R. Wade Litchfield
Vice President & General Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 691-7101

March 12, 2021

VIA ELECTRONIC FILING
Adam Teitzman, Commission Clerk
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20210015-EI
Petition by FPL for Base Rate Increase and Rate Unification

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket are the Direct Testimony and Exhibits of FPL witness Kathleen Slattery.

Please let me know if you should have any questions regarding this submission.

(Document 16 of 69)

Sincerely,

R. Wade Litchfield
Vice President & General Counsel
Florida Power & Light Company

RWL:ec

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF KATHLEEN SLATTERY

DOCKET NO. 20210015-EI

MARCH 12, 2021

TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Kathleen Slattery. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420.

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

A. I am employed by Florida Power & Light Company ("FPL" or "Company") as the Senior Director of Executive Services and Compensation.

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

A. I am responsible for the overall design and administration of all compensation programs and management of executive benefits and services. I share responsibilities with a peer for the Company's total rewards strategy and programs.

Q. Please describe your educational background and professional experience.

A. I am a Florida native and attended Florida State University, where I earned a Bachelor of Science and a Juris Doctor degree. I have been a member of the Florida Bar since 1992. Before joining FPL, I worked in labor relations and served as a trustee of two outside electrical worker unions' pension and health and welfare funds. I began working at FPL in 1996 as a benefit plan administrator and have held various positions of increasing responsibility in Human Resources ("HR") since that time. My experience at FPL has included qualified and non-qualified benefit plan design and administration, salary and incentive compensation plan design and administration, and legal compliance of such plans and programs. I have extensive knowledge of FPL's compensation and benefits philosophy, its HR plans and practices, and its payroll system. As part of my responsibilities, I regularly rely on surveys and reports produced by third party organizations to stay abreast of trends in compensation and benefits throughout the utility industry and other businesses with which FPL competes for talent.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- KS-1 Consolidated MFRs Sponsored or Co-sponsored by Kathleen Slattery
- KS-2 Supplemental FPL and Gulf Standalone Information in MFR Format Sponsored or Co-Sponsored by Kathleen Slattery
- KS-3 Total Salaries & Wages
- KS-4 Position to Market (2020 Base Pay)
- KS-5 Merit Pay Program Awards
- KS-6 Total Benefit Program
- KS-7 Active Employee Medical Plan
- KS-8 Average Medical Plan Expense Per Employee
- KS-9 Pension & 401(k) Employee Savings Plan

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

A. Yes. Exhibit KS-1 lists the consolidated MFRs that I am sponsoring and co-sponsoring.

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

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

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

A. In my testimony, references to "FPL" will mean FPL and Gulf consolidated, except where I specifically state "FPL standalone," which shall mean FPL excluding Gulf.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present an overview of the gross payroll and benefit expenses shown in MFR C-35 and to demonstrate the reasonableness of FPL's forecasted payroll and benefit expenses.

Q. Please summarize your testimony.

A. FPL designs and manages its compensation and benefits programs as elements of a total rewards package. In order to address changing workforce dynamics, to control costs, and to attract, retain, and engage the required workforce, FPL places more focus on flexible, performance-based variable compensation than on less flexible, fixed-cost compensation and benefit programs. This focus has allowed the Company to react to market conditions and drive the superior performance documented by other FPL witnesses, while managing total program costs.

FPL's total rewards costs included in the forecast for purposes of the 2022 Test Year and 2023 Subsequent Year are reasonable and do not include any types of expense that the Commission has not previously approved for recovery. FPL's gross total compensation and benefits in 2022 and 2023 are projected to be $1,563 million and $1,608 million, respectively. Comparison of FPL's compensation and benefits programs against relevant industry benchmarks demonstrates that both compensation and benefits, while very competitive, are generally below the market value of benchmarked utility and general industry companies. The Company has diligently managed costs both to engage employees and provide value to customers.

The total rewards package, emphasizing pay for performance, has served the Company and its customers well. FPL has successfully provided value to its employees and its customers through efficient use of compensation and benefits to drive a culture that rewards improved efficiency and performance. FPL's performance-based compensation program has been and continues to be a key factor in FPL's ability to achieve the exceptional performance and efficiencies described in FPL witness Reed's testimony. As FPL moves forward, it must continue to provide a competitive total rewards package to its employees in order to attract and retain the necessary talent. The projected levels of total compensation and benefits expense for 2022 and 2023 are reasonable and necessary to serve FPL's customers and to attract and retain the caliber of employees that create a high-performance organization and deliver superior value for customers.

