP decline.

There is no evidence to support rapid economic growth pushing prices and inflation, but tariff impacts could push prices upwards. Instead, there is ample evidence of slow to possibly negative growth in economic conditions. The recent May 7, 2025, FOMC press released warned of uncertainties.[88]

I have included in Exhibit (DJL-3) the recent FOMC March 19, 2025, Press Release and economic projections and the May 7, 2025, FOMC Press Release. The FOMC's range of projections of GDP growth is 1.7% - 1.8% for the period 2025 - 2027, which is a decrease from earlier December 2024 estimates of GDP growth of 2.1% to 1.8% for the period 2025 - 2027. The 2025 to 2027 FOMC projections of employment levels are about the same as the earlier FOMC December 2024 estimates of employment levels.

Thus, while GDP growth continues in the U.S. economy, the growth in economic activity is slower than previously projected for GDP growth. In addition, the recent slowing of decreases in the federal funds rate and the accelerated end of the quantitative easing policy is a signal that the FOMC sees high and increasing inflation as being controlled for now. The impact has been declining short-term interest rates but lagging longer-term

[85] Bureau of Economic Analysis Gross Domestic Product, 1ST Quarter 2025(Advance Estimate) April 30, 2025, at 1. Also, see www,bea.gov/news/2025/gross-domestic-product-1st -quarter-2025-advance-estimate.
[86] see www,bea.gov/news/2025/gross-domestic-product-1st -quarter-2025-advance-estimate at 1.
[87] Federal Reserve FOMC Statement of May 7, 2025, included in Exhibit (DJL-3).
[88] Federal Reserve FOMC Statement May 7, 2025. Also, see Exhibit (DJL-3).

borrowing costs to consumers and businesses. As discussed above, the FOMC projects PCE inflation to be much lower in the 2025 period and beyond indicating lower future federal funds rates.

Q. DOES THE FACT THAT INTEREST RATES ARE DECREASING FROM THE FOURTH QUARTER 2023 HIGHS SUGGEST OTHER CAPITAL COSTS SUCH AS EQUITY ARE ALSO DECREASING?

A. As I show in Exhibit (DJL-4), the yields on long-term government bonds 10-year, 20-year, and 30-year peaked in the fourth quarter of 2023 and have been slowly declining. Capital costs do move together – so if interest rates are declining, the cost of other capital such as equity will decrease as well. The key difference is that equity and debt costs do not move in lock-step. In other words, debt costs may increase or decrease by 1.0%, but equity costs will change by a smaller fraction of 1.0%. This historical relationship can be seen in Exhibit (DJL-11) where the actual annual 30-year U.S. Treasury yield and authorized electric utility equity returns are presented for the period 1981 through 2024.

Since 1981, capital costs have been declining as evidenced by the long-term decline in electric utility authorized equity returns and the decline in 30-year U.S. Treasury yields. The decline in equity costs is a much slower trend with a lower slope, while debt costs have declined by larger margins, as evidenced by the data in the debt costs trend. For the period 1981 through 2024, the average of the absolute value annual change in 30-year U.S. Treasury bond yields is about 58 basis points.[89] For authorized electric utility equity returns over the same time period, the average absolute value annual rate of change is about 25 basis points or less than half the rate of change in U.S. Treasury yields.[90] Thus, while it

[89] See Exhibit (DJL-11) and Workpaper DJL-11.
[90] See Exhibit (DJL-11) and Workpaper DJL-11.

may be correct to conclude that debt costs will increase or decrease over the short-term, if history is a guide, equity cost changes and impacts on equity returns should be of a smaller magnitude.

The result of this comparative analysis is that while debt cost may be decreasing in the short-term, any expected equity cost change is less than half the level debt rate changes. At least, that has been the historical experience when debt cost was declining for the past 40 years.

Q. WHAT LEVEL OF INTEREST RATES DO YOU EMPLOY FOR YOUR COST OF CAPITAL ANALYSIS?

A. I generally employ the most current three-month average as the best approximation of interest rate levels. Generally, the most recent three-months of activity adequately captures the market expectations and trends of interest rates while avoiding any limited influences of monthly or shorter durations may have on interest rates. Given the most recent 2024 reductions in the Federal Funds rate and projections of further declining rates, I also employ a 4.25% estimate for yields for the 30-year treasury bond to capture the impacts from the most recent expectations in Federal Reserve policy.

Q. WHAT LEVEL OF INTEREST RATES DO YOU EMPLOY FOR YOUR COST OF MOST RECENT ASSESSMENTS OF ECONOMIC GROWTH?

A. Yes. I discussed earlier the current estimates of the FOMC that reflect moderate GDP growth expected in 2025 - 2027, and the long-run. It is important to note that the recent FOMC estimates and projections are supported by recent forecasts in the Livingston

Survey.[91] The December 2024 Livingston Survey estimates GDP growth for the first half of 2025 at 1.9% which is slightly higher than the 1.7% FOMC GDP growth estimate discussed above.[92] Like the FOMC inflation estimates, the Livingston Survey forecasters also lowered projections for CPI inflation to 2.3% for 2025 and 2026 from prior 2.5% estimates.[93] These Livingston Survey forecasters also reduced the forecast estimates 3-month Treasury Bill (short-term interest rates), but slightly increased longer-term interest rates as measured by the 10-year U.S. Treasury Bond.[94] Thus, the immediate short-term forecasts for inflation and interest rates have decreased, and estimates of economic growth are declining. Thus, private forecasting groups (that participate in the Livingston Survey) are estimating the same short-term decreasing levels of interest costs and inflation coupled with lower economic growth as the Federal Reserve is estimating.

Q. WHAT CONCLUSIONS DO YOU DRAW FROM CURRENT ECONOMIC CONDITIONS IN PROVIDING GUIDANCE IN SETTING EQUITY CAPITAL COSTS IN THIS PROCEEDING?

A. As a general matter, capital costs remain low in comparison to historical levels. During 2024, the average authorized equity returns for electric utilities was about 9.73%.[95] Thus, the most recent average authorized equity return for electric utilities is 217 basis-points lower than the Company's 11.90% request. A 217-basis point reduction in equity return, or average electric industry equity return, would reduce the first-year rate request from $1.544 billion by about $1.094 billion which is a little over $1 billion per year in the 4-year

[91] The Livingston Survey is the oldest continuous survey of economist's economic expectations, published twice per year (June and December). Included in the work papers of Mr. Lawton. Also, see www.philadelphiafed.org.
[92] The Livingston Survey December 20, 2024. www.philadelphiafed.org
[93] The Livingston Survey December 20, 2024 at 1. www.philadelphiafed.org.
[94] The Livingston Survey December 20, 2024 at 2. www.philadelphiafed.org.
[95] See Edison Electric Institute ("EEI") Rate Review 2024 Quarter 4.

Rate Plan.[96] These recent authorized equity returns do not support the Company's equity return request of 11.90%. The current forecast for modest economic growth (GDP growth) will cause general investor expectations of growth to continue to be moderate. The bottom line is that the general economic data does not support substantially increasing capital costs.

Q. HAVE REGULATORY AUTHORITIES AROUND THE COUNTRY RECOGNIZED THE DECLINE IN COST OF EQUITY AND DEBT CAPITAL IN SETTING RATES?

A. Absolutely. Regulatory authorities continue to establish equity returns below 10%. The average annual authorized equity return for electric utility companies has been below 10% since 2014.[97] As noted earlier, regulatory authority cost of equity decisions for electric utility rate cases for calendar years – 2023 - 2024 averaged about 9.59% and 9.69%[98] Moreover, the last time authorized equity returns were as high as 11.90% annually was 1992 - 33 years ago.[99] Capital market levels and trends have changed with declining inflation and more moderate monetary policy, but given market evidence, monetary policy, and current forecasts by the FOMC and the Livingston Survey results, there is no evidence that would support substantially increasing the cost of capital to the requested 11.90%.

I should note that much of the discussion has addressed the size (11.90%) of the profit request, but this profit request impact is made worse for customers given the equity portion of capital in capital structure. In this case, like prior cases, FPL is requesting a capital structure that includes a 59.60% equity ratio. As I discuss in Section IX "Capital

[96] The 1.094 billion reduction is calculated as $5.040 mm per basis point times 217 basis points.
[97] See Exhibit (DJL-11).
[98] See Exhibit (DJL-11).
[99] See Exhibit (DJL-11) Authorized equity returns by year.

Structure," the average electric utility has about a 52% equity ratio, well below the Company's 59.6% request. A lower equity ratio makes customers rates cheaper as assets are financed with lower cost debt rather than higher cost equity.

V: FPL AND THE FLORIDA REGULATORY PROCESS

Q. DOES THE REGULATORY PROCESS IN FLORIDA AFFORD THE COMPANY RISK REDUCING OPPORTUNITIES?

A. Yes. The regulatory process in Florida provides ample opportunity to recover revenues, address regulatory lag concerns, and promote earned returns and margins over and above cost recoveries. The Florida Commission's supportive regulatory environment includes regulatory mechanisms such as subsequent year adjustments to avoid regulatory lag when justified, forward-looking test periods, negotiated multi-year settlement rate plans, revenue recovery mechanisms such as fuel and capacity recovery mechanisms, environmental cost recovery clauses, storm hardening cost recovery, ability to petition for storm cost recovery outside a base rate proceeding, credit supportive storm cost treatment, and an overall credit supportive regulatory environment.[100] While Moody's points to risk of storms and the cost impacts on credit metrics, Moody's also points out that the Florida Legislature provides timely storm hardening cost recovery.[101]

All of these credit supportive regulatory mechanisms help offset the impacts of regulatory lag, enhance cash flow, and strengthen financial integrity.

Q. CAN YOU PROVIDE AN EXAMPLE OR EVIDENCE THAT FPL IS LESS RISKY?

[100] See Moody's Investor Services Credit Opinion Duke Energy Florida pages 1 - 4, (May 22, 2023).
[101] See Moody's Investor Services Credit Opinion Duke Energy Florida page 1.

A. Yes. Risk for shareholders is measured as the ability of a firm to earn a reasonable return on equity. In the case of a regulated utility, the reasonable return on equity is established by the regulatory authority. Below, I include a table of actual earned returns by FPL relative to the average authorized equity returns around the country for the years 2022 through 2024.

TABLE 11

AUTHORIZED AVERAGE EQUITY RETURNS VERSUS EARNED EQUITY RETURNS FOR FPL 2022- 2024[102]

YEAR	FPL ROE BOTTOM RANGE	FPL ROE MID-POINT	FPL ROE TOP RANGE	FPL ACHIEVED ROE	ACTUAL AVERAGE AUTHORIZED RETURN ELECTRIC UTILITIES
2022 through September	9.70%	10.60%	11.70%	11.60%	9.46%
2022 October	9.80%	10.80%	11.80%	11.80%	9.46%
2023	9.80%	10.80%	11.80%	11.80%	9.59%
2024	9.80%	10.80%	11.80%	11.80%	9. 69%

As can be seen from Table 11, FPL has been able to achieve an actual equity return at the top of the range in two of the three years and the first year was about 20-basis points below the top of the 11.80% range. Also, in each year, FPL earned more than 200 basis points above the average authorized equity return in the entire country, all while maintaining a 59.6% equity ratio. These earned return results demonstrate that FPL has operated in a

[102] Data from FPL earnings surveillance reports also see Exhibit (DJL-2). Actual annual average authorized equity returns from Exhibit (DJL-11).

regulatory environment where the Company has consistently earned its authorized returns – even in what can be described as a turbulent economic environment given the COVID-19 impacts on the economy in recent years. This evidence does not support the Company's proposal that the FPL equity return should now be increased another 110 basis points and set at 11.90%, which is about 200-basis points above current authorized equity return levels.

Q. EARLIER YOU MENTIONED REGULATORY LAG. HOW DOES THIS LAG IMPACT RATE SETTING AND REGULATORY RISK?

A. Regulatory lag is the period of time it takes to adjust tariffs in a rate case proceeding. Generally, it is the time between the utility rate request and the realization of a needed rate adjustment and the ultimate authorization of a rate change. For example, a utility requesting a rate increase of $1 million based on a historical test year may claim earnings erosion due to the regulatory lag during the pendency of the rate process until the authorized increase is implemented.

The counter argument to these claims of regulatory lag and risk is that the utility controls the timing of its rate requests. Also, regulatory lag is built into the regulatory process to encourage the utility to control and monitor costs as a means of bolstering profits. Regulatory lag can work both ways – sometimes there is earnings erosion while other times there can be excess earnings.

Other contributions to regulatory lag are increasing costs, inflation, increasing capital investments, and lower growth and sales. The regulatory process in Florida provides the Company ample opportunity to earn its authorized return by mitigating regulatory lag and maintaining cash flows and liquidity in the rate process.

Q. DO THE CREDIT RATING AGENCIES SUCH AS MOODY'S VIEW RATE MECHANISMS FAVORABLY?

A. Yes. Rating agencies are foremost concerned with a utility's ability to recover costs and earn an adequate return to cover expenses and debt obligations with a margin of safety on top of costs. For example, Moody's states a "utility's ability to recover its costs and earn an adequate return are among the most important analytical considerations when assessing utility credit quality and assigning credit ratings."[103] In terms of rate mechanisms and the impacts of reducing risks, Moody's states the following:

> One of the most referenced, but potentially misleading, indicators used to judge whether a particular utility is recovering its costs and earning an adequate return is its regulatory allowed return on equity. Although a high allowed return on equity can be associated with a higher earned return, this measure cannot be looked at in isolation but must be viewed in relation to a utility's cost recovery provisions that impact actual earned rate of return, like automatic adjustment clauses, the length of rate cases, and the degree of regulatory lag that may occur. Some regulators believe that mechanisms like automatic adjustment clauses materially reduce the business and operating risks of a utility, providing justification for a relatively low allowed rate of return. We believe this is one of several reasons why both allowed and requested ROE's have trended downward over the last two decades.[104]

Moody's concludes that the more clauses a utility has in place, the lower the risk for the utility.[105]

Q. DOES THE COMPANY FACE ANY UNUSUAL BUSINESS OR FINANCIAL RISK?

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[103] *"Cost recovery Provisions Key To Investor- Owned Utility Ratings and Credit Quality*, Evaluating a Utility's Ability to Recover Costs and Earn Returns," Moody's Investors Service Special Comment (June 18, 2010) at page 1.
[104] *"Cost recovery Provisions Key To Investor-Owned Utility Ratings and Credit Quality*, Evaluating a Utility's Ability to Recover Costs and Earn Returns," Moody's Investors Service Special Comment (June 18, 2010) at pages 1-2.
[105] *"Cost recovery Provisions Key To Investor-Owned Utility Ratings and Credit Quality*, Evaluating a Utility's Ability to Recover Costs and Earn Returns," Moody's Investors Service Special Comment (June 18, 2010) at page 2.

A. FPL does propose a continuation of a large construction program over the next several years for solar facilities and other assets which will increase the size of rate base as planned projects go into service.[106] Mr. Coyne testifies that the expected 2025 - 2028 CAPEX is about $39 billion or roughly $9.75 billion per year.[107] As with many large scale utility construction projects, there is an expectation that cash flow metrics will be impacted over the construction period until all facilities are included in rates, then cash flow metrics will increase as cash flow increases.

Q. IN YOUR OPINION, CAN A HIGH EQUITY RETURN WHEN COMBINED WITH COST RECOVERY MECHANISMS LEAD TO EXCESS PROFITS AND EXCESSIVE OR UNREASONABLE RATES?

A. Yes, it can. I have described how the cost recovery mechanisms assure stable and consistent recovery despite: (i) consumer usage preferences, conservation levels and demand; (ii) fuel cost increases; and (iii) capital additions which may be recovered through negotiated multi-year rate plans or system hardening mechanisms, or capital replacement due to storm damage recovered through storm cost recovery mechanisms. Through such mechanisms, revenue recovery is stable and consistent assuring cash flow for corporate needs and profit levels. Risk as measured by volatility of return is addressed by these cost recovery mechanisms. Equity return levels are a function of risk levels so if risk is addressed in the mechanisms – a higher equity return authorization like 11.90% would overcompensate risk and result in unfair or unreasonable rates.