II. THE OBJECTIVES OF FPL'S TOTAL COMPENSATION AND BENEFITS

Q. What are the objectives of FPL's compensation and benefits programs?

A. There are several key objectives of FPL's compensation and benefits approach. The Company designs its compensation and benefits program to attract, retain, engage and competitively reward its employees based on national and local comparative markets. FPL's compensation program also reflects a pay-for-performance philosophy, linking total compensation to attainment of corporate, business unit, and individual goals such as excellent reliability and customer service. In addition, FPL's compensation and benefits approach is designed to control fixed costs by placing greater emphasis on variable cash compensation rather than on the traditional programs that are not performance-based, such as long-term retirement benefits. Finally, the Company strives to manage its various compensation and benefits programs holistically in order to keep its total program expenses at a reasonable level. FPL continuously monitors and benchmarks the compensation and benefits components of the total rewards package. This ensures that the total program is in line with the median of the combined compensation and benefits programs of the appropriate comparator groups.

Q. What is FPL's total compensation philosophy?

A. FPL's philosophy has been, and continues to be, to provide competitive, market-based salaries with consideration of an individual's performance and contribution to the Company's key goals. The performance-based pay programs have enabled FPL to develop a culture of employee commitment and ownership in the performance of the Company. Each salaried employee's compensation has a portion of pay that is variable. The variable pay is linked to individual, business unit and corporate objectives that benefit our customers, including budget goals and operating efficiency milestones such as plant availability, service reliability, and quality of customer service. The strategic emphasis on the variable pay program, rather than fixed salary and benefits costs, encourages performance at an individual employee level and adds flexibility in recognizing that performance.

Q. How has FPL designed and managed its compensation and benefits programs to achieve these objectives?

A. FPL's approach to the design and management of compensation and benefits is to consider them as elements of one total rewards package. Since 1997, when the Company converted its pension plan to a cash balance plan and eliminated post-retirement medical coverage for all new hires, the total rewards package has been less focused on fixed-cost benefit programs and more focused on performance-based variable cash compensation. Then, over the past decade, due to rising health care costs, FPL made controlling those costs a key strategic initiative, and also designed health plans that require employees to consider more carefully when and where they pay for health and healthcare services for themselves and their family. This has allowed FPL to mitigate the rate of increases in program costs for the Company and the employees. FPL's strategic decisions to control benefit program costs and to develop and emphasize a pay-for-performance compensation program has been an important tool in the Company's ability to achieve efficiency, reliability, and customer service improvements over the past nearly quarter-century, all of which contribute to FPL's ability to deliver superior value for its customers. Moreover, the flexibility provided by these strategic changes has been an essential component of the Company's success in dealing with the workforce challenges confronting the utility industry.

III. INDUSTRY CHALLENGES

Q. Please describe the challenges faced by the utility industry and FPL in attracting, retaining, and engaging a diverse workforce with the required skills.

A. FPL and other utility industry employers are striving to adapt to the changing skills needs resulting from rapid technological advancement. The Global Energy Talent Index ("GETI") is an annual energy industry recruitment and employment trends report published by Airswift and Energy Jobline, a job site for the energy and engineering industries. Based on 17,000 survey responses, the 2019 GETI report stated that nearly half of respondents in the industry are worried about a looming talent crisis in the sector. Sixty-two percent believed the crisis would hit within five years—by 2023—and 32 percent thought it already had arrived. Engineering was the discipline cited most commonly as an area of concern. In the 2020 U.S. Energy Employment Report, published jointly by the National Association of State Energy Officials and the Energy Futures Initiative, 93 percent of utility employers in electric power generation reported that it was either somewhat difficult or very difficult to hire new employees (an increase of 30 percentage points over the prior year). The utility industry identifies technicians or mechanical support, engineers/scientists, and electrician/construction workers as the top occupations for hiring difficulty. Electric power generation employers noted that the hiring difficulty is driven by a lack of experience, training and technical skills. There are several key factors creating the shortage of skilled workers:

(1) Aging Workforce and Need for More Skilled Replacement Workers: The aging of the electric utility industry workforce has been a concern of government and industry leaders for some time. The Center for Energy Workforce Development ("CEWD"), a non-profit consortium, was formed in 2006 to help utilities work together to develop solutions to the upcoming workforce shortage in the industry. The CEWD Gaps in the Energy Workforce 2019 Pipeline Survey states that 33 percent of the utility workforce are Baby Boomers, born between 1946 and 1964, nearing retirement. Additionally, it notes that while the age of the workforce has stabilized due to an increase in

younger workers, the younger workers attrit at a higher rate than their older predecessors, leaving for jobs both within and outside the industry after fewer years of service than older peers. The increased rates of retirement and attrition have resulted in a shortage of available workers with the requisite qualifications and skills to replace them. A separate study, the 2019 CEWD Southeast Energy Workforce Demand report, also emphasized the growing impact of retirement and attrition. CEWD was initially focused solely on the aging workforce issue and efforts to recruit youth, women, minorities and veterans to the industry, but now dedicates equal attention to helping utilities upskill the workforce and prepare employees for dynamic energy careers as the industry faces rapid changes in technology.

(2) Demands of Emerging Technologies: The growing demand for renewable generation and energy storage solutions, the smart grid operating model, and digitalization are creating additional demand for skilled and tech-savvy workers and will further impact the skills shortage. Emerging technology is placing a greater focus on engineering, information technology, distribution resources, and customer interaction. HR professionals talk about “hot skills” and “hot jobs” to describe when new technologies and business models create a demand for skilled talent that outstrips the labor supply. Scarcity often happens when a new demand for particular skill sets emerges in the market, such as cybersecurity, data scientists and engineers with cloud computing skills. For example, a research report released by Emsi, a national labor analytics firm,

states the U.S. has less than 50 percent of the trained workers needed to meet the demand for cybersecurity professionals, making recruiting for these roles very challenging.

Q. To what extent have these industry challenges impacted FPL's efforts to attract and retain the necessary workforce?

A. FPL is facing similar workforce challenges as other electric utilities. Currently, 31 percent of FPL's workforce is eligible to retire, and an additional 11 percent of the current FPL workforce is projected to be retirement-eligible in five years. In addition, in the generation and power delivery business units, the numbers are slightly higher, with 33 percent eligible to retire now and an additional 10 percent eligible to retire in five years. FPL has programs to upskill its existing workforce to learn emerging technologies and new leadership and project management skills, but it still must go to the competitive labor market for external hires due to retirements and other turnover. FPL's total annual turnover rate is usually about seven percent. FPL typically hires about 680 new employees each year, and it is becoming more difficult to find candidates with the advanced technical skills we need to support our culture of innovation and continuous improvement.

Clearly, there are a number of factors driving the skills shortage in the utility industry and challenging FPL's and other companies' ability to attract and retain the required workforce. Although the industry and educational institutions have recognized the challenges and started to address future skills demands, in the short term, the factors discussed above are creating competition for skilled resources and applying pressure on compensation levels. Moreover, most of the key technical and engineering positions cannot be filled from the local labor pool, so FPL must remain competitive in national as well as local markets.

Q. Has FPL taken any steps to build its talent pipeline to ensure it can successfully obtain the necessary future workforce?

A. Yes. FPL has created a robust summer internship program providing participants with rewarding learning experiences. Successful participants are provided post-graduation full-time job offers at the end of the internships. Through its college recruiting programs, FPL also hires pools of graduating engineers twice per year to continue to grow the organization's engineering talent.

Q. Has FPL focused on diversity of its hires, and building a diverse talent pipeline?

A. Yes. FPL is strongly committed to diversity and inclusion, as recognized by Forbes in its inclusion of our company on its list of America's Best Employers for Diversity; FPL's parent company is one of only 500 employers to receive this honor across the U.S. and has been included on Forbes' list each year since its creation in 2018. We recruit students from more than 60 colleges including Historically Black Colleges and Universities ("HBCU"). FPL focuses on diversity recruiting through a variety of partnerships including HBCUConnect, National Society of Black Engineers, Black Data Processors, Women in

Technology and many more. In summary, through our college relationships, organization partnerships and active sourcing and recruiting, the FPL recruiting team is able to create a broad and diverse pipeline of talent for current and future open positions.

Q. To what extent has the COVID-19 pandemic impacted FPL's efforts to attract and retain the necessary workforce?

A. FPL has continued to recruit talent throughout the pandemic; however, it has been challenging to secure qualified talent for a number of reasons. Interviewing, on-boarding and training using web conferencing, rather than in person, have been challenging for all parties.

When we do fill vacant positions, our candidate pools are not helped by pandemic-related unemployment because the impact of the pandemic is largely industry-specific, with significant layoffs occurring in industries where skills are not easily transferrable to utilities. According to the U.S. Bureau of Labor Statistics, the largest 12-month increases in number of unemployed persons have been in leisure and hospitality services and wholesale and retail trades, where skills are not transferrable to most utility jobs.

Q. How has its total rewards strategy helped FPL to respond to current and future workforce challenges?

A. As a result of its total rewards strategy, which emphasizes competitive performance-based compensation over fixed-cost benefits, FPL is better positioned than most other utilities to compete for qualified candidates in the market. Job applicants concentrate more attention on compensation than on benefits when considering an opportunity. Benefits cost management has allowed the Company to better focus on the elements of the total rewards package that have more value for attraction, retention, and engagement of the required workforce, specifically variable performance-based pay. FPL is not nearly as burdened as other utilities with the considerable cost of pension and post-retirement medical obligations. FPL also has better managed the rising costs of health care relative to its peers.

IV. REASONABLENESS OF FPL'S TOTAL COMPENSATION

Q. What are FPL's gross total compensation costs for the projected 2022 Test Year and the 2023 Subsequent Year?

A. FPL's gross total compensation cost, represented as Gross Payroll on MFR C-35, is projected to be $1,394 million for the 2022 Test Year and $1,440 million for the 2023 Subsequent Year.

Q. Is FPL seeking recovery for all compensation expense in 2022 and 2023?

A. No. FPL has excluded from its expense request the portions of executive and non-executive incentive compensation that were excluded by the 2010 Rate Order, Order No. PSC-10-0153-FOF-EI. While our filing reflects our decision not to revisit this issue at this time, we continue to believe these expenses are necessary and reasonable, a critical component of FPL's cost of service, a significant driver behind FPL's outstanding performance, and properly recoverable in rates. They are effective tools in attracting, retaining and engaging our workforce, and play a significant role in delivering value to customers.

Q. How will FPL's total compensation cost change from 2019 to 2022, and is the cost reasonable?

A. For the period from 2019 to 2022, FPL's total compensation or gross payroll expense is forecasted to increase on average about three percent per year, from $1,266 million to $1,394 million. About three percent per year is also the market median salary increase for 2019 through 2021 from WorldatWork, a professional association that sets the standard in the field of total rewards and produces the leading annual global compensation planning and salary increase survey. Gross payroll as represented on MFR C-35 includes all wages and salaries, overtime pay, premium pay and miscellaneous other earnings. It also includes those costs that ultimately are allocated to other subsidiaries as well as the aforementioned incentive compensation costs that FPL is not seeking to recover. As described earlier in my testimony, it is critical that FPL's compensation remain competitive to ensure we can attract talent at all levels of the organization, particularly those with the advanced technical skills we need from a market that is experiencing scarcity of workers with these skills.

From 2019 to 2022, gross payroll per employee is projected to increase by about three percent per year, which is in line with the WorldatWork salary increase factor of three percent per year.

The projected growth in compensation cost from the 2022 Test Year to the 2023 Subsequent Year is also reasonable. Gross payroll from 2022 to 2023 is projected to increase by $45.5 million, about three percent, which is in line with the WorldatWork inflation factor.

Q. How does FPL's gross payroll cost compare with that of other utilities?

A. FPL's total compensation cost compares very favorably to that of other utilities as demonstrated by review of Federal Energy Regulatory Commission Form No. 1 report data. FPL has reviewed its total compensation cost and compared it to that of other comparable utilities. The companies in the comparison included other regional utilities as well as other vertically integrated utilities of similar size. As shown on Exhibit KS-3, FPL continues to be one of the more efficient utilities from a total compensation standpoint. This efficiency is particularly evident when one looks at total compensation – whether on a per-customer or megawatt hour basis.