[106] Direct testimony witness Ina Laney at page 27, lines 14 - 17 and page 39, lines 17 - 20.
[107] See Direct Testimony James Coyne at page 45, lines 6 - 10.

VI: COMPARABLE GROUP ANALYSIS

Q. PLEASE EXPLAIN AND DESCRIBE THE STARTING POINT OF YOUR COST OF CAPITAL ANALYSIS FOR THIS CASE.

A. The first step for any cost of equity capital analysis is the selection of a comparable group of companies for which market data is available to conduct a market-based cost of capital analysis. I reviewed Mr. Coyne's eight risk screening criteria for his comparable group analysis and selection. I agree with most of Mr. Coyne's selection or screening criteria for the comparable group analysis in this case.[108] I have removed TXNM Energy, as it currently is in the midst of a buy-out and merger. Given Mr. Coyne's comparable group selection criteria, I expect he will remove TXNM in his rebuttal testimony.

The 14-company comparable utility group is shown in the following Table 12:

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[108] Direct Testimony James Coyne at pages 29 - 30.

Table 12

COMPARABLE RISK GROUP

ELECTRIC UTILITY GROUP	SYMBOL
ALLIANT ENERGY CORP	LNT
AMEREN CORPORATION	AEE
AMERICAN ELECTRIC POWER	AEP
DUKE ENERGY CORPORATION	DUK
EDISON INTERNATIONAL	EIX
ENTERGY CORPORATION	ETR
EVERGY, INC.	EVRG
IDACORP, INC.	IDA
OGE ENERGY CORPORATION	OGE
PINACLE WEST CAPITAL CORP	PNW
PORTLAND GENERAL ELECTRIC CO.	POR
PPL CORPORATION	PPL
SOUTHERN COMPANY	SO
XCEL ENERGY	XEL

All of these companies are dividend-paying electric utilities with investment grade bond ratings. I have included a listing in Exhibit (DJL-5) of the electric utilities in the comparable group along with basic data for beta, historical, forecasted equity ratios, and a forecast of comparable earnings from the Value Line data base.

VII: COST OF CAPITAL MODELS DCF ANALYSIS

Q. PLEASE EXPLAIN THE CONSTANT GROWTH DCF METHODOLOGY YOU HAVE EMPLOYED IN YOUR ANALYSIS.

A. The price that an investor is willing to pay for a share of common stock today is determined

by the income stream the investor expects to receive from the investment. The return the investor expects to receive over the investment time horizon is composed of: (i) dividend payments; and (ii) the appreciated sale value of the investment. A proper analysis adds dividends to the gain on the final sale value, and discounts these expected future earnings to a present value.

To determine or estimate investor requirements using the DCF model, one computes a cost of capital requirement, or discount rate from the current market data and the expected dividend stream. The DCF model stated as a formula is as follows:

$$K = D/P + G$$

where:
K = required return on equity,
D = dividend rate,
P = stock price,
D/P = dividend yield, and
G = growth in dividends.

Q. PLEASE EXPLAIN HOW YOU CALCULATED THE DIVIDEND YIELD FOR THE COMPARABLE COMPANIES.

A. The dividend yield is the ratio of the dividend rate to the stock price. When calculating the dividend yield, one must be cautious and not rely on spot stock prices. One must be equally cautious not to rely on long periods of time as the data becomes unrepresentative of market conditions. The objective is to use a period of time such that the resulting dividend yield is representative of the prospective period when rates will be in effect.

While there is no fixed period for selecting the denominator of the dividend yield (i.e., stock price), the key guideline is that the yield not be distorted due to fluctuations in stock market prices. On the other hand, dividends (the numerator of the yield calculation) are relatively stable as opposed to the stock prices, which are subject to daily and cyclical market fluctuations. The selection of a representative time period will dampen the effect of stock market changes.

The price and dividend data used for each of the proxy companies in the comparable group is contained in my Exhibit (DJL-6).

I have examined weekly closing stock prices for the 3-month period of February 17, 2025, through May 5, 2025, along with the 52-week high and low averages, to calculate a representative price for the dividend yield calculation. For this analysis, I have employed the recent 3-month average price (February 2025 through May 2025) in calculating the dividend yield.

To calculate dividends, I employ the current annualized dividend, increased for one-half of the expected growth rate. Because utility companies tend to increase quarterly dividends at different times throughout the year, the assumption is that dividend increases will be evenly distributed over the calendar quarters for the comparable group companies. Given the above, it is appropriate to calculate the expected dividend yield by applying one-half of the long-term estimates of growth to the current dividend yield. I have calculated the yield employing the current dividends for each comparable company as reported by Value Line and the recent three-month average price and the resulting dividend yields are shown in my Exhibit (DJL-7).

Q. EXPLAIN HOW YOU HAVE CALCULATED THE EXPECTED GROWTH RATE IN YOUR CONSTANT GROWTH DCF ANALYSIS FOR THE COMPANIES IN

THE COMPARABLE GROUP.

A. Like the dividend yield, there exists no single or simple method to calculate growth rates. The calculation of investor growth expectations is the most difficult part of the DCF analysis. To estimate investor expectations of growth, I have examined historical growth, forecasted growth rates, and other financial data for each of the companies in the comparable group.

Implementation of the DCF model requires the exercise of considerable judgment with regard to estimating investor expectations of growth. It is a difficult task, but such difficulties are not insurmountable. Many economic factors affect capital markets in general and individual stocks specifically. Such economic variables, which were discussed earlier, entail the current state of the economy, including the trade deficit, federal budget uncertainty, fiscal policy, inflation, and Federal Reserve Board policies on interest rates. Investors generally have good information on the economic and financial variables outlined above. All of this information is available quickly, especially in recent decades with easy access to the internet.

Like the information available on the general economy, investors also have access to a wealth of information about particular types of securities, industries and specific company investments. This information is also factored into investor expectations and therefore the stock price individuals are willing to pay.

Common stock earnings growth rate forecasts and historical growth rate data may be found in the Value Line publication. These Value Line earnings estimates are five-year projections in annual earnings. Again, Value Line is widely available to the public and is a good source of earnings projections. Other earnings estimates are forecasted by Zacks, which are widely available on the internet at Zacks.com. Those earnings projections, along

with other stock-specific financial data, provide a range of estimates of earnings and are readily available at no cost.

Another growth estimate is referred to as the sustainable growth or retention ratio growth estimate. To project future growth in earnings under the sustainable growth method, one multiplies the fraction of a firm's earnings expected to be retained (not paid out as dividends) by the expected return on book equity. As a formula:

Growth = ("*b*" *x* "*r*")

Where:
"b" =1- (dividends per share/earnings per share)
"r" =earnings per share / net book value share

All the data necessary to calculate the elements of the sustainable growth method are available on a forecasted basis in Value Line.

I have extended this sustainable growth formula to include the impact of external equity financing. The growth formula including external financing is:

$$g = br + sv$$

The terms "b" and "r" have been described above, and "s" is the expected growth in shares to finance investment, and "v" is the profitability of those expected investments.

Q. PLEASE EXPLAIN YOUR GROWTH RATE ANALYSIS.

A. I have included in my Exhibit (DJL-7), a three-page schedule showing the growth rates I have reviewed in my analysis. The first set of growth rates examined is the five-year and ten-year historical growth rates in earnings per share, dividends per share, and book value per share as reported by Value Line. The second set of growth rates are the Value Line forecasted growth rates in dividends, book value and earnings per share for each company in the comparable group. The third set of growth rates examined is the Zacks forecasted

growth rates in earnings. The fourth growth estimate considered is the forecasted internal growth, the so-called sustainable growth estimate discussed above. The growth rates described above provide a range of estimates for each of the comparable companies. The resulting range of average and median forecasted growth rates for the electric utility comparable group is shown in Exhibit (DJL-7) at page 1 of 3.

Q. DID YOU RELY ON THE HISTORICAL GROWTH RATES?

A. No. Historical growth rates are a starting place for the analysis, but investors consider additional information when formulating expectations. Moreover, whether the trends of the past ten or five years continue to hold for the future is often a suspect assumption. Instead, for the constant growth DCF, I rely on the sustainable growth estimates as a predictor of investor expectations. I also employ the average of the Value Line, Zacks earnings estimates, and sustainable growth estimates in a second DCF model estimate and for the two-stage growth model to provide a range of estimates.

Q. PLEASE SUMMARIZE YOUR CONSTANT GROWTH DCF ANALYSIS.

A. The 14-company comparable group DCF employing sustainable growth estimates mean and median results fall in a range of 8.51% to 8.95% with an approximate 8.70% midpoint. These analyses can be found in my Exhibit (DJL-8), column I. The DCF employing earnings forecast and sustainable growth average mean and median results fall in a higher range of 9.6246% to 9.95% with an approximate 9.80% midpoint. These analyses can also be found in my Exhibit (DJL-8), column F.

Q. HAVE YOU CALCULATED ADDITIONAL DCF ANALYSES FOR THE COMPARABLE GROUP COMPANIES?

A. Yes. I have calculated a two-stage non-constant growth DCF analysis for the companies in the comparable group.

Q. PLEASE DESCRIBE YOUR TWO-STAGE NON-CONSTANT GROWTH DCF.

A. This analysis calculates equity cost using a two-stage non-constant growth DCF Model. The constant growth DCF model can be adjusted to reflect multiple growth assumptions because the constant growth rate assumption is often not consistent with investor expectations. As an example, it is often the case where short-term growth estimates are not consistent with long-term sustainable growth projections. In those instances, where more than one growth rate estimate is appropriate, a multi-stage non-constant growth model can be employed to derive a cost of capital estimate. In other words, the constant growth model is adjusted to incorporate multiple growth rate periods, assuring a constant growth (long-term) rate is estimated for a longer period.

For the comparable group, the first growth stage (years 1-5) of the model, the Value Line forecasted growth in dividends is employed, and an annual dividend is calculated. The second stage (years 6 and beyond) employs an earnings growth estimate based on the individual company in the comparable group of forecasted earnings per share Value Line, Zacks, and the forecast sustainable growth estimate ("b*r" + "s*v"). The estimated cash flows are modeled over an extended period and return is calculated employing the Internal Rate of Return formula ("IRR").

Q. WHAT ARE THE RESULTS OF THE TWO-STAGE NON-CONSTANT GROWTH DCF ANALYSIS?

A. The results of the two-stage non-constant growth DCF analysis for the utility group are shown in Exhibit (DJL-9), column K, lines 1 -14. The utility company comparable group

mean and median results indicate a cost of equity range of 9.46% to 9.87% with a 9.65% midpoint.

VIII: BOND YIELD EQUITY RISK PREMIUM, CAPM, AND ECAPM COST OF EQUITY ESTIMATE

Q. PLEASE DESCRIBE THE RISK PREMIUM ANALYSIS.

A. Debt instruments such as bonds (long-term debt) are less risky than common equity when both classes of capital are issued by the same entity. Bondholders have a prior contractual claim to the earnings of the corporation and returns on bonds are less variable and more predictable than stocks. The bottom line is that debt is less risky than equity. There are numerous return studies of capital market investments, all of which show lower returns with lower risks and higher returns with higher risk investments. These financial truisms provide the theoretical basis and foundation for the risk premium method for estimating equity costs.

The risk premium approach is not without its problems and drawbacks. In practice and application, there is considerable debate as to the historical time period to analyze and added debate concerning the calculation of the bond/equity return risk spread. Historical debt/equity risk spreads measured over many decades may not be relevant to current capital market requirements. Others argue that a long-term analysis is necessary, since the goal is to measure investors' long-term expectations.

Another version of the risk premium method is the CAPM.

Finally, I examine ECAPM estimates. The ECAPM is quite similar to the CAPM described above with the difference being an adjustment for the beta estimate in the model. Firms with beta estimates below unity tend to have actual beta values that are higher. The ECAPM includes an adjustment to correct for any systematic measurement errors in beta.

CAPITAL ASSET PRICING MODEL ANALYSIS

Q. PLEASE EXPLAIN HOW YOU CALCULATED THE EQUITY RETURN ESTIMATE EMPLOYING THE CAPM.

A. I employed the basic CAPM formula denoted as follows:

$$R_f + \beta(R_m - R_f)$$

Where:

R_f = risk free rate;
β =beta;
R_m= market return; and
R_m - R_f= market risk premium or ("MRP").

This is the typical model structure employed by most financial analysts in estimating equity returns.

Q. WHAT RISK FREE (R_f) VALUE DID YOU EMPLOY IN YOUR CAPM ESTIMATE?

A. I typically employ the most recent three-month average of the 30-Year U.S. Treasury Bond rates. This three-month average is:

Table 13[109]

30-Year U.S. Government Bond Yields

February 2025	4.68%
March 2025	4.60%
April 2025	4.71%
3-Month Average	4.66%

I have also employed a 4.25% range 30-Year U.S. Treasury Bond yield which is consistent with the market expectations of declining future rates as the Federal Reserve is expected to lower federal funds rates over the foreseeable future of the proposed 2026 - 2027 test year periods proposed in this case. Now, given the projections of federal funds rates to

[109] The monthly bond yields are presented in Exhibit (DJL-4).

reverse course and continue to decline, a 4.25% expectation for U.S. Treasury yields is reasonable.

Q. WHAT VALUE DID YOU EMPLOY FOR BETA IN YOUR CAPM ANALYSIS?

A. I employed a Value Line beta estimate for each company in the comparable group as shown in my Exhibit (DJL-5), column A into the CAPM Exhibit (DJL-10), columns A and E.

Q. WHAT VALUE HAVE YOU EMPLOYED FOR THE MARKET RISK PREMIUM?

A. To calculate the MRP, I estimated a more current regulated utility MRP calculation by measuring the difference between the authorized equity return for electric utilities and 30-year U.S. Treasury yields for the period 1981 through 2024.[110] This alternative produces an average risk premium for utility stocks of 5.45%. Translating this utility risk premium to a market risk premium I divide the 5.45% premium by the utility group midpoint beta of .875 and the imputed Market Risk Premium is 6.23%.[111] This 6.23% MRP estimate is consistent with the expected ranges of MRP of 5% - 8% found in a number of studies in the financial literature and is consistent with current financial markets expectations for MRP.[112]

Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSES FOR THE ELECTRIC COMPANY COMPARABLE GROUP?

A. The results of the CAPM analyses can be found in my Exhibit (DJL-10) at column D for the electric comparable group. The range of results for the FPL proposed utility group indicate an equity return mean and median of 9.70% to 9.70% with a 9.70% midpoint.

[110] See Exhibit (DJL-11) average historical (1981 - 1924) risk premium of 5.45%.
[111] Morin, Roger; New Regulatory Finance, Public Utility Reports, Inc. page 162 Implied Regulatory MRP's (2006).
[112] Morin, Roger; New Regulatory Finance, Public Utility Reports, Inc. (2006). See Chapter 5.

Q. IN YOUR ANALYSES, HAVE YOU INCLUDED A CALCULATION OF THE EMPIRICAL CAPM OR ECAPM RETURN ESTIMATE FOR THIS CASE?

A. Yes. Like the CAPM analysis discussed above, the ECAPM estimate of equity return relies on basic financial portfolio theory. To correct for the potential of biased beta estimates, an adjustment is made so as not to understate the cost of equity. The basic formula for the ECAPM for beta conversion is as follows:

$$K=R_f + 0.25(R_m - R_f) + 0.75\beta(R_m - R_f)$$

Q. WHAT ARE THE RESULTS OF YOUR ECAPM ANALYSES FOR THE ELECTRIC COMPANY COMPARABLE GROUP?

A. The results of the ECAPM analyses can be found in my Exhibit (DJL-10) at column H. The mean and median result of ECAPM results for the 14 - company proposed comparable group are 9.89% and 9.89% respectively, with a midpoint of 9.90%.

Q. DESCRIBE YOUR BOND YIELD EQUITY RISK PREMIUM ANALYSIS.

A. The bond yield equity risk premium analysis is presented in Exhibit (DJL-11) and evaluates the risk/return differential between the authorized electric utility return on equity relative to 30-year U.S. Treasury bond yields for the period 1981-2024. The resulting risk premium is combined with the estimated 30-year U.S. Treasury yield of 4.66% and the forecast estimate of 4.25% to determine the range of risk premium estimates of equity costs.

The resulting risk premium range of results for the utility group is 10.39% to 10.64% with a 10.52% midpoint estimate. These risk premium results exceed all other model results and were not considered in the final analysis.

Q. PLEASE SUMMARIZE YOUR COST OF EQUITY CAPITAL RESULTS AND RECOMMENDATION.

A. Table 14 below is a summary of all the equity cost estimates for the comparable group companies employing the constant growth DCF, 2-Stage DCF, CAPM, ECAPM, and Risk Premium models.

Table 14
Cost of Equity Estimates Employing FPL Comparable Risk Group[113]

MODEL	RANGE LOW - HIGH	MIDPOINT	Summary averages of midpoints
DCF Model (Average Growth)[114]	9.62% - 9.95%	9.80%	
DCF Model (Sustainable Growth)	8.51% - 8.95%	8.70%	
Two-stage DCF	9.46% - 9.87%	9.65%	3 – DCF Models 9.4%
CAPM	9.70% - 9.70%	9.70%	
ECAPM	9.89% - 9.89%	9.90%	CAPM & ECAPM 9.8%
Risk Premium	10.39% - 10.64%	10.50%	
Average of all Models (Rounded)	9.60% - 9.83%	9.70%	9.7%
Average of all models (excluding risk premium)	9.44% - 9.67%	9.55%	9.6%
Minimum		8.51%	
Maximum		10.39%	
Reasonable Range	9.40% - 9.80%	9.60%	9.60%
Financial Risk adjustment[115]		-.40%	-.40%
Recommended equity return		9.20%	9.20%

[113] Each cost of equity capital estimate is discussed in the testimony and is presented in Exhibits (DJL-8), (DJL-9), (DJL-10), (DJL-11), and (DJL-13).
[114] Discounted Cash Flow ("DCF").
[115] The 40-basis point downward risk adjustment can be found in Section IX "Capital Structure".

The results of the analyses shown in Tables 14 are relatively close. I recommend a final range of 9.40% - 9.80% with a midpoint of 9.60%. Adjusting the range downward by 40 basis points for financial risk results in a risk adjusted equity return of 9.20%.

Q. IN YOUR OPINION WILL FPL MAINTAIN ITS FINANCIAL INTEGRITY WITH A 9.20% EQUITY RETURN.

A. Yes. Reviewing the impact of a reduction in return from the current 10.80% authorized midpoint ROE to a 9.20% level is about $600 million in return dollars and cash flow annually. The $600 million ROE reduction impact on the Standard & Poor's financial metric, Funds From Operations to Debt percentage (FFO/Debt%), is not likely to reduce or materially weaken this FFO/Debt% metric which is consistently well above 19%.

IX: CAPITAL STRUCTURE

Q. WHAT CAPITAL STRUCTURE IS FPL REQUESTING AS PART OF THIS PROCEEDING?

A. Based on the direct testimony of Company witness Scott Bores, the Company is requesting that the Commission approve the continuation of the Company's regulatory capital structure that is based on a 59.6% equity ratio from investor sources and a 50.07% equity ratio based on all regulatory sources for the 2026 test year.[116] Mr. Bores goes on to point out that "FPL has maintained a consistent equity ratio level for the past quarter century, and it has been fundamental to the overall financial strength that has served customers well."[117] Mr. Bores then states "the capital structure has a direct impact on financial strength and credit quality."[118] I agree it does have an impact on credit quality and it also

[116] Direct testimony Scott Bores at page 47, lines 12 - 14.
[117] Direct testimony Scott Bores at page 47, lines 14 - 16.
[118] Direct testimony Scott Bores at page 47, lines 16 - 17.

impacts customer rates. However, he never addresses the question of where credit quality is synonymous with a high equity ratio; how much credit quality does FPL need? Or put another way how much credit quality can customers afford and have reasonable electric rates? Mr. Bores may have provided an answer to these questions in his next sentence where he states, "[a] greater equity component means safer returns for **debt investors**, which translates to stronger credit ratings and lower borrowing costs."[119]

Based on Mr. Bores analysis, the FPL customers benefit from paying higher rates to support a 59.60% equity ratio because borrowing costs will be lower. Given that I employed Duke Florida as an example earlier to show how the Duke 53% equity ratio benefits customers, I further examined the Duke Florida stated borrowing cost for long-term debt for the proposed test years 2025 and 2026. The Duke Florida borrowing cost (long-term debt cost) was reported as 4.49% for 2025 and 4.52% for 2026.[120] In this case, FPL's long-term debt cost for 2025 and 2026 test year is 4.52% and 4.64%, respectively, which is higher than Duke Florida.[121] It does not appear FPL customers are getting a lot of bang for the buck in paying for the additional equity in the capital structure - they also get to pay higher interest costs as well.

Included in Tables 15 and 16 is a summary of each class of capital for each of the two test years of the multi-year rate plan as proposed by FPL.

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[119] Direct testimony Scott Bores at page 47, lines 17 - 19.
[120] See Docket No.20240025-EI MFR Schedule D-1a, at pages 2 and 3 of 5.
[121] Company MFR D-1a 2025 Test Year and 2026 Test Year.

Table 15

Requested Capital Structure and Cost Rates for

FPL Operations Rate Year 2026[122]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.07%	11.90%	5.9583%
LONG-TERM DEBT	32.65%	4.64%	1.51496%
SHORT-TERM DEBT	1.30%	3.80%	0.0494%
CUSTOMER DEPOSITS	0.82%	2.15%	0.01763%
DEFERRED INCOME TAXES	10.96%	0.00%	0.00%
FAS 109 DEFERRED TAXES	3.20%	0.00%	0.00%
INVESTMENT TAX CREDITS	1.00%	9.03%	0.0903%
TOTAL CAPITAL	100.00%		7.63%

Table 16

Requested Capital Structure and Cost Rates for

FPL Operations Rate Year 2027[123]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.12%	11.90%	5.9643%
LONG-TERM DEBT	32.55%	4.69%	1.52659%
SHORT-TERM DEBT	1.42%	3.79%	.053818%
CUSTOMER DEPOSITS	0.81%	2.15%	0.017415%
DEFERRED INCOME TAXES	11.21%	0.00%	0.00%
FAS 109 DEFERRED TAXES	2.99%	0.00%	0.00%
INVESTMENT TAX CREDITS	0.90%	9.06%	.08154%
TOTAL CAPITAL	100.00%		7.64%

[122] Capital structure and cost rates per Company filing MFR D-1a 2026 Test Year.
[123] Capital structure and cost rates Company filing MFR D-1a, 2027 Test Year.

As shown in the Tables, the capital structure has slight variations each year, but does remain relatively constant. The largest percentage change is the increase in 2027 short-term debt reflecting financing capital additions in 2026 and 2027.

Q. DO YOU AGREE WITH FPL'S CAPITAL STRUCTURE REQUEST?

A. No. I disagree with FPL's requested capital structure as proposed by Company witnesses Scott Bores and James M. Coyne. In this proceeding, FPL is asking the Commission to approve a capital structure that includes an equity ratio of 59.60%. I have addressed the problems and costs associated with the 59.60% equity ratio – FPL's request in this case. Customers would be better off with a lower equity ratio in capital structure.

Q. DO YOU HAVE COMMENTS AND RECOMMENDATIONS ON THE COMPANY'S PROPOSED CAPITAL STRUCTURE RATIOS FOR DEBT AND EQUITY?

A. Yes, I do. Rather than directly adjust the capital structure by reducing the equity ratio, I am proposing to adjust the equity return downward as calculated in the discussion below. This way, the Company can address the capital structure issue over time so as to not disturb financing of the ongoing capital projects. It would be my recommendation that the 59.60% equity ratio be reduced to or around the average utility by the time of the next rate proceeding (assuming the 4-year rate plan is approved).

Q. HOW SHOULD THE COMPANY'S PROPOSED CAPITAL STRUCTURE WITH A 59.60% EQUITY RATIO BE ACCOUNTED FOR TO ADDRESS THE LOWER FINANCIAL RISK OF THE COMPANY RELATIVE TO THE COMPARABLE RISK GROUP?

A. It is a fundamental truism of finance that as a firm increases the relative amount of debt capital in the capital structure, total fixed charges (interest) increase the fixed obligations of the firm. The resulting residual earnings available to equity become subject to increased volatility and risk as leverage and fixed obligations increase. It is important to note that the average of the comparable risk company group has about a 51.80% equity ratio which would be more-risky (in terms of financial risk) than the FPL 59.60% equity ratio.[124] As such, the equity return estimates developed from the comparable group would reflect higher financial risk and would need to be reduced if applied to FPL with a 59.60% equity ratio for setting rates in this case. Mr. Coyne's analysis fails to recognize the financial risk differences between FPL and the comparable group.

Q. DOES THIS COMMISSION RECOGNIZE THAT FINANCIAL RISK ADJUSTMENTS ARE NECESSARY FOR DIFFERENT LEVELS OF EQUITY IN CAPITAL STRUCTURE?

A. Yes. For example, in Docket No. 20250006-WS, the Commission addressed the water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities.[125] In that proceeding, the Commission established an equity return range of 8.51% equity return for water and wastewater operations with 100 percent equity in capital structure.[126] On the other end of the spectrum, an equity return of 10.51% was established for water and wastewater operations with a 40% equity return. For those water and wastewater operations in between the following equity return leverage

[124] See FPL witness Coyne direct testimony at Exhibit JMC-11 page 2 of 6.
[125] See Docket No. 20250006-WS Water and wastewater industry annual reestablishment range of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Memorandum (May 21, 2025) at 1.
[126] See Docket No. 20250006-WS Water and wastewater industry annual reestablishment range of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Memorandum (May 21, 2025) at 3.

formula was developed.[127]

ROE= 7.17% + (1.337/ (equity ratio)[128]

This leverage formula recognizes that the higher equity ratio levels in the capital structure results in lower equity returns due to lower financial risks. This is what my proposed financial risk adjustment to lower the ROE due to the high equity ratio addresses in this case.

Q. CAN YOU POINT TO STUDIES IN THE FINANCIAL LITERATURE THAT EVALUATE THE IMPACT OF INCREASED FINANCIAL LEVERAGE IN THE CAPITAL STRUCTURE AND EQUITY COST?

A. Yes. There are a number of studies in the financial literature, both empirically and theoretically based, that attempt to quantify the effects of leverage on the common equity costs.[129] These studies suggest an increase in common equity costs in a range of 7.6 basis points on the low end to 13.8 basis points on the high end for every 100 basis point increase in the debt ratio within the 40% to 50% range of leverage. [130] Thus, on average, there is about a 10.7 basis point increase [(7.6% + 13.8%)/2] in equity cost for every 100-basis point change in debt in capital structure.[131]

Q. PLEASE DESCRIBE THE FINANCIAL RISK ADJUSTMENT TO ADJUST FOR FPL'S LOWER FINANCIAL RISK VERSUS THE COMPARABLE GROUP'S

[127] See Docket No. 20250006-WS Water and wastewater industry annual reestablishment range of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Memorandum (May 21, 2025) at 3.
[128] See Docket No. 20250006-WS Water and wastewater industry annual reestablishment range of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Memorandum (May 21, 2025) at 3.
[129] See Morin, Roger: New Regulatory Finance, Public Utility Reports, 2006, at 468 - 469.
[130] *Id.*
[131] *Id.*

FINANCIAL RISK.

A. The FPL 59.60% equity level substantially exceeds the comparable group equity average, thus FPL's financial risks are less than the comparable group. Given the Company's data in Exhibit JMC-11 at page 2 of 6, I have estimated the comparable group equity ratio based on the median estimates to be 51.8% which is 7.8 percentage point difference (59.6% - 51.8%) in equity in capital structure. Given that the Company has been authorized a 59.6% equity ratio for a number of years (25-years according to Mr. Bores), I approach this adjustment with gradualism in mind and only adjust half of the 7.8 percentage point differential or 3.9 percentage points. Thus, I calculate the risk adjustment assuming the Company should be authorized a 55.7% equity ratio for this case. A financial risk adjustment translates into an average of 41.7 basis points (3.9 percentage points x 10.7 average level of basis points)[132] equity return reduction for FPL relative to the comparable group results. I have reduced the equity return range recommendation identified in Table 1 and Table 14 of 9.60% down by 40-basis points to 9.20%. Considering the results of the range, a point estimate of 9.20% reflects FPL's lower financial risk given 59.60% equity in the capital structure versus the comparable group's 51.8% average equity ratio.

Q. WHAT CAPITAL STRUCTURE AND COST RATES ARE YOU RECOMMENDING THAT THE COMMISSION ADOPT IN THIS CASE?

A. Based on the analyses and results discussed above, I am recommending a capital structure employing FPL's proposed capital levels and cost rates except that the equity return should be set at 9.20%. The capital structure and cost rates are set forth in the following tables:

[132] This calculation conservatively employs the lower end and average of the 7.6 to 10.7 basis point adjustment range discussed above.

Table 17

Recommended Capital Structure and Cost Rates for FPL Operations Rate Year 2026[133]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.07%	9.20%	4.61%
LONG-TERM DEBT	32.65%	4.64%	1.51%
SHORT-TERM DEBT	1.30%	3.80%	0.05%
CUSTOMER DEPOSITS	0.82%	2.15%	0.02%
DEFERRED INCOME TAXES	10.96%	0.00%	0.00%
FAS 109 DEFERRED TAXES	3.20%	0.00%	0.00%
INVESTMENT TAX CREDITS	1.00%	7.4%	0.07%
TOTAL CAPITAL	100.00%		6.26%

Table 18

Recommended Capital Structure and Cost Rates for FPL Operations Rate Year 2027[134]

DESCRIPTION	RATIO	COST	WEIGHTED COST
COMMON EQUITY	50.12%	9.20%	4.61%
LONG-TERM DEBT	32.55%	4.69%	1.53%
SHORT-TERM DEBT	1.42%	3.279%	.05%
CUSTOMER DEPOSITS	0.81%	2.15%	0.02%
DEFERRED INCOME TAXES	11.21%	0.00%	0.00%
FAS 109 DEFERRED TAXES	2.99%	0.00%	0.00%
INVESTMENT TAX CREDITS	0.90%	7.42%	.08%
TOTAL CAPITAL	100.00%		6.29%

[133] Capital structure and cost rates (except equity cost and ITC cost) per Company filing MFR D-1a, page 3 of 5. Equity cost of 9.20% per this testimony and ITC cost based on the adjusted composite long-term debt and equity cost. Of course, if there any specific dollar adjustments to the Company's amounts for any source of capital before the capital structure is reconciled to rate base, there would be corresponding effects.

[134] Capital structure and cost rates (except equity cost and ITC cost) per Company filing MFR D-1a, page 3 of 5. Equity cost of 9.20% per this testimony and ITC cost based on the adjusted composite long-term debt and equity cost. Of course, if there any specific dollar adjustments to the Company's amounts for any source of capital before the capital structure is reconciled to rate base, there would be corresponding effects.

Thus, the recommended overall cost of capital for the 2026 test year is 6.26% and includes a 9.20% equity cost. The recommended overall cost of capital for the 2027 test year is 6.29% and includes a 9.20% equity cost.