Q. What resources does FPL use to evaluate its compensation program?

A. FPL uses a variety of compensation survey resources to evaluate its program. These resources include regional data but are primarily national compensation surveys, because the Company's recruiting department searches nationally for personnel to fill managerial, professional, and technical positions. Most of the key technical and engineering positions cannot be filled from the local labor pool, so FPL must remain competitive in national as well as local markets. FPL utilizes nationally recognized third-party compensation survey sources to aggregate and assess comparative data from other national and regional employers, both in general industry and the utility industry. It is important to utilize both general and utility comparative market information, since FPL's workforce encompasses multi-industry talents. FPL utilizes several information sources for compensation survey data, including:

- Willis Towers Watson, an international human resources consulting firm;
- Mercer, LLC, an international human resources consulting firm;
- Aon, an international human resources consulting firm; and
- WorldatWork, a global human resources association of more than 70,000 compensation, benefits and human resources professionals.

Q. How does FPL's base compensation program compare to the market?

A. FPL's base pay levels are comparable to the rates paid by its competitors (generally companies of similar size, scale, and complexity) for employees performing similar jobs and with similar skill sets. FPL performs a detailed annual benchmarking analysis of its base pay rates to determine "position to market." The most recent market analysis completed in 2020 included market survey data from approximately 37 sources, including Willis Towers Watson, Aon, and Mercer. Exhibit KS-4 demonstrates that, as of the date of this latest study, FPL has maintained its median base pay, in the aggregate, below the median or 50^{th} percentile, specifically 3.8 percent below median for salaried employees and 2.7 percent below median for hourly employees.

Q. Please describe FPL's annual performance-based merit program.

A. There are two components to FPL's annual performance-based merit program. The first component is a merit award determined by an individual's performance level and salary position relative to market. The second component is a variable pay program that provides a payment based on each individual's contribution as well as Company and business unit results in comparison to pre-established objectives. FPL's variable compensation is awarded based on an individual's contribution to corporate, business unit, and individual performance indicators. These performance indicators include controlling customer-related costs and operating efficiency milestones such as plant availability, service reliability, and quality of customer service.

Q. How do FPL's annual pay increase program and variable pay awards compare to market?

A. FPL regularly benchmarks its annual pay increase program and variable pay awards against relevant market data. As shown in Exhibit KS-5, FPL's annual pay program, including merit base increases and variable incentive pay awards, has been at or below market for the period from 2018 through 2020, while remaining competitive.

Q. In the event the Commission does not approve FPL's request to unify FPL and Gulf base rates, have you calculated projected total compensation or

gross payroll expenses for FPL and Gulf as separate ratemaking entities using the same considerations that you described earlier?

A. Yes. As shown on FPL Supplemental Schedule C-35, projected gross payroll for standalone FPL are $1,306 million for the 2022 Test Year and $1,351 million for the 2023 Subsequent Year. As Shown on Gulf Supplemental Schedule C-35, projected gross payroll for standalone Gulf are $94 million for the 2022 Test Year and $96 million for the 2023 Subsequent Year.

V. BENEFITS

Q. Please describe FPL's benefits package.

A. Again, FPL's benefits program is designed and managed as part of the total rewards package. The benefits package includes a full complement of benefits, comprised of three primary components: health and welfare benefits, retirement plans, and various benefits required by law.

Q. What are FPL's projected benefits costs for the 2022 Test Year and 2023 Subsequent Year?

A. Total benefits costs are projected to be $169 million in 2022 and $169 million in 2023, the major components of which are as follows:

	2022	2023
• Health and welfare benefits	$109,181,000	$110,751,000
• Retirement benefits		
o Pension plan	($88,366,000)	($97,679,000)
o Post-employment benefits	$9,006,000	$12,367,000
o Employee savings plan	$42,759,000	$44,046,000
• Total Retirement Benefits	($36,601,000)	($41,266,000)
• Benefits required by law	$96,156,000	$99,248,000
Total Benefits Cost	$168,736,000	$168,733,000

Benefits required by law include Social Security and Medicare tax, federal and state unemployment taxes, and workers' compensation.

Q. In the event the Commission does not approve FPL's request to unify FPL and Gulf base rates, have you calculated projected total benefits expenses for FPL and Gulf on a standalone basis using the same considerations that you described earlier?