As can be seen from the above table, when the common equity cost rates reflect current market conditions and risks, the final recommended Company's overall cost of capital is substantially lower than the FPL request for each year for the rate plan. I have included the capital structure, cost rates, and expected revenue impacts in my Exhibit (DJL-12).

X: RESPONSIVE TESTIMONY TO COST OF CAPITAL WITNESS MR. JAMES COYNE

Q. DO YOU HAVE ANY COMMENTS REGARDING THE DIRECT TESTIMONY AND RECOMMENDATIONS OF COMPANY WITNESS JAMES COYNE?

A. Yes, I have a number of comments. First, regarding Mr. Coyne's recommended return on equity of 11.90% for FPL, such a return level is overstated and not supported by market data.[135] Mr. Coyne's 11.90% ROE recommendation appears to be based on his range of 10.28% to 15.65% from the extreme ends of his model results rather than current and/or expected market conditions, business or financial risk considerations, or other specific risk considerations. As I discussed earlier in this testimony, current market data supports a lower equity return. Further, in light of average authorized returns in the country are under 10.00%, Mr. Coyne's proposed the 11.90% equity return is absurdly high. FPL should not have a higher return than comparable risk companies. FPL should have a comparable ROE

[135] Direct Testimony Mr. Coyne at page 44, Figure 16, and page 61, lines 9 - 11.

based on market conditions and risks, no more and no less.[136] There is no evidence that suggests FPL's Florida operations are more-risky than the average electric utility in this country. One must believe either FPL is riskier than the average utility or every other regulatory Commission is wrong and substantially understating utility cost of equity requirements. Obviously, FPL is not riskier than the average utility and all other regulatory authorities have not set equity returns incorrectly. Instead, Mr. Coyne is taking an unreasonable position, and his 11.90% equity return is not supported. On this basis alone, Mr. Coyne's recommendation makes no sense. Moreover, when you consider the risk reducing benefits of Florida rate mechanisms and the benefits of the negotiated multi-year rate plans of the past, along with the proposed multi-year rate plan (if approved over OPC objection), FPL is less risky.

Q. HOW DID MR. COYNE ARRIVE AT SUCH A HIGH END EQUITY RETURN RECOMMENDATION?

A. Mr. Coyne ran four common financial models to estimate the equity return in this case. The results of his analysis are summarized in the following Table 19:

TABLE 19[137]

EQUITY RETURN MODEL SUMMARY BY FPL WITNESS MR. COYNE

MODEL	ROE RESULTS EMPLOYING CURRENT INTEREST RATES	ROE RESULTS EMPLOYING PROJECTED INTEREST RATES
DCF	10.28%	10.28%
CAPM	15.65%	15.63%
RISK PREMIUM	10.57%	10.45%
EXPECTED EARNINGS	10.91%	10.91%
AVERAGE ROE	11.85%	11.82%
AVERAGE EXCLUDING CAPM[138]	10.58%	10.55%

[136] Direct Testimony Mr. Coyne at Exhibit JMC-6, page 4 column 1. Also, see Exhibit (DJL-11) which shows annual average authorized returns.
[137] See Direct testimony James Coyne at page 44 Figure 16.
[138] Average Excluding the CAPM result is calculated by Mr. Lawton and is not part of Mr. Coyne's written testimony.

Mr. Coyne then adds 9-basis point for flotation costs to the 11.83% average produced by the models [(11.82% + 11.85%)/ 2) = 11.83%] and rounds the sum to 11.90% to arrive at his recommendation.

The obvious problem with Mr. Coyne's analysis, is the 15.6% outlier calculated for the CAPM. As I show in Table 19, if you calculate the average without the CAPM outlier, the recommendation falls by about 120-basis points. This failure to recognize this outlier problem ends up contributing over $500 million per year to the proposed annual rate increase for customers in this case.[139]

An analyst should not leave reason at the doorstep and not question his modeling efforts especially when they are facially absurd like the CAPM. Had Mr. Coyne checked his own testimony at Exhibit (JMC-6) column 1, he would have realized that the highest average equity returns authorized by regulatory authorities around the country were in the third quarter of 1994 at 12.75%. Now 31 years later when capital costs are much lower than historical levels, Mr. Coyne believes a 15.65% estimate is reasonable. The consequences of his casual approach is over $500 million in added annual rate request by his client FPL to be imposed on customers. The Commission should give little weight to Mr. Coyne's proposal.

Q. HAVE REGULATORY COMMISSION'S RECENTLY QUESTIONED THE REASONABLENESS OF THE CAPM APPROACH?

A. Yes. In a recent Nevada Power Company case, the Public Utilities Commission of Nevada found that "the CAPM and ECAPM analyses should be viewed with some caution."[140] In

[139] See Exhibit (DJL-12) notes.

[140] Application of Nevada Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers, Before the Public Utilities Commission of Nevada Docket No. 23-06007 (Modified Final Order) at page 34, paragraph 85 (February 13, 2024).

that proceeding, the Nevada Commission was addressing sensitivity to changes in Treasury yields. This example points out that all analyses must be evaluated for reasonableness. I should also note that including the CAPM in an average with other model results does not cure the reasonableness problem. Instead, you end up with an unreasonable average as evidenced by the over $500 million rate impact of this one model result on consumers.

Q. DO YOU HAVE ANY COMMENTS REGARDING THE MR COYNE'S DCF ANALYSIS?

A. Yes, Mr. Coyne's DCF analysis results for his 15-company comparable group are presented in his Exhibit JMC- 4, consisting of three pages. Mr. Coyne relied only on the average results of the 30-day, 60-day, and 90-day dividend yield periods to get an overall 10.28% for the DCF model. Had he considered the low growth DCF results given the potential for a slower growing economy, his low results indicate a 9.05% equity return.[141] This low growth result of 9.05% equity return is in line with my recommendation in this case.

Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING MR. COYNE'S CAPITAL ASSET PRICING MODEL ESTIMATES?

A. Yes, I do. I have already addressed the overall issue regarding the reasonableness of Mr. Coyne's CAPM analysis. The major problem with Mr. Coyne's CAPM calculations is his use of an overstated market risk premium. His end result is an equity return recommendation that is unreasonable in and of itself.

The second problem with the CAPM estimates is that Mr. Coyne's estimate of the market return for estimating the market risk premium is based on constant growth DCF for

[141] Direct testimony James Coyne at EXHIBIT (JMC-4) Column 9 average at pages 1, 2, and 3.

expected **returns of the dividend paying stocks** and **non-dividend paying growth stocks** in the S&P 500.[142] One should be cautious trying to apply a discounted cash flow analysis to non-dividend paying growth stocks – as it can lead to absurd results.[143] As I discussed in the CAPM section of this testimony, a fair analysis of market risk premiums suggests a much lower risk premium.

Q. DID MR. COYNE DEVELOP OTHER EQUITY RETURN MODELS FOR HIS ANALYSES?

A. Yes, Mr. Coyne developed a risk premium analysis producing a 10.45% to 10.57% equity return estimate.[144] These estimates are consistent with my own estimates discussed above. In addition, Mr. Coyne developed an Expected Earnings model that produced a mean return of 10.91% and a median return of 10.27%.[145] However, when evaluating the final model results, Mr. Coyne ignored his lower 10.27% model median estimate and relied solely on the much higher 10.91% mean.[146]

It seems that Mr. Coyne's analysis is not balanced, and that all his adjustments from evaluating the CAPM, ignoring the lower end DCF results, and selecting the highest midpoint in the expected earnings analysis are skewed to pick the highest results. The Commission should not consider results that do not reflect a balanced and fair weighing of such results. For these reasons, I recommend that the Commission give Mr. Coyne's proposals little weight.

[142] Direct Testimony Mr. Coyne at page 38, lines 18 - 19 and at Exhibit No. JMC - 5.
[143] See Morin, Roger: New Regulatory Finance, Public Utility Reports, 2006, at page 255.
[144] See Direct testimony James Coyne at page 42, Figure 15.
[145] See Direct testimony James Coyne at page 43, lines 10 - 11.
[146] See Direct testimony James Coyne at page 44, Figure 16.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

DANIEL J. LAWTON
B.A. ECONOMICS, MERRIMACK COLLEGE
M.A. ECONOMICS, TUFTS UNIVERSITY
J.D. LAW, TEXAS SOUTHERN UNIVERSITY

Prior to beginning his own consulting practice Diversified Utility Consultants, Inc., in 1986 where he practiced as a firm principal through December 31, 2005, Mr. Lawton had been in the utility consulting business with R.W. Beck and Associates a national engineering and consulting firm. In addition, Mr. Lawton has been employed as a senior analyst and statistical analyst with the Department of Public Service with the Public Utilities Commission of Minnesota. Prior to Mr. Lawton's involvement in utility regulation and consulting he taught economics, econometrics and statistics at Doane College.

Mr. Lawton has conducted numerous revenue requirements, fuel reconciliation reviews, financial, and cost of capital studies on electric, gas and telephone utilities for various interveners before local, state and federal regulatory bodies. In addition, Mr. Lawton has provided studies, analyses, and expert testimony on statistics, econometrics, accounting, forecasting, and cost of service issues. Other projects in which Mr. Lawton has been involved include rate design and analyses, prudence analyses, fuel cost reviews and regulatory policy issues for electric, gas and telephone utilities. Mr. Lawton has developed software systems, databases and management systems for cost-of-service analyses.

Mr. Lawton has developed and numerous forecasts of energy and demand used for utility generation expansion studies as well as municipal financing. Mr. Lawton has represented numerous municipalities as a negotiator in utility related matters. Such negotiations ranges from the settlement of electric rate cases to the negotiation of provisions in purchase power contracts.

In addition to rate consulting work Mr. Lawton through the Lawton Law Firm represents numerous municipalities in Texas before regulatory authorities in electric and gas proceedings. Mr. Lawton also represents municipalities in various contract and franchise matters involving gas and electric utility matters.

A list of cases in which Mr. Lawton has provided testimony is attached.

UTILITY RATE PROCEEDINGS IN WHICH TESTIMONY HAS BEEN PRESENTED BY DANIEL J. LAWTON

ALASKA REGULATORY COMMISSION		
Beluga Pipe Line Company	P-04-81	Cost of Capital
Municipal Light & Power	U-13-184	Cost of Capital
Enstar Natural Gas Co.	U-14-111	Cost of Capital & Revenue Requirements
Enstar Natural Gas Co.	U-16-066	Cost of Capital & Revenue Requirements
Municipal Light & Power	U-16-094	Cost of Capital

PUBLIC UTILITIES COMMISSION OF CALIFORNIA		
Southern California Edison	12-0415	Cost of Capital
San Diego Gas and Electric	12-0416	Cost of Capital
Southern California Gas	12-0417	Cost of Capital
Pacific Gas and Electric	12-0418	Cost of Capital

PUBLIC UTILITIES COMMISSION OF COLORADO		
Public Service Co. of Colorado	19AL-0268E	Cost of Capital

GEORGIA PUBLIC SERVICE COMMISSION		
Georgia Power Co.	25060-U	Cost of Capital

FEDERAL ENERGY REGULATORY COMMISSION		
Alabama Power Co.	ER83-369-000	Cost of Capital
Arizona Public Service Co.	ER84-450-000	Cost of Capital
Florida Power & Light	EL83-24-000	Cost Allocation, Rate Design
Florida Power & Light	ER84-379-000	Cost of Capital, Rate Design, Cost of Service
Southern California Edison	ER82-427-000	Forecasting

LOUISIANA PUBLIC SERVICE COMMISSION		
Louisiana Power & Light	U-15684	Cost of Capital, Depreciation
Louisiana Power & Light	U-16518	Interim Rate Relief
Louisiana Power & Light	U-16945	Nuclear Prudence, Cost of Service

MARYLAND PUBLIC SERVICE COMMISSION		
Baltimore Gas and Electric Co.	9173	Financial
Baltimore Gas and Electric Co.	9326	Financial

MINNESOTA PUBLIC UTILITIES COMMISSION		
Continental Telephone	P407/GR-81-700	Cost of Capital
Interstate Power Co.	E001/GR-81-345	Financial
Montana Dakota Utilities	G009/GR-81-448	Financial, Cost of Capital
New ULM Telephone Co.	P419/GR81767	Financial
Norman County Telephone	P420/GR-81-230	Rate Design, Cost of Capital
Northern States Power	G002/GR80556	Statistical Forecasting, Cost of Capital
Northwestern Bell	P421/GR80911	Rate Design, Forecasting

MISSOURI PUBLIC SERVICE COMMISSION		
Missouri Gas Energy	GR-2009-0355	Financial
Ameren UE	ER-2010-0036	Financial

FLORIDA PUBLIC SERVICE COMMISSION		
Progress Energy	070052-EI	Cost Recovery
Florida Power and Light	080677-EI	Financial
Florida Power and Light	090130-EI	Depreciation
Progress Energy	090079-EI	Depreciation
Florida Power and Light	120015-EI	Financial Metrics
Florida Power and Light	140001-EI	Economic and Regulatory Policy Issues
Florida Power and Light	150001-EI	Economic and Regulatory Policy Issues Financial Gas Hedging
Florida Power and Light	160001-EI	Economic and Regulatory Policy Issues Financial Gas Hedging
Florida Power and Light	160021-EI	Equity Bonus Rewards & Financial Metrics
Florida Power and Light	20170057-EI	Economic and Regulatory Policy Issues Financial Gas Hedging
Gulf Power Company & Florida Public Utilities Company	20200151-EI & 20200194-PU	Deferred Accounting
Florida Power and Light	20210015-EI	Economic and Regulatory Policy Issues, Equity Bonus Rewards & Financial Metrics
Duke Energy Florida	20240025-EI	Cost of Capital

NORTH CAROLINA UTILITIES COMMISSION		
North Carolina Natural Gas	G-21, Sub 235	Forecasting, Cost of Capital, Cost of Ser

OKLAHOMA PUBLIC SERVICE COMMISSION		
Arkansas Oklahoma Gas Corp.	200300088	Cost of Capital
Public Service Co. of Oklahoma	200600285	Cost of Capital
Public Service Co. of Oklahoma	200800144	Cost of Capital
Public Service Co. of Oklahoma	201200054	Financial and Earnings Related
Oklahoma Natural Gas	201500213	Return on Equity, Financial, capital Structure

PUBLIC SERVICE COMMISSION OF INDIANA		
Kokomo Gas & Fuel Company	38096	Cost of Capital

PUBLIC UTILITIES COMMISSION OF NEVADA		
Nevada Bell	99-9017	Cost of Capital
Nevada Power Company	99-4005	Cost of Capital
Sierra Pacific Power Company	99-4002	Cost of Capital
Nevada Power Company	08-12002	Cost of Capital
Southwest Gas Corporation	09-04003	Cost of Capital

PUBLIC UTILITIES COMMISSION OF NEVADA (continued)		
Sierra Pacific Power Company	10-06001 & 10-06002	Cost of Capital & Financial
Nevada Power Co. and Sierra Pacific Power Co.	11-06006 11-06007 11-06008	Cost of Capital
Southwest Gas Corp.	12-04005	Cost of Capital
Sierra Power Company	13-06002 13-06003 13-06003	Cost of Capital
NV Energy & MidAmerican Energy Holdings Co.	13-07021	Merger and Public Interest Financial
Sierra Pacific Power Company	16-06006	Cost of Capital
Nevada Power Company	17-06003	Cost of Capital
Nevada Power & Sierra Pacific	18-02012 Consolidated	Tax Cut and Jobs Act Issues
Southwest Gas	18-05031	Cost of Capital
Sierra Pacific Power Company	19-06002	Cost of Capital
Nevada Power	20-06003	Cost of Capital
Southwest Gas Southwest Gas	20-02023 21-09001	Cost of Capital Cost of Capital
Sierra Power Company	22-06014	Cost of Capital
Nevada Power	23-06007	Cost of Capital

PUBLIC UTILITIES COMMISSION OF NEVADA (continued)		
Southwest Gas	23-09012	Cost of Capital
SIERRA POWER ELECTRIC & GAS	24-02026 & 24-02027	COST OF CAPITAL
Nevada Power	25-02016	COST OF CAPITAL

PUBLIC SERVICE COMMISSION OF UTAH		
PacifiCorp	04-035-42	Cost of Capital
Rocky Mountain Power	08-035-38	Cost of Capital
Rocky Mountain Power	09-035-23	Cost of Capital
Rocky Mountain Power	10-035-124	Cost of Capital
Rocky Mountain Power	11-035-200	Cost of Capital
Questar Gas Company	13-057-05	Cost of Capital
Rocky Mountain Power	13-035-184	Cost of Capital
Dominion Energy Utah	19-057-13	Capital Structure & Imputed Debt
Dominion Energy Utah	22-057-03	Cost of Capital

SOUTH CAROLINA PUBLIC SERVICE COMMISSION		
Piedmont Municipal Power	82-352-E	Forecasting

PUBLIC UTILITY COMMISSION OF TEXAS		
Central Power & Light Co.	6375	Cost of Capital, Financial Integrity
Central Power & Light Co.	9561	Cost of Capital, Revenue Requirements
Central Power & Light Co.	7560	Deferred Accounting
Central Power & Light Co.	8646	Rate Design, Excess Capacity
Central Power & Light Co.	12820	STP Adj. Cost of Capital, Post Test-year adjustments, Rate Case Expenses
Central Power & Light Co.	14965	Salary & Wage Exp., Self-Ins. Reserve, Plant Held for Future use, Post Test Year Adjustments, Demand Side Management, Rate Case Exp.
Central Power & Light Co.	21528	Securitization of Regulatory Assets
El Paso Electric Co.	9945	Cost of Capital, Revenue Requirements, Decommissioning Funding
El Paso Electric Co.	12700	Cost of Capital, Rate Moderation Plan, CWIP, Rate Case Expenses
El Paso Electric Co.	46831	Cost of Capital, Decommissioning Funding, Allocation
El Paso Electric Co.	52195	Cost of Capital and Jurisdictional Allocation
EL PASO ELECTRIC CO.	57568	COST OF CAPITAL
Entergy Gulf States Inc.	16705	Cost of Service, Rate Base, Revenues, Cost of Capital, Quality of Service
Entergy Gulf States Inc.	21111	Cost Allocation
Entergy Gulf States Inc.	21984	Unbundling
Entergy Gulf States Inc.	22344	Capital Structure
Entergy Gulf States Inc.	22356	Unbundling
Entergy Gulf States Inc.	24336	Price to Beat

PUBLIC UTILITY COMMISSION OF TEXAS (continued)		
Gulf States Utilities Co.	5560	Cost of Service
Gulf States Utilities Co.	6525	Cost of Capital, Financial Integrity
Gulf States Utilities Co.	6755/7195	Cost of Service, Cost of Capital, Excess Capacity
Gulf States Utilities Co.	8702	Deferred Accounting, Cost of Capital, Cost of Service
Gulf States Utilities Co.	10894	Affiliate Transaction
Gulf States Utilities Co.	11793	Section 63, Affiliate Transaction
Gulf States Utilities Co.	12852	Deferred acctng., self-Ins. reserve, contra AFUDC adj., River Bend Plant specifically assignable to Louisiana, River Bend Decomm., Cost of Capital, Financial Integrity, Cost of Service, Rate Case Expenses
GTE Southwest, Inc.	15332	Rate Case Expenses
Houston Lighting & Power	6765	Forecasting
Houston Lighting & Power	18465	Stranded costs
Lower Colorado River Authority	8400	Debt Service Coverage, Rate Design
Southwestern Electric Power Co.	5301	Cost of Service
Southwestern Electric Power Co.	4628	Rate Design, Financial Forecasting
Southwestern Electric Power Co.	24449	Price to Beat Fuel Factor
Southwestern Bell Telephone Co.	8585	Yellow Pages
Southwestern Bell Telephone Co.	18509	Rate Group Re-Classification
Southwestern Public Service Co.	13456	Interruptible Rates
Southwestern Public Service Co.	11520	Cost of Capital
Southwestern Public Service Co.	14174	Fuel Reconciliation
Southwestern Public Service Co.	14499	TUCO Acquisition

PUBLIC UTILITY COMMISSION OF TEXAS (continued)		
Southwestern Public Service Co.	19512	Fuel Reconciliation
Southwestern Public Service Co.	47527	Cost of Capital
Southwestern Public Service Co.	49831	Cost of Capital
Texas-New Mexico Power Co.	9491	Cost of Capital, Revenue Requirements, Prudence
Texas-New Mexico Power Co.	10200	Prudence
Texas-New Mexico Power Company	17751	Rate Case Expenses
Texas-New Mexico Power Company	21112	Acquisition risks/merger benefits
Texas Utilities Electric Co.	9300	Cost of Service, Cost of Capital
Texas Utilities Electric Co.	11735	Revenue Requirements
TXU Electric Company	21527	Securitization of Regulatory Assets
West Texas Utilities Company	7510	Cost of Capital, Cost of Service
West Texas Utilities Company	13369	Rate Design

RAILROAD COMMISSION OF TEXAS		
Energas Company	5793	Cost of Capital
Energas Company	8205	Cost of Capital
Energas Company	9002-9135	Cost of Capital, Revenues, Allocation
Lone Star Gas Company	8664	Rate Design, Cost of Capital, Accumulated Depr. & DFIT, Rate Case Exp.
Lone Star Gas Company-Transmission	8935	Implementation of Billing Cycle Adjustment

RAILROAD COMMISSION OF TEXAS (continued)		
Southern Union Gas Company	6968	Rate Relief
Southern Union Gas Company	8878	Test Year Revenues, Joint and Common Costs
Texas Gas Service Company	9465	Cost of Capital, Cost of Service, Allocation
TXU Lone Star Pipeline	8976	Cost of Capital, Capital Structure
TXU-Gas Distribution	9145-9151	Cost of Capital, Transport Fee, Cost Allocation, Adjustment Clause
TXU-Gas Distribution	9400	Cost of Service, Allocation, Rate Base, Cost of Capital, Rate Design
Westar Transmission Company	4892/5168	Cost of Capital, Cost of Service
Westar Transmission Company	5787	Cost of Capital, Revenue Requirement
Atmos	10000	Cost of Capital
ATMOS	10580	Cost of Capital
ATMOS PIPELINE TEXAS	OS23-000013758	COST OF CAPITAL

TEXAS WATER COMMISSION		
Southern Utilities Company	7371-R	Cost of Capital, Cost of Service

SCOTSBLUFF, NEBRASKA CITY COUNCIL		
K. N. Energy, Inc.		Cost of Capital

HOUSTON CITY COUNCIL		
Houston Lighting & Power Company		Forecasting

PUBLIC UTILITY REGULATION BOARD OF EL PASO, TEXAS		
Southern Union Gas Company		Cost of Capital

DISTRICT COURT CAMERON COUNTY, TEXAS		
City of San Benito, et. al. vs. PGE Gas Transmission et. al.	96-12-7404	Fairness Hearing

DISTRICT COURT HARRIS COUNTY, TEXAS		
City of Wharton, et al vs. Houston Lighting & Power	96-016613	Franchise fees

DISTRICT COURT TRAVIS COUNTY, TEXAS		
City of Round Rock, et al vs. Railroad Commission of Texas et al	GV 304,700	Mandamus

DISTRICT COURT SOUTH DAYTONA, FLORIDA		
City of South Daytona v. Florida Power and Light	2008-30441-CICI	Stranded Costs

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
2026, 2027, 2028, AND 2029 FOUR-YEAR RATE PLAN
MONTHLY EQUITY RETURNS REPORTED 2022 -2025

MONTH	YEAR	ROE	APPROVED ROE RANGE
	2022		
JAN		11.42%	9.70% - 11.70%
FEB		11.56%	9.70% - 11.70%
MAR		11.60%	9.70% - 11.70%
APR		11.60%	9.70% - 11.70%
MAY		11.60%	9.70% - 11.70%
JUN		11.60%	9.70% - 11.70%
JUL		11.60%	9.70% - 11.70%
AUG		11.70%	9.70% - 11.70%
SEP		11.80%	9.70% - 11.70%
OCT		11.80%	9.80% - 11.80%
NOV		11.62%	9.80% - 11.80%
DEC		11.74%	9.80% - 11.80%
	2023		
JAN		11.80%	9.80% - 11.80%
FEB		11.80%	9.80% - 11.80%
MAR		11.80%	9.80% - 11.80%
APR		11.80%	9.80% - 11.80%
MAY		11.80%	9.80% - 11.80%
JUN		11.80%	9.80% - 11.80%
JUL		11.80%	9.80% - 11.80%
AUG		11.80%	9.80% - 11.80%
SEP		11.80%	9.80% - 11.80%
OCT		11.80%	9.80% - 11.80%
NOV		11.80%	9.80% - 11.80%
DEC		11.80%	9.80% - 11.80%
	2024		
JAN		11.80%	9.80% - 11.80%
FEB		11.80%	9.80% - 11.80%
MAR		11.80%	9.80% - 11.80%
APR		11.80%	9.80% - 11.80%
MAY		11.80%	9.80% - 11.80%
JUN		11.80%	9.80% - 11.80%
JUL		11.80%	9.80% - 11.80%
AUG		11.80%	9.80% - 11.80%
SEP		11.80%	9.80% - 11.80%
OCT		11.65%	9.80% - 11.80%
NOV		11.55%	9.80% - 11.80%
DEC			
	2025		
JAN		11.60%	9.80% - 11.80%
FEB			9.80% - 11.80%
MAR			9.80% - 11.80%

Source: Filed as part of FPL's monthly Surveillance Reports

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
2026, 2027, 2028, AND 2029 FOUR-YEAR RATE PLAN
FEDERAL RESERVE PRESS RELEASES AND PROJECTIONS

FEDERAL RESERVE FEDERAL OPEN MARKET COMMITTEE

PRESS RELEASE MAY 7, 2025
PRESS RELEASE MARCH 19, 2025
SUMMARY OF ECONOMIC PROJECTIONS MARCH 19, 2025

PDF

Press Release

May 07, 2025

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EDT

Share

Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has increased further. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

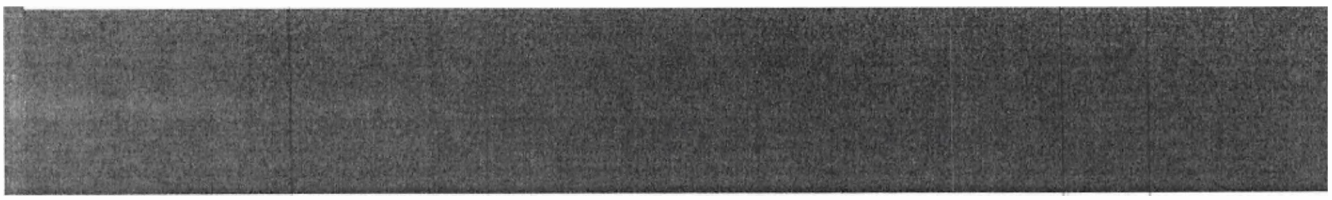
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Neel Kashkari; Adriana D. Kugler; Alberto G. Musalem; and Christopher J. Waller. Neel Kashkari voted as an alternate member at this meeting.

For media inquiries, please email media@frb.gov or call 202-452-2955.

Implementation Note issued May 7, 2025

Last Update: May 07, 2025



PDF

Press Release

March 19, 2025

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EDT

Share

Recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty around the economic outlook has increased. The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from $25 billion to $5 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at $35 billion. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Adriana D. Kugler; Alberto G. Musalem; and Jeffrey R. Schmid. Voting against this action was Christopher J. Waller, who supported no change for the federal funds target range but preferred to continue the current pace of decline in securities holdings.

For media inquiries, please email media@frb.gov or call 202-452-2955.

Implementation Note issued March 19, 2025

Last Update: March 19, 2025

For release at 2:00 p.m., EDT, March 19, 2025

Summary of Economic Projections

In conjunction with the Federal Open Market Committee (FOMC) meeting held on March 18–19, 2025, meeting participants submitted their projections of the most likely outcomes for real gross domestic product (GDP) growth, the unemployment rate, and inflation for each year from 2025 to 2027 and over the longer run. Each participant's projections were based on information available at the time of the meeting, together with her or his assessment of appropriate monetary policy—including a path for the federal funds rate and its longer-run value—and assumptions about other factors likely to affect economic outcomes. The longer-run projections represent each participant's assessment of the value to which each variable would be expected to converge, over time, under appropriate monetary policy and in the absence of further shocks to the economy. "Appropriate monetary policy" is defined as the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy his or her individual interpretation of the statutory mandate to promote maximum employment and price stability.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2025

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
December projection	2.1	2.0	1.9	1.8	1.8–2.2	1.9–2.1	1.8–2.0	1.7–2.0	1.6–2.5	1.4–2.5	1.5–2.5	1.7–2.5
Unemployment rate	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
December projection	4.3	4.3	4.3	4.2	4.2–4.5	4.1–4.4	4.0–4.4	3.9–4.3	4.2–4.5	3.9–4.6	3.8–4.5	3.5–4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
December projection	2.5	2.1	2.0	2.0	2.3–2.6	2.0–2.2	2.0	2.0	2.1–2.9	2.0–2.6	2.0–2.4	2.0
Core PCE inflation[4]	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
December projection	2.5	2.2	2.0		2.5–2.7	2.0–2.3	2.0		2.1–3.2	2.0–2.7	2.0–2.6	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9
December projection	3.9	3.4	3.1	3.0	3.6–4.1	3.1–3.6	2.9–3.6	2.8–3.6	3.1–4.4	2.4–3.9	2.4–3.9	2.4–3.9

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 17–18, 2024.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
2026, 2027, 2028, AND 2029 FOUR-YEAR RATE PLAN
GOVERNMENT BOND YIELDS JANUARY 2021 THROUGH APRIL 2025