A. Yes. As shown on FPL Supplemental Schedule C-35, projected total benefits expense for standalone FPL are $158 million for the 2022 Test Year and $157 million for the 2023 Subsequent Year. As shown on Gulf Supplemental Schedule C-35, projected total benefits expense for standalone Gulf are $12 million for the 2022 Test Year and $12 million for the 2023 Subsequent Year.

Q. How does FPL evaluate the design and cost of its benefit plans, and how do the plans compare to those of other companies?

A. FPL uses the Aon Benefit Index, an actuarial tool that compares the value of benefit plans. Aon is an internationally recognized benefits consulting firm that provides analysis and consultation on the competitiveness of participating companies' benefit programs and produces the Aon Benefit Index. The study methodology first analyzes the value of each benefit plan for each individual in the plan and then converts the individual values to a composite value for the entire employee population by applying a standard set of actuarial and employee participation assumptions. The index base point of 100.0 is set as the average of the values of the base companies selected for the comparison. Index values below 100.0 indicate that a company is being more successful than average in managing plan design as a means of controlling benefits cost. FPL has used the Aon study to compare its benefits programs to those of companies in the general industry and utility industry sectors, and to those of Fortune 500 companies participating in the study.

Exhibit KS-6 displays the relative value of FPL's total benefits program for 2020 compared to a base utility comparator group composed of 13 electric utilities that are most similar to FPL in terms of revenue and workforce composition or that are Florida-based. The graph also displays relative value comparisons to a broader utility group (composed of the 13 utilities that participated in the survey), to a general industry grouping, and to Fortune 500 companies that participated in the study. The graph shows that FPL's Benefit Index for the total benefit program is below average compared to the base utility comparator group and each of the other industry groupings. FPL's total benefits program rated 86.7 as compared to a 100 when averaging the 13 utilities in the base utility comparator group and to a 98.4 average for the broader utility group and 91.4 average for Fortune 500 companies. These results are consistent with the Company's objective to emphasize performance-based variable cash compensation over traditional long-term benefits, which helps keep costs low and drives superior performance for the benefit of customers.

Q. What is FPL's projected medical cost for the 2022 Test Year?

A. FPL's projected medical cost is $91 million for active employees in the 2022 Test Year. As shown on MFR C-35, this represents an increase of $2 million or just 2.1 percent between 2019 and 2022. This is below the 4.3 percent projected increase in CPI and significantly below the utility industry health care trend of a 12.5 percent increase between 2019 and 2022.

Q. What is FPL's projected medical cost for the 2023 Subsequent Year?

A. FPL's projected medical cost is $93 million for active employees in the 2023 Subsequent Year as shown on MFR C-35, which represents an increase of $1 million or 1.6 percent from 2022. This compares to an increase of 5.5 percent in the utility industry health care trend, as forecast by Aon, over the same time frame.

Q. In the event the Commission does not approve FPL's request to unify FPL and Gulf base rates, have you calculated projected medical cost for FPL

and Gulf as separate ratemaking entities using the same considerations that you described earlier?

A. Yes. As shown on FPL Supplemental Schedule C-35, projected medical cost for standalone FPL is $84 million for the 2022 Test Year and $85 million for the 2023 Subsequent Year. As shown on Gulf Supplemental Schedule C-35, projected medical cost for standalone Gulf is $7 million for the 2022 Test Year and $7 million for the 2023 Subsequent Year.

Q. How does FPL determine the plan design of medical benefits for each year?

A. FPL's benefits department reviews trends in health care claims as well as plan designs and programs available across various industries, to determine the optimal plan design and pricing structure that will provide competitive, cost-effective benefits for all employees.

Q. How does FPL's medical plan compare to industry standards?

A. The relative value of FPL's medical plan for active employees is below average when compared to other utility and general industry companies participating in the 2020 Aon Benefits Index. As illustrated by Exhibit KS-7, FPL's plan had a relative value of 89.6 as compared to the average of 100 for the 13 utilities in the base utility comparator group and the broader utility group. FPL's relative value for active medical is also below both the general industry and Fortune 500 company averages.