DATE	A 30 YEAR US TREASURY	B 20 YEAR US TREASURY	C 10 YEAR US TREASURY
1/1/2020	2.22%	2.07%	1.76%
2/1/2020	1.97%	1.81%	1.50%
3/1/2020	1.46%	1.26%	0.87%
4/1/2020	1.27%	1.06%	0.66%
5/1/2020	1.38%	1.12%	0.67%
6/1/2020	1.49%	1.27%	0.73%
7/1/2020	1.31%	1.09%	0.62%
8/1/2020	1.36%	1.14%	0.65%
9/1/2020	1.42%	1.21%	0.68%
10/1/2020	1.57%	1.34%	0.79%
11/1/2020	1.62%	1.40%	0.87%
12/1/2020	1.67%	1.47%	0.93%
1/1/2021	1.82%	1.63%	1.08%
2/1/2021	2.04%	1.88%	1.26%
3/1/2021	2.34%	2.24%	1.61%
4/1/2021	2.30%	2.20%	1.64%
5/1/2021	2.32%	2.22%	1.62%
6/1/2021	2.16%	2.09%	1.52%
7/1/2021	1.94%	1.87%	1.32%
8/1/2021	1.92%	1.83%	1.28%
9/1/2021	1.94%	1.87%	1.37%
10/1/2021	2.06%	2.03%	1.58%
11/1/2021	1.94%	1.97%	1.56%
12/1/2021	1.85%	1.90%	1.47%
1/1/2022	2.10%	2.15%	1.76%
2/1/2022	2.25%	2.31%	1.93%
3/1/2022	2.41%	2.51%	2.13%
4/1/2022	2.81%	2.99%	2.75%
5/1/2022	3.07%	3.26%	2.90%
6/1/2022	3.25%	3.48%	3.14%
7/1/2022	3.10%	3.35%	2.90%
8/1/2022	3.13%	3.35%	2.90%
9/1/2022	3.56%	3.82%	3.52%
10/1/2022	4.04%	4.28%	3.98%
11/1/2022	4.00%	4.22%	3.89%
12/1/2022	3.66%	3.87%	3.62%
1/1/2023	3.66%	3.81%	3.53%
2/1/2023	3.80%	3.95%	3.75%
3/1/2023	3.77%	3.94%	3.66%
4/1/2023	3.68%	3.80%	3.46%
5/1/2023	3.86%	3.96%	3.57%
6/1/2023	3.87%	4.04%	3.75%
7/1/2023	3.96%	4.15%	3.90%
8/1/2023	4.28%	4.46%	4.17%
9/1/2023	4.47%	4.65%	4.38%
10/1/2023	4.95%	5.13%	4.80%
11/1/2023	4.66%	4.84%	4.50%
12/1/2023	4.14%	4.32%	4.02%
1/1/2024	4.26%	4.39%	4.06%
2/1/2024	4.38%	4.49%	4.21%
3/1/2024	4.36%	4.46%	4.21%
4/1/2024	4.66%	4.77%	4.54%
5/1/2024	4.62%	4.71%	4.48%
6/1/2024	4.44%	4.54%	4.31%
7/1/2024	4.46%	4.56%	4.25%
8/1/2024	4.15%	4.25%	3.87%
9/1/2024	4.04%	4.10%	3.72%
10/1/2024	4.38%	4.44%	4.10%
11/1/2024	4.54%	4.63%	4.36%
12/1/2024	4.58%	4.66%	4.39%
1/1/2025	4.85%	4.92%	4.63%
2/1/2025	4.68%	4.73%	4.45%
3/1/2025	4.60%	4.63%	4.28%
4/1/2025	4.71%	4.74%	4.28%
AVERAGE	**3.15%**	**3.18%**	**2.80%**
3 MONTH AVG	**4.66%**	**4.70%**	**4.34%**
MINIMUM	**1.27%**	**1.06%**	**0.62%**
MAXIMUM	**4.95%**	**5.13%**	**4.80%**

SOURCES: COLUMNS A-C FROM www.federalreserve.gov; H-15 DATA

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
2026, 2027, 2028, AND 2029 FOUR-YEAR RATE PLAN
ELECTRIC COMPARABLE GROUP BETA AND EQUITY RATIO

			A	B	C	D	E
LINE NO.	COMPANY NAME	SYMBOL	BETA	EQUITY RATIO 2024	EQUITY RATIO 2025	EQUITY RATIO 2026	EQUITY RATIO 2028-2030
	COMPANY PROPOSED COMPARABLE GROUP						
1	ALLIANT ENERGY CORP	LNT	0.95	44.70%	44.50%	44.50%	48.00%
2	AMEREN	AEE	0.90	45.30%	47.00%	47.50%	48.50%
3	AMERICAN ELECTRIC POWER	AEP	0.85	42.40%	42.00%	42.00%	42.50%
4	DUKE ENERGY	DUK	0.70	38.90%	38.50%	38.50%	38.00%
5	EDISON INTERNATIONAL	EIX	0.90	27.10%	27.50%	28.00%	29.00%
6	ENERGY CORP	ETR	1.00	36.00%	36.50%	36.50%	36.50%
7	EVERGY INC.	EVRG	0.95	48.50%	48.00%	47.50%	46.50%
8	IDACORP INC	IDA	0.75	52.20%	54.00%	55.50%	57.00%
9	OGE ENERGY CORP	OGE	1.05	49.20%	48.50%	49.00%	50.00%
10	PINNACLE WEST CAPITAL	PNW	0.80	45.60%	44.50%	43.00%	45.00%
11	PORTLAND GENERAL ELECTRIC CO.	POR	0.80	45.00%	43.50%	43.00%	42.00%
12	PPL CORPORATION	PPL	1.10	48.80%	49.00%	49.00%	50.50%
13	SOUTHERN COMPANY	SO	0.75	36.80%	36.00%	36.00%	37.00%
14	XCEL ENERGY, INC.	XEL	0.75	41.70%	39.00%	38.50%	39.00%
15	MEAN		**0.875**	**43.01%**	**42.75%**	**42.75%**	**43.54%**
16	MEDIAN		**0.875**	**44.85%**	**44.00%**	**43.00%**	**43.75%**
17							
18	NEXTERA ENERGY	NEE	0.90	40.90%	40.00%	40.50%	42.00%

COLUMNS A - H: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025, 2025), (CENTRAL March 7, 2025), (WEST April 18, 2025)

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
COMPARABLE GROUP PRICES AND DIVIDEND YIELD

A

			A	B	C	D	E	F	G		I	J	K	L	M	N	O
LINE NO.	COMPANY NAME	SYMBOL	17-Feb	24-Feb	3-Mar	25-Mar	17-Mar	24-Mar	31-Mar	7-Apr	14-Apr	21-Apr	28-Apr	5-May	AVERAGE PRICE	DIVIDEND	YIELD
		WEEK OF	17	24	3	10	17	24	31	7	14	21	28	5			
1	ALLIANT ENERGY CORP	LNT	$62.81	$64.53	$62.49	$62.95	$63.05	$63.58	$61.36	$60.59	$60.80	$60.74	$61.17	$61.76	$62.15	$1.92	3.09%
2	AMEREN	AEE	$98.54	$101.56	$98.59	$99.12	$98.91	$99.70	$95.79	$97.53	$98.65	$98.28	$99.48	$97.40	$98.63	$2.84	2.88%
3	AMERICAN ELECTRIC POWER	AEP	$105.33	$106.05	$104.62	$105.56	$105.11	$106.96	$104.48	$104.63	$107.11	$106.74	$107.69	$104.68	$105.75	$3.72	3.52%
4	DUKE ENERGY	DUK	$115.55	$117.49	$116.74	$120.12	$119.10	$119.41	$118.93	$118.94	$121.80	$119.85	$121.58	$120.33	$119.15	$4.18	3.51%
5	EDISON INTERNATIONAL	*EIX*	*$52.17*	*$54.44*	*$56.40*	*$57.00*	$58.17	$58.18	$54.75	$56.10	$57.39	$57.96	$54.88	$56.19	$56.14	$3.31	5.90%
6	ENERGY CORP	ETR	$85.09	$87.31	$81.33	$84.99	$83.88	$84.41	$79.03	$81.72	$83.27	$84.61	$84.47	$82.92	$83.59	$2.40	2.87%
7	EVERGY INC.	EVRG	$68.06	$68.91	$65.80	$67.45	$67.45	$67.87	$66.18	$66.52	$68.37	$67.88	$69.25	$66.59	$67.53	$2.67	3.95%
8	IDACORP INC	IDA	$114.20	$117.91	$113.19	$115.96	$114.24	$114.94	$114.40	$117.38	$119.29	$116.46	$117.54	$114.97	$115.87	$3.44	2.97%
9	OGE ENERGY CORP	OGE	$45.20	$46.28	$43.91	$45.06	$44.96	$45.49	$43.66	$44.12	$45.10	$44.85	$45.11	$44.38	$44.84	$1.69	3.76%
10	PINNACLE WEST CAPITAL	PNW	$91.58	$92.54	$91.99	$93.71	$93.76	$94.17	$91.09	$91.91	$94.45	$93.75	$94.32	$91.61	$92.91	$3.58	3.85%
11	PORTLAND GENERAL ELECTRIC CO.	POR	$44.36	$44.83	$44.55	$44.88	$43.74	$44.41	$42.70	$42.19	$43.08	$41.36	$41.76	$42.44	$43.36	$2.00	4.61%
12	*PPL CORPORATION*	*PPL*	*$34.72*	*$35.21*	*$34.07*	*$34.89*	$34.76	$35.71	$34.46	$34.74	$35.72	$35.93	$36.17	$35.51	$35.16	$1.09	3.11%
13	SOUTHERN COMPANY	SO	$88.40	$89.79	$91.40	$90.38	$89.36	$91.13	$88.94	$89.86	$91.81	$90.43	$91.05	$90.35	$90.24	$2.96	3.28%
14	XCEL ENERGY, INC.	XEL	$69.94	$72.10	$68.00	$69.75	$69.11	$69.72	$67.89	$69.56	$70.13	$69.00	$70.77	$70.61	$69.72	$2.28	3.27%
15	MEAN		**$76.85**	**$78.50**	**$76.65**	**$77.99**	**$77.54**	**$78.26**	**$75.98**	**$76.84**	**$78.36**	**$77.70**	**$78.23**	**$77.12**	**$77.50**	**$2.72**	**3.61%**
16	MEDIAN		**$77.52**	**$79.71**	**$74.67**	**$77.37**	**$76.50**	**$77.07**	**$73.46**	**$75.64**	**$76.70**	**$76.81**	**$77.62**	**$76.77**	**$76.66**	**$2.76**	**3.39%**
17																	
18	NEXTERA ENERGY	NEE	$71.58	$70.17	$72.83	$73.55	$70.88	$70.45	$66.91	$65.81	$66.31	$66.09	$67.09	$70.31	$69.33	$2.27	3.27%

COLUMNS A -M, O: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025, 2025), CENTRAL March 7, 2025, WEST April 18, 2025)

COLUMNS E - H: ZACKS .COM

Docket No. 20250011-EI
Comparable Group Prices and Dividend Yield
Exhibit DJL-6, Page 1 of 1

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
COMPARABLE GROUP GROWTH RATES

			A	B	C	D	E	F	G	H	J	K	L	M
			HISTORICAL GROWTH RATES							FORECAST GROWTH RATES				
LINE NO.	COMPANY NAME	SYMBOL	EPS 10 YR GROWTH	DPS 10 YR GROWTH	BVPS 10 YR GROWTH	EPS 5 YR GROWTH	DPS 5 YR GROWTH	BVPS 5 YR GROWTH	HISTORICAL AVERAGE	EPS VL FORECAST	ZACKS EPS	"br+sv" INTERNAL GROWTH	AVERAGE EPS FORECAST	AVERAGE OF ALL GROWTH FORECAST
	COMPANY PROPOSED COMPARABLE GROUP													
1	ALLIANT ENERGY CORP	LNT	5.50%	6.50%	6.00%	4.50%	6.00%	6.00%	5.75%	6.00%	6.75%	5.83%	6.38%	6.19%
2	AMEREN	AEE	4.00%	3.50%	2.00%	8.00%	5.00%	5.50%	4.67%	6.50%	6.59%	7.62%	6.55%	6.90%
3	AMERICAN ELECTRIC POWER	AEP	5.00%	5.00%	3.50%	4.00%	5.00%	3.50%	4.33%	6.50%	6.01%	6.07%	6.26%	6.19%
4	DUKE ENERGY	DUK	3.50%	3.00%	0.50%	3.50%	2.50%	0.50%	2.25%	6.00%	6.40%	4.07%	6.20%	5.49%
5	EDISON INTERNATIONAL	EIX	1.00%	8.00%	1.50%	12.50%	4.50%	0.50%	4.67%	6.50%	8.45%	6.23%	7.48%	7.06%
6	ENERGY CORP	ETR	2.50%	2.50%	2.00%	4.00%	4.00%	7.00%	3.67%	3.00%	8.44%	3.92%	5.72%	5.12%
7	EVERGY INC.	EVRG								7.50%	5.92%	3.70%	6.71%	5.71%
8	IDACORP INC	IDA	4.00%	7.50%	4.50%	3.50%	6.00%	4.50%	5.00%	6.00%	8.35%	4.62%	7.18%	6.32%
9	OGE ENERGY CORP	OGE	3.00%	7.50%	4.00%	4.50%	6.50%	1.50%	4.50%	6.50%	5.92%	4.41%	6.21%	5.61%
10	PINNACLE WEST CAPITAL	PNW	2.50%	4.00%	4.00%	0.00%	4.00%	3.50%	3.00%	5.00%	5.58%	4.11%	5.29%	4.90%
11	PORTLAND GENERAL ELECTRIC CO.	POR	3.50%	5.50%	3.50%	3.00%	5.50%	3.00%	4.00%	6.50%	12.29%	4.42%	9.40%	7.74%
12	PPL CORPORATION	PPL						4.00%	4.00%	7.50%	6.76%	4.34%	7.13%	6.20%
13	SOUTHERN COMPANY	SO	3.00%	3.50%	3.00%	3.00%	3.50%	2.50%	3.08%	6.50%	6.80%	8.62%	6.65%	7.31%
14	XCEL ENERGY, INC.	XEL	5.50%	6.50%	5.50%	6.00%	6.50%	6.00%	6.00%	7.00%	6.93%	5.42%	6.97%	6.45%
15	MEAN		3.58%	5.25%	3.33%	4.71%	4.92%	3.69%	4.22%	6.21%	7.23%	5.24%	6.72%	6.23%
16	MEDIAN		3.50%	5.25%	3.50%	4.00%	5.00%	3.50%	4.33%	6.50%	6.76%	4.52%	6.60%	6.20%
17														
18	NEXTERA ENERGY	NEE	9.50%	11.00%	8.00%	12.50%	11.00%	5.50%	9.58%	8.50%	7.78%	5.22%	8.14%	7.17%

COLUMNS A - H: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025), (CENTRAL MARCH 7, 2025), (WEST April 18, 2025)
COLUMN J : ZACKS.COM
COLUMN K: PER SCHEDULE 6 PAGE 2 : ZACKS.COM

Docket No. 20250011-EI
Comparable Group Growth Rate Estimates
Exhibit DJL-7, Page 1 of 3

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
"BR"+"SV" COMPARABLE GROUP GROWTH RATES

			1	2	3	4	5	6	7	8	9	10	11	12
			2027 - 2029											
LINE NO.	COMPANY NAME	SYMBOL	EPS	DPS	BVPS	b	r	ADJUSTMENT FACTOR	ADJUSTED "r"	"br"	"s"	"v"	"sv"	"br" + "sv"
	COMPANY PROPOSED COMPARABLE GROUP													
1	ALLIANT ENERGY CORP	LNT	$4.25	$2.43	$31.90	42.82%	13.32%	1.016	13.53%	5.79%	0.0005	0.560	0.000	5.83%
2	AMEREN	AEE	$6.50	$3.57	$52.65	45.08%	12.35%	1.022	12.61%	5.69%	0.0326	0.595	0.019	7.62%
3	AMERICAN ELECTRIC POWER	AEP	$7.50	$4.31	$60.90	42.53%	12.32%	1.012	12.46%	5.30%	0.0140	0.549	0.008	6.07%
4	DUKE ENERGY	DUK	$8.00	$5.00	$76.50	37.50%	10.46%	1.019	10.65%	3.99%	0.0018	0.433	0.001	4.07%
5	EDISON INTERNATIONAL	EIX	$7.00	$4.25	$50.00	39.29%	14.00%	1.036	14.51%	5.70%	0.0105	0.500	0.005	6.23%
6	ENERGY CORP	ETR	$4.20	$3.00	$43.45	28.57%	9.67%	1.030	9.96%	2.85%	0.0246	0.439	0.011	3.92%
7	EVERGY INC.	EVRG	$5.00	$3.25	$47.50	35.00%	10.53%	1.005	10.58%	3.70%	0.0000	0.457	0.000	3.70%
8	IDACORP INC	IDA	$7.10	$4.20	$74.00	40.85%	9.59%	1.022	9.81%	4.01%	0.0136	0.452	0.006	4.62%
9	OGE ENERGY CORP	OGE	$2.95	$1.79	$26.25	39.32%	11.24%	1.008	11.33%	4.46%	-0.0011	0.382	0.000	4.41%
10	PINNACLE WEST CAPITAL	PNW	$6.25	$3.85	$70.00	38.40%	8.93%	1.026	9.16%	3.52%	0.0156	0.378	0.006	4.11%
11	PORTLAND GENERAL ELECTRIC CO.	POR	$4.00	$2.60	$42.25	35.00%	9.47%	1.029	9.74%	3.41%	0.0289	0.350	0.010	4.42%
12	PPL CORPORATION	PPL	$2.40	$1.40	$23.45	41.67%	10.23%	1.017	10.41%	4.34%	0.0000	0.414	0.000	4.34%
13	SOUTHERN COMPANY	SO	$5.60	$3.10	$32.25	44.64%	17.36%	1.007	17.49%	7.81%	0.0125	0.651	0.008	8.62%
14	XCEL ENERGY, INC.	XEL	$5.00	$3.00	$43.70	40.00%	11.44%	1.028	11.77%	4.71%	0.0142	0.501	0.007	5.42%
15	MEAN		**$5.41**	**$3.27**	**$48.20**	**39.33%**	**11.49%**	**1.0199**	**11.72%**	**4.66%**	**1.20%**	**0.48**	**0.0058**	**5.24%**
16	MEDIAN		**$5.30**	**$3.18**	**$45.60**	**39.66%**	**10.88%**	**1.0202**	**10.99%**	**4.40%**	**1.30%**	**0.45**	**0.0060**	**4.52%**
17														
18	NEXTERA ENERGY	NEE	$5.10	$3.22	$36.00	36.86%	14.17%	1.000	14.17%	5.22%	0.0000	0.640	0.000	5.22%

SOURCES:

COLUMNS A - P: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025), (CENTRAL MARCH 7, 2025), (WEST APRIL 18, 2025)

COLUMN 4: 1-(DPS/EPS)

COLUMN 5: (EPS/BVPS)

COLUMN 6: CONVERT YEAR-END VALUES TO AVERAGE VALUES CALCULATED AS [2*(1+(CHANGE IN EQUITY))/(2+(CHANGE IN EQUITY))]

COLUMN 7: COLUMN 5 * COLUMN 6

COLUMN 8: COLUMN 4 * COLUMN 7

COLUMN 9: (SCHED (DJL-6 page 3) COLUMN 18 * COLUMN 21

COLUMN 10: BASED ON (1-PRICE/BVPS) IN 20123 ESTIMATE

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
"BR"+"SV" COMPARABLE GROUP GROWTH RATES INPUTS

			11	12	13	14	15	16	17	18	19	20	21
LINE NO.	COMPANY NAME	SYMBOL	2024			2028 - 2030			2023 - 2028	2028-2030	2024	2028-2030	
	COMPANY PROPOSED COMPARABLE GROUP		EQUITY RATIO	TOTAL CAPITAL	COMMON EQUITY	EQUITY RATIO	TOTAL CAPITAL	COMMON EQUITY	CHANGE IN EQUITY	MARKET TO BOOK	COMMON SHARES	COMMON SHARES	GROWTH COMMON SHARES
1	ALLIANT ENERGY CORP	LNT	44.70%	$ 15,681.00	$ 7,009.41	48.00%	$ 17,070.00	$ 8,193.60	3.17%	2.27	256.69	257.00	0.02%
2	AMEREN	AEE	45.30%	$ 25,432.00	$ 11,520.70	48.50%	$ 29,500.00	$ 14,307.50	4.43%	2.47	266.93	285.00	1.32%
3	AMERICAN ELECTRIC POWER	AEP	42.40%	$ 67,528.00	$ 28,631.87	42.50%	$ 75,900.00	$ 32,257.50	2.41%	2.22	532.90	550.00	0.63%
4	DUKE ENERGY	DUK	38.90%	$ 126,467.00	$ 49,195.66	38.00%	$ 156,100.00	$ 59,318.00	3.81%	1.76	776.00	780.00	0.10%
5	EDISON INTERNATIONAL	EIX	27.10%	$ 51,274.00	$ 13,895.25	29.00%	$ 69,000.00	$ 20,010.00	7.57%	2.00	384.78	395.00	0.53%
6	ENERGY CORP	ETR	36.00%	$ 41,917.00	$ 15,090.12	36.50%	$ 55,915.00	$ 20,408.98	6.22%	1.78	429.58	460.00	1.38%
7	EVERGY INC.	EVRG	48.50%	$ 21,250.00	$ 10,306.25	46.50%	$ 23,400.00	$ 10,881.00	1.09%	1.84	230.00	230.00	0.00%
8	IDACORP INC	IDA	52.20%	$ 6,384.70	$ 3,332.81	57.00%	$ 7,300.00	$ 4,161.00	4.54%	1.82	53.96	56.00	0.74%
9	OGE ENERGY CORP	OGE	49.20%	$ 9,726.80	$ 4,785.59	50.00%	$ 10,400.00	$ 5,200.00	1.67%	1.62	200.90	200.20	-0.07%
10	PINNACLE WEST CAPITAL	PNW	45.60%	$ 14,813.00	$ 6,754.73	45.00%	$ 19,500.00	$ 8,775.00	5.37%	1.61	119.10	125.00	0.97%
11	PORTLAND GENERAL ELECTRIC CO.	POR	45.00%	$ 8,424.00	$ 3,790.80	42.00%	$ 12,025.00	$ 5,050.50	5.91%	1.54	109.34	120.00	1.88%
12	PPL CORPORATION	PPL	48.80%	$ 29,726.00	$ 14,506.29	50.50%	$ 34,200.00	$ 17,271.00	3.55%	1.71	738.03	738.00	0.00%
13	SOUTHERN COMPANY	SO	36.80%	$ 87,500.00	$ 32,200.00	37.00%	$ 93,500.00	$ 34,595.00	1.45%	2.87	1096.00	1120.00	0.43%
14	XCEL ENERGY, INC.	XEL	41.70%	$ 46,838.00	$ 19,531.45	39.00%	$ 66,500.00	$ 25,935.00	5.84%	2.00	574.37	595.00	0.71%
15	MEAN		43.01%	$39,497.25	$15,753.64	43.54%	$47,879.29	$19,026.01	4.07%	1.97	412.04	422.23	0.62%
16	MEDIAN		44.85%	$27,579.00	$12,707.98	43.75%	$31,850.00	$15,789.25	4.12%	1.83	325.86	340.00	0.58%
17													
18	NEXTERA ENERGY	NEE	40.90%	$ 122,486.00	$ 50,096.77	42.00%	$ 189,400.00	$ 79,548.00	9.69%	2.78	2057.00	2200.00	1.35%

SOURCES:

COLUMNS 11,12,14,15,20: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025), (CENTRAL MARCH 7, 2025), (WEST APRIL 18, 2025)

COLUMN 13: COLUMN 11 * COLUMN 12

COLUMN 16: COLUMN 14 * COLUMN 15

COLUMN 17: CAGR 5 YEAR GROWTH

COLUMN 18: FORECAST MARKET PRICE/ BVPS 2028

COLUMN 21: FIVE YEAR CAGR IN ISSUED SHARES

ALL NEGATIVE & NEGLIGIBLE (LESS THAN 1%) GROWTH RATES OMITTED

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
CONSTANT GROWTH DISCOUNTED CASH FLOW

			A	B	C	D	E	F	G	H	I
LINE NO.	COMPANY NAME	SYMBOL	AVERAGE PRICE	DIVIDEND	DIVIDEND YIELD	ADJUSTED DIVIDEND YIELD 1/2 GROWTH	AVERAGE GROWTH RATE	ROE	ADJUSTED DIVIDEND YIELD 1/2 GROWTH	SUSTAINABLE GROWTH RATE	ROE
	COMPANY PROPOSED COMPARABLE GROUP					AVERAGE GROWTH			SUSTAINABLE GROWTH		
1	ALLIANT ENERGY CORP	LNT	$62.15	$1.92	3.09%	3.18%	6.19%	9.38%	3.18%	5.83%	9.00%
2	AMEREN	AEE	$98.63	$2.84	2.88%	2.98%	6.90%	9.88%	2.99%	7.62%	10.61%
3	AMERICAN ELECTRIC POWER	AEP	$105.75	$3.72	3.52%	3.63%	6.19%	9.82%	3.62%	6.07%	9.70%
4	DUKE ENERGY	DUK	$119.15	$4.18	3.51%	3.60%	5.49%	9.10%	3.58%	4.07%	7.65%
5	EDISON INTERNATIONAL	EIX	$56.14	$3.31	5.90%	6.10%	7.06%	13.16%	6.08%	6.23%	12.31%
6	ENERGY CORP	ETR	$83.59	$2.40	2.87%	2.94%	5.12%	8.07%	2.93%	3.92%	6.85%
7	EVERGY INC.	EVRG	$67.53	$2.67	3.95%	4.07%	5.71%	9.77%	4.03%	3.70%	7.73%
8	IDACORP INC	IDA	$115.87	$3.44	2.97%	3.06%	6.32%	9.39%	3.04%	4.62%	7.66%
9	OGE ENERGY CORP	OGE	$44.84	$1.69	3.76%	3.86%	5.61%	9.47%	3.84%	4.41%	8.25%
10	PINNACLE WEST CAPITAL	PNW	$92.91	$3.58	3.85%	3.95%	4.90%	8.84%	3.93%	4.11%	8.04%
11	PORTLAND GENERAL ELECTRIC CO.	POR	$43.36	$2.00	4.61%	4.79%	7.74%	12.53%	4.71%	4.42%	9.13%
12	PPL CORPORATION	PPL	$35.16	$1.09	3.11%	3.20%	6.20%	9.40%	3.17%	4.34%	7.51%
13	SOUTHERN COMPANY	SO	$90.24	$2.96	3.28%	3.40%	7.31%	10.71%	3.42%	8.62%	12.04%
14	XCEL ENERGY, INC.	XEL	$69.72	$2.28	3.27%	3.38%	6.45%	9.82%	3.36%	5.42%	8.78%
15	MEAN		$77.50	$2.72	3.61%	3.73%	6.23%	9.95%	3.71%	5.24%	8.95%
16	MEDIAN		$76.66	$2.76	3.39%	3.50%	6.20%	9.62%	3.50%	4.52%	8.51%
17											
18	NEXTERA ENERGY	NEE	$66.19	$2.27	3.42%	3.55%	7.17%	10.71%	3.51%	5.22%	8.74%

SOURCES:
COLUMN A & B: PER SCHED (DJL-8)
COLUMN C: COLUMN B/ COLUMN A
COLUMN D=COLUMN C INCREASED BY 1/2 OF COLUMN E GROWTH RATE
COLUMN E, PER SCHED. (DJL-8) PAGE 1
COLUMN F; COLUMN D + COLUMN E

Docket No. 20250011-EI
Constant Growth DCF
Exhibit DJL-8, Page 1 of 1

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
COMPARABLE GROUP TWO-STAGE GROWTH DCF

LINE NO.	COMPANY NAME	SYMBOL	A	B	C	D	E	F	G	H	I	J	K
	COMPANY PROPOSED COMPARABLE GROUP		DPS 2025	DPS 2028-2030	ANNUAL CHANGE IN DIVIDEND	PRICE	YEAR 1 DIVIDEND	YEAR 2 DIVIDEND	YEAR 3 DIVIDEND	YEAR 4 DIVIDEND	YEAR 5 DIVIDEND	AVERAGE GROWTH YEARS 5-150	TWO-STAGE ROE
1	ALLIANT ENERGY CORP	LNT	$2.04	$2.43	$0.13	$63.85	$2.04	$2.17	$2.30	$2.43	$2.58	6.19%	9.33%
2	AMEREN	AEE	$2.85	$3.57	$0.24	$98.84	$2.85	$3.09	$3.33	$3.57	$3.82	6.90%	9.80%
3	AMERICAN ELECTRIC POWER	AEP	$3.80	$4.31	$0.17	$106.29	$3.80	$3.97	$4.14	$4.31	$4.58	6.19%	9.56%
4	DUKE ENERGY	DUK	$4.22	$5.00	$0.26	$120.67	$4.22	$4.48	$4.74	$5.00	$5.27	5.49%	8.99%
5	EDISON INTERNATIONAL	EIX	$3.36	$4.25	$0.30	$53.62	$3.36	$3.66	$3.95	$4.25	$4.55	7.06%	13.50%
6	ENERGY CORP	ETR	$2.43	$3.00	$0.19	$85.29	$2.43	$2.62	$2.81	$3.00	$3.15	5.12%	8.09%
7	EVERGY INC.	EVRG	$2.71	$3.25	$0.18	$68.39	$2.71	$2.89	$3.07	$3.25	$3.44	5.71%	9.71%
8	IDACORP INC	IDA	$3.52	$4.20	$0.23	$113.75	$3.52	$3.75	$3.97	$4.20	$4.47	6.32%	9.35%
9	OGE ENERGY CORP	OGE	$1.71	$1.79	$0.03	$45.15	$1.71	$1.74	$1.76	$1.79	$1.89	5.61%	8.97%
10	PINNACLE WEST CAPITAL	PNW	$3.61	$3.85	$0.08	$89.62	$3.61	$3.69	$3.77	$3.85	$4.04	4.90%	8.62%
11	PORTLAND GENERAL ELECTRIC CO.	POR	$2.09	$2.60	$0.17	$41.58	$2.09	$2.26	$2.43	$2.60	$2.80	7.74%	12.74%
12	PPL CORPORATION	PPL	$1.09	$1.40	$0.10	$36.46	$1.09	$1.19	$1.30	$1.40	$1.49	6.20%	9.35%
13	SOUTHERN COMPANY	SO	$2.96	$3.10	$0.05	$90.75	$2.96	$3.01	$3.05	$3.10	$3.33	7.31%	10.03%
14	XCEL ENERGY, INC.	XEL	$2.28	$3.00	$0.24	$67.06	$2.28	$2.52	$2.76	$3.00	$3.19	6.45%	10.12%
15	MEAN		$2.76	$3.27		$77.24	$2.76	$2.93	$3.10	$3.27	$3.47	6.23%	9.87%
16	MEDIAN		$2.78	$3.18		$76.84	$2.78	$2.95	$3.06	$3.18	$3.38	6.20%	9.46%
17													
18	NEXTERA ENERGY	NEE	$2.27	$3.22	$0.32	$66.19	$2.27	$2.59	$2.90	$3.22	$3.45	7.17%	10.95%

COLUMNS A - H: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025), (CENTRAL MARCH 7, 2025), (WEST APRIL 18, 2025)
COLUMN J: SCHEDULE DJL-6 PAGE 1
COLUMN K: IRR CALCULATION OF ROE.