Q. How do FPL's projected medical costs per employee compare to those of other utilities and the national average?

A. FPL tracks medical plan expense per employee on an ongoing basis as a means of comparing its costs to those of other companies. Exhibit KS-8 illustrates FPL's medical plan expense per employee for 2016 to 2020 and the projected cost for 2021 as compared to the utility industry benchmark. FPL's average expense per employee has remained below the utility industry average from 2016 to 2020 and is projected to remain below the industry average in 2021, as illustrated in Exhibit KS-8. The increases in FPL's health care plan expense per employee for 2016 through 2020 have been below the utility industry trend reported by Aon. Furthermore, Aon's forecasted utility industry benchmark for 2021 is approximately 27 percent above FPL's projected medical plan expense per employee in 2021.

Q. What specific initiatives has FPL pursued to successfully control health care costs?

A. FPL has made health care cost control a key strategic initiative, applying a continuous improvement process to develop an integrated health strategy that will optimize health and wellness for employees and control costs for both the Company and employees. FPL's ability to keep per employee health care costs below the utility industry benchmarks and to project that costs will remain below the utility industry benchmarks in 2021 and beyond have been the direct result of aggressive management of the drivers of health care costs. The

Company's successful cost control strategy has relied upon a variety of initiatives, including:

- Plan design featuring choice, price incentives and on-line comparison tools to encourage cost-effective plan selections;
- Implementation of mobile on-demand telehealth option to drive down provider costs;
- Comprehensive health promotion together with implementation of wellness incentives to encourage preventative care and utilization and care management programs;
- Providing access to centers of excellence and second opinion services for higher quality and lower cost care;
- Dependent eligibility audits and per dependent pricing to align cost of coverage with benefit received and spousal/adult surcharges to prevent unnecessary coverage;
- Aggressive vendor management and contracting, including disaggregation of medical administration and associated networks;
- Aggressive specialty pharmacy management and an online tool identifying pharmacy savings to encourage use of more cost-effective drugs; and
- Implementation of retiree prescription drug coverage through Medicare program.

Q. Are there other initiatives FPL has taken that have contributed to the successful management of health care costs?

A. Yes. A key long-term cost control initiative has been the creation of a healthy work environment and the aggressive promotion of the employee's personal responsibility for his or her own health, as evidenced by the Company's comprehensive health and well-being programs. FPL's comprehensive health and well-being programs, developed over the past 30 years, have led to reductions in health risk factors for the employees who have participated in them, which will benefit our employees through better health and our customers through lower plan cost in the 2022 Test Year and 2023 Subsequent Year and beyond.

Q. Has FPL received recognition for successful management of its health care programs and costs?

A. Yes. The effectiveness of the programs has been acknowledged through frequent national recognition, including "Best Employers for Healthy Lifestyles" Awards from the National Business Group on Health for thirteen of the last sixteen years.

Q. What are FPL's expectations for the rate of increase in medical costs?

A. Aon is forecasting utility industry health care cost increases of approximately 5.5 percent from 2021 to 2022, driven by a number of factors: the aging population, the growing burden of chronic diseases, various federal and state mandates, an increase in utilization and costs of prescription drugs including specialty drugs, hospital/provider consolidations, and enhancements in medical technology that will increase utilization. As previously stated, FPL's medical cost is estimated to increase just 2.1 percent between 2019 and 2022. Thus, while FPL has been successful in mitigating total medical costs and in managing per-employee medical costs below the utility industry average, rising health care costs continue to be a concern going forward. However, as noted previously, for purposes of the rate request in this case, FPL projects medical costs of $91 million, representing a significant achievement in cost mitigation and remarkable achievement within the industry.

Q. How has FPL's successful management of its health care program and costs been a benefit to customers?

A. As I mentioned previously, the Company has maintained both total program costs and per employee medical costs well below Aon's reported health care cost trends. This success in controlling medical costs reduces the Company's revenue requirements, which is a direct benefit to customers.

Q. Does FPL offer retirement plans to employees, and is that consistent with industry practices?

A. Yes. FPL offers its employees retirement plans consisting of a pension plan and a 401(k) employee savings plan, as do approximately 39 percent of the utility industry comparator group included in the 2020 Aon Benefit Index. The Company also provides post-employment medical, life, and disability benefits; however, as discussed previously, the post-employment medical and life benefits were discontinued for employees hired on or after April 1, 1997.