Docket No. 20250011-EI
Comparable Group Two-Stage Growth DCF
Exhibit DJL-9, Page 1 of 1

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
COMPARABLE GROUP CAPM & ECAPM

			A	B	C	D				E	F	G	H
LINE NO.		SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	CAPM			SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	ECAPM
	COMPANY NAME							COMPANY NAME					
1	ALLIANT ENERGY CORP	LNT	0.95	6.23%	4.25%	10.17%		ALLIANT ENERGY CORP	LNT	0.95	6.23%	4.25%	10.244%
2	AMEREN	AEE	0.90	6.23%	4.25%	9.85%		AMEREN	AEE	0.90	6.23%	4.25%	10.010%
3	AMERICAN ELECTRIC POWER	AEP	0.85	6.23%	4.25%	9.54%		AMERICAN ELECTRIC POWER	AEP	0.85	6.23%	4.25%	9.776%
4	DUKE ENERGY	DUK	0.70	6.23%	4.25%	8.61%		DUKE ENERGY	DUK	0.70	6.23%	4.25%	9.076%
5	EDISON INTERNATIONAL	EIX	0.90	6.23%	4.25%	9.85%		EDISON INTERNATIONAL	EIX	0.90	6.23%	4.25%	10.010%
6	ENERGY CORP	ETR	1.00	6.23%	4.25%	10.48%		ENERGY CORP	ETR	1.00	6.23%	4.25%	10.477%
7	EVERGY INC.	EVRG	0.95	6.23%	4.25%	10.17%		EVERGY INC.	EVRG	0.95	6.23%	4.25%	10.244%
8	IDACORP INC	IDA	0.75	6.23%	4.25%	8.92%		IDACORP INC	IDA	0.75	6.23%	4.25%	9.309%
9	OGE ENERGY CORP	OGE	1.05	6.23%	4.25%	10.79%		OGE ENERGY CORP	OGE	1.05	6.23%	4.25%	10.711%
10	PINNACLE WEST CAPITAL	PNW	0.80	6.23%	4.25%	9.23%		PINNACLE WEST CAPITAL	PNW	0.80	6.23%	4.25%	9.543%
11	PORTLAND GENERAL ELECTRIC CO.	POR	0.80	6.23%	4.25%	9.23%		PORTLAND GENERAL ELECTRIC CO.	POR	0.80	6.23%	4.25%	9.543%
12	PPL CORPORATION	PPL	1.10	6.23%	4.25%	11.10%		PPL CORPORATION	PPL	1.10	6.23%	4.25%	10.944%
13	SOUTHERN COMPANY	SO	0.75	6.23%	4.25%	8.92%		SOUTHERN COMPANY	SO	0.75	6.23%	4.25%	9.309%
14	XCEL ENERGY, INC.	XEL	0.75	6.23%	4.25%	8.92%		XCEL ENERGY, INC.	XEL	0.75	6.23%	4.25%	9.309%
15	MEAN		**0.88**	**6.23%**	**4.25%**	**9.70%**		MEAN		**0.88**	**6.23%**	**4.25%**	**9.89%**
16	MEDIAN		**0.88**	**6.23%**	**4.25%**	**9.70%**		MEDIAN		**0.88**	**6.23%**	**4.25%**	**9.89%**
17													
18	NEXTERA ENERGY	NEE	0.90	6.23%	4.25%	9.85%		NEXTERA ENERGY	NEE	0.90	6.23%	4.25%	10.010%

SOURCES:

COLUMNS A & E: VALUE LINE INVESTMENT SURVEY ELECTRIC UTILITY (EAST MAY 9, 2025), (CENTRAL MARCH 7, 2025), (WEST APRIL 18, 2025)

COLUMNS B,C, F, G : PER THIS TESTIMONY CAPM & ECAPM DISCUSSIONS

COLUMNS D: CAPM CALCULATION

COLUMNS H: ECAPM CALCULATION

Docket No. 20250011-EI
CAPM and ECAPM for Comparable Group
Exhibit DJL-10, Page 1 of 1

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027, 2028 AND 2029
RISK PREMIUM ROE ESTIMATE

	A	B	C
YEAR	30 YEAR US TREASURY BOND YIELD	AUTHORIZED ELECTRIC UTILITY EQUITY RETURN	ELECTRIC RISK PREMIUM
1981	13.45%	15.22%	1.77%
1982	12.76%	15.76%	3.00%
1983	11.18%	15.36%	4.18%
1984	12.41%	15.32%	2.91%
1985	10.79%	15.20%	4.41%
1986	7.78%	13.93%	6.15%
1987	8.59%	12.99%	4.40%
1988	8.96%	12.79%	3.83%
1989	8.45%	12.97%	4.52%
1990	8.61%	12.70%	4.09%
1991	8.14%	12.55%	4.41%
1992	7.67%	12.09%	4.42%
1993	6.59%	11.41%	4.82%
1994	7.37%	11.34%	3.97%
1995	6.88%	11.55%	4.67%
1996	6.71%	11.39%	4.68%
1997	6.61%	11.40%	4.79%
1998	5.58%	11.66%	6.08%
1999	5.87%	10.77%	4.90%
2000	5.94%	11.43%	5.49%
2001	5.49%	11.09%	5.60%
2002	5.43%	11.16%	5.73%
2003	4.96%	10.97%	6.01%
2004	5.04%	10.75%	5.71%
2005	4.64%	10.54%	5.90%
2006	4.91%	10.36%	5.45%
2007	4.84%	10.30%	5.46%
2008	4.28%	10.41%	6.13%
2009	4.08%	10.52%	6.44%
2010	4.25%	10.37%	6.12%
2011	3.91%	10.29%	6.38%
2012	2.92%	10.17%	7.25%
2013	3.45%	10.03%	6.58%
2014	3.34%	9.91%	6.57%
2015	2.84%	9.84%	7.00%
2016	2.60%	9.77%	7.17%
2017	2.90%	9.74%	6.84%
2018	3.11%	9.60%	6.49%
2019	2.58%	9.66%	7.08%
2020	1.56%	9.44%	7.88%
2021	2.05%	9.38%	7.33%
2022	3.11%	9.46%	6.35%
2023	4.09%	9.59%	5.50%
2024	4.41%	9.69%	5.28%
AVERAGE	5.93%	11.38%	5.45%
		beta	0.8750
		Implied MRP	6.23%

G	30-YR U.S. TREASURY FORECAST	30-YR U.S. TREASURY AVERAGE
DESCRIPTION	4.25%	4.66%
CURRENT 30 YEAR US TREASURY	5.93%	5.93%
AVERAGE YIELD IN STUDY PERIOD	-1.68%	-1.27%
INTEREST RATE DELTA	-0.4130	-0.4130
INTEREST RATE CHANGE IN STUDY	0.70%	0.53%
ADJUSTMENT TO RISK PREMIUM	5.45%	5.45%
BASIC RISK PREMIUM PER STUDY	6.14%	5.97%
ADJUSTED RISK PREMIUM	10.39%	10.64%
RISK PREMIUM EQUITY RETURN		

SOURCES:
Column A: 30-year U.S. TREASURY BOND YIELDS NOTE 2025 - 2055 BASED ON 20-YEAR YIELDS
COLUMNS B: Authorized Equity Returns per REGION ELECTRIC INSTITUTE AND RRA MAJOR RATE CASE DECISIONS A 2007 - 2024 per SEC Rate Review Summary
COLUMNS C: Column B less Column A
CURRENT 30 YEAR US TREASURY YIELDS: BASED ON MARCH SPOT YIELD AND AVERAGE IS BASED ON A 3-MONTH AVERAGE
INTEREST RATE CHANGE: RATE OF CHANGE SLOPE OF RISK PREMIUM TO YIELD

FLORIDA POWER & LIGHT COMPANY
DOCKET NOS. 20250011-EI
MULTI-YEAR TEST PERIOD AND RATE PLAN FOR CALENDAR YEARS ENDING 2026, 2027,2028 AND 2029
COMPANY PROPOSED CONSOLIDATED CAPITAL STRUCTURE AND CAPITAL COSTS SLIDES 1 AND SLIDE 2
RECOMMENDED ALTERNATIVE CONSOLIDATED CAPITAL STRUCTURE AND COST RATES AT SLIDES 3 AND 4

FLORIDA POWER & LIGHT COMPANY REQUESTED 2026 CONSOLIDATED CAPITAL STRUCTURE AND CAPITAL COST RATES
SLIDE 1

COST OF CAPITAL

DESCRIPTION	CAPITAL AMOUNT (000'S)	RATIO	COST RATE	WEIGHTED COST	RETURN
LONG-TERM DEBT	$24,527,244	32.65%	4.64%	1.51%	$1,134,461
CUSTOMER DEPOSITS	$614,374	0.82%	2.15%	0.02%	$15,026
SHORT-TERM DEBT	$974,390	1.30%	3.80%	0.05%	$37,565
DEFERRED INCOME TAXES	$8,237,043	10.96%	0.00%	0.00%	$0
FAS 109 DEFERRED INCOME TAX	$2,406,257	3.20%	0.00%	0.00%	$0
INVESTMENT TAX CREDITS	$750,400	1.00%	9.03%	0.09%	$67,617
COMMON EQUITY	$37,620,169	50.07%	11.90%	5.96%	$4,477,741
TOTAL CAPITAL	$75,129,876	100.00%		7.63%	$5,732,861
RATE BASE INVESTMENT			$75,129,876		

CAPITAL STRUCTURE AND CAPITAL COST RATES PER COMPANY MFR D.(PROPOSED TEST YEAR 12/31/26)
RATE BASE PER COMPANY MFR A.

REVENUE REQUIREMENT

DESCRIPTION	AMOUNT $(000)
RATE BASE	$75,129,876
RATE OF RETURN	7.63%
REQUIRED RETURN	$5,731,959
CURRENT INCOME	$4,580,123
DEFICIENCY	$1,151,836
GROSS-UP FACTOR	1.34115
REVENUE REQUIREMENT	$1,544,785

FLORIDA POWER & LIGHT COMPANY REQUESTED 2027 CONSOLIDATED CAPITAL STRUCTURE AND CAPITAL COST RATES
SLIDE 2

COST OF CAPITAL

DESCRIPTION	CAPITAL AMOUNT (000'S)	RATIO	COST RATE	WEIGHTED COST	RETURN
LONG-TERM DEBT	$26,288,409	32.55%	4.69%	1.53%	$1,232,926
CUSTOMER DEPOSITS	$650,527	0.81%	2.15%	0.02%	$13,986
SHORT-TERM DEBT	$1,146,622	1.42%	3.79%	0.05%	$43,457
DEFERRED INCOME TAXES	$9,055,836	11.21%	0.00%	0.00%	$0
FAS 109 DEFERRED INCOME TAX	$2,413,243	2.99%	0.00%	0.00%	$0
INVESTMENT TAX CREDITS	$725,070	0.90%	9.06%	0.08%	$65,691
COMMON EQUITY	$40,471,873	50.12%	11.90%	5.96%	$4,816,153
TOTAL CAPITAL	$80,751,580	100.00%		7.64%	$6,172,214
RATE BASE INVESTMENT			$80,751,580		

CAPITAL STRUCTURE AND CAPITAL COST RATES PER COMPANY MFR's A AND D.
RATE BASE PER COMPANY MFR A.

REVENUE REQUIREMENT

DESCRIPTION	AMOUNT $(000)
RATE BASE	$80,751,580
RATE OF RETURN	7.65%
REQUIRED RETURN	$6,173,297
CURRENT INCOME	$4,325,766
DEFICIENCY	$1,847,531
GROSS-UP FACTOR	1.34115
REVENUE REQUIREMENT	$2,477,816
PRIOR YEAR INCREASE	$1,550,393
2027 REQUIRED INCREASE	$927,423

RECOMMENDED ALTERNATIVE COMPANY 2026 CAPITAL STRUCTURE AND CAPITAL COST RATES
SLIDE 3

COST OF CAPITAL

DESCRIPTION	CAPITAL AMOUNT (000'S)	RATIO	COST RATE	WEIGHTED COST	RETURN
LONG-TERM DEBT	$24,527,244	32.65%	4.64%	1.51%	$1,138,188
CUSTOMER DEPOSITS	$614,374	0.82%	2.15%	0.02%	$13,245
SHORT-TERM DEBT	$974,390	1.30%	3.80%	0.05%	$37,114
DEFERRED INCOME TAXES	$8,237,043	10.96%	0.00%	0.00%	$0
FAS 109 DEFERRED INCOME TAX	$2,406,257	3.20%	0.00%	0.00%	$0
INVESTMENT TAX CREDITS	$750,400	1.00%	7.40%	0.07%	$55,599
COMMON EQUITY	$37,620,169	50.07%	9.20%	4.61%	$3,460,813
TOTAL CAPITAL	0	100.00%		6.2624%	$4,704,958
RATE BASE INVESTMENT			$75,129,876		
				delta	-$1,016,928

CAPITAL STRUCTURE AND CAPITAL COST RATES PER COMPANY MFR D.(PROPOSED TEST YEAR 12/31/26)
RATE BASE PER COMPANY MFR A.

REVENUE REQUIREMENT

DESCRIPTION	AMOUNT $(000)
RATE BASE	$75,129,876
RATE OF RETURN	6.26%
REQUIRED RETURN	$4,704,958
CURRENT INCOME	$4,580,123
DEFICIENCY	$124,835
GROSS-UP FACTOR	1.34115
REVENUE REQUIREMENT	$167,423
DELTA	($1,377,362)

RECOMMENDED ALTERNATIVE COMPANY 2027 CAPITAL STRUCTURE AND CAPITAL COST RATES
SLIDE 4

COST OF CAPITAL

DESCRIPTION	CAPITAL AMOUNT (00(	RATIO	COST RATE	WEIGHTED CC	RETURN
LONG-TERM DEBT	$26,288,409	32.55%	4.69%	1.5300%	$1,232,926
CUSTOMER DEPOSITS	$650,527	0.81%	2.15%	0.0200%	$13,986
SHORT-TERM DEBT	$1,146,622	1.42%	3.79%	0.0500%	$43,457
DEFERRED INCOME TAXES	$9,055,836	11.21%	0.00%	0.0000%	$0
FAS 109 DEFERRED INCOME TAX	$2,413,243	2.99%	0.00%	0.0000%	$0
INVESTMENT TAX CREDITS	$725,070	0.90%	7.42%	0.0800%	$65,691
COMMON EQUITY	$40,471,873	50.12%	9.20%	4.6110%	$4,006,715
TOTAL CAPITAL	$80,751,580	100.00%		6.2910%	$5,362,776
RATE BASE INVESTMENT			$80,751,580		

CAPITAL STRUCTURE AND CAPITAL COST RATES PER COMPANY MFR's A AND D.
RATE BASE PER COMPANY MFR A.

REVENUE REQUIREMENT

DESCRIPTION	AMOUNT $(000)
RATE BASE	$80,751,580
RATE OF RETURN	6.29%
REQUIRED RETURN	$5,080,114
CURRENT INCOME	$4,325,766
DEFICIENCY	$754,348
GROSS-UP FACTOR	1.34115
REVENUE REQUIREMENT	$1,390,787
PRIOR YEAR INCREASE	$167,423
2027 REQUIRED INCREASE	$1,223,364
DELTA	$295,941
TOTAL DELTA	

$67,761

NOTES
100-BASIS POINT ROE REDUCTION $503 MM YEAR 1 AND $544MM YEAR 2 TOTALING $1,047,573,000
200-BASIS POINT ROE REDUCTION $1.0 BIL YEAR 1 AND $159MM YEAR 2 REDUCTION TOTALING $1.1 BIL

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 20250011-EI
2026, 2027, 2028, AND 2029 FOUR-YEAR RATE PLAN
COST OF EQUITY ESTIMATES EMPLOYING FPL
COMPARABLE RISK GROUP

LINE NO.	MODEL DESCRIPTION	RANGE LOW	RANGE HIGH	MIDPOINT	FINAL ROE MIDPOINT
1	DISCOUNTED CASH FLOW AVERAGE GROWTH	9.62%	9.95%	9.79%	
2	DISCOUNTED CASH FLOW SUSTAINABLE GROWTH	8.51%	8.95%	8.73%	DCF AVG.
3	TWO-STAGE DISCOUNTED CASH FLOW	9.46%	9.87%	9.66%	9.4%
4	CAPITAL ASSET PRICING MODEL	9.70%	9.70%	9.70%	CAPM/ECAPM AVG
5	EMPIRICAL CAPITAL ASSET PRICING MODEL	9.89%	9.89%	9.89%	9.8%
6	BOND YIELD RISK PREMIUM	10.39%	10.64%	10.52%	
7	AVERAGE ALL MODELS	9.60%	9.83%	9.72%	9.7%
8	AVERAGE (EXCLUDING RISK PREMIUM)	9.44%	9.67%	9.55%	9.6%
9	MINIMUM	8.51%			
10	MAXIMUM	10.39%			
11	REASONABLE RANGE	**9.4%**	**9.8%**		**9.60%**
12	RISK ADJUSTMENT	**-0.40%**	**-0.40%**		**-0.40%**
13	RECOMMENDED EQUITY RETURN	**9.0%**	**9.4%**		**9.2%**

SOURCES:

ALL RESULTS FROM SCHEDULES (DJL-8), (DJL-9), (DJL-10), AND (DJL-11)

Docket No. 20250011-EI
Cost of Equity Estimates Employing
FPL Comparable Risk Group
Exhibit DJL-13, Page 1 of 1