Q. Has FPL done anything recently to control the costs within its retirement plans?

A. Yes. Within the post-employment medical benefits a change was introduced to provide prescription drugs through Medicare which enabled FPL to take advantage of prescription drug subsidies. This change reduced post-employment liabilities by $66.2 million which accounting standards require be amortized over about five years (2017 – 2022) as a reduction in operations and maintenance expense. The lower liability going forward also yields further annual savings of $2.4 million in operations and maintenance expense.

Q. What is FPL's projected retirement expense in the 2022 Test Year?

A. The projected expense for the 2022 Test Year is a credit of $37 million. This is the net result of the pension plan credit of $88 million that is partially offset by the 401(k) employee savings plan expense of $43 million and the post-employment medical, life, and disability benefits expense of $9 million.

Q. What is FPL's projected retirement expense in the 2023 Subsequent Year?

A. For the 2023 Subsequent Year, FPL's projected retirement expense is a credit of $41 million, the components being a pension plan credit of $98 million partially offset by expenses of $44 million for the employee savings plan and $12 million for post-employment medical, life, and disability benefits.

Q. Why are the retirement expense and the employee pension benefit reflected as a credit?

A. The assets of the pension plan have been beneficially invested such that the fair value of the assets exceeds the actuarially determined projected obligation. The size of the pension plan credit is sufficient to offset the employee savings plan and post-employment benefit expenses -- thus the net credit for retirement expense.

FPL's pension benefit is calculated based on Financial Accounting Standards Board ("FASB") Codification, ASC 715, which covers retirement benefits. Whereas many utilities must recover from customers a pension cost associated with providing a retirement plan to its employees, FPL has, through prudent plan design decisions and asset investment over time, been able to grow its pension assets at a faster rate than the costs of its plan obligations. Even after the major market correction, the pension trust still exceeds its obligations and, therefore, creates a negative expense (a credit) to the benefit of customers.

Q. How do FPL's retirement plans compare to the industry?

A. As shown in the Aon Benefit Index's comparison chart (Exhibit KS-9), FPL's retirement plans are valued at 79.5, well below the averages of the 13 comparator companies and the utility industry (100 for the comparator and 94.4 for the overall utility industry).

Q. Does this evaluation demonstrate the reasonableness of FPL's qualified retirement plans?

A. Yes. FPL provides both a pension and 401(k) employee savings plan to its employees in order to attract and retain high quality employees. However, through careful management of the plans, FPL has been able to keep their relative value considerably below the average of the utility industry as demonstrated by the Aon Benefits Index (Exhibit KS-9).

Q. **Please summarize your testimony concerning FPL's total compensation and benefits costs for 2022 and 2023.**

A. With its emphasis on pay for performance, FPL's total rewards package has served the Company and its customers well. The Company has made good progress in controlling costs, and the total compensation and benefits costs are very competitive when measured against relevant benchmarks (as demonstrated on Exhibits KS-3 through KS-9). The 2022 and 2023 projected levels of compensation and benefits expense are reasonable and necessary to attract and retain the caliber of employees that create a high-performance organization.

Q. Does this conclude your direct testimony?

A. Yes.

Florida Power & Light Company

CONSOLIDATED MFRs SPONSORED OR CO-SPONSORED BY KATHLEEN SLATTERY

MFR	Period	Title
SOLE SPONSOR:		
F-03	Test Subsequent	BUSINESS CONTRACTS WITH OFFICERS OR DIRECTORS
CO-SPONSOR:		
C-08	Test	DETAIL OF CHANGES IN EXPENSES
C-15	Historic Test Subsequent	INDUSTRY ASSOCIATION DUES
C-17	Test Subsequent	PENSION COST
C-35	Test Subsequent	PAYROLL AND FRINGE BENEFIT INCREASES COMPARED TO CPI

Florida Power & Light Company

SUPPLEMENT 1 - FPL STANDALONE INFORMATION IN MFR FORMAT SPONSORED OR CO-SPONSORED BY KATHLEEN SLATTERY

Schedule	Period	Title
SOLE SPONSOR:		
F-03	Test Subsequent	BUSINESS CONTRACTS WITH OFFICERS OR DIRECTORS
CO-SPONSOR:		
C-08	Test	DETAIL OF CHANGES IN EXPENSES
C-15	Test Subsequent	INDUSTRY ASSOCIATION DUES
C-17	Test Subsequent	PENSION COST
C-35	Test Subsequent	PAYROLL AND FRINGE BENEFIT INCREASES COMPARED TO CPI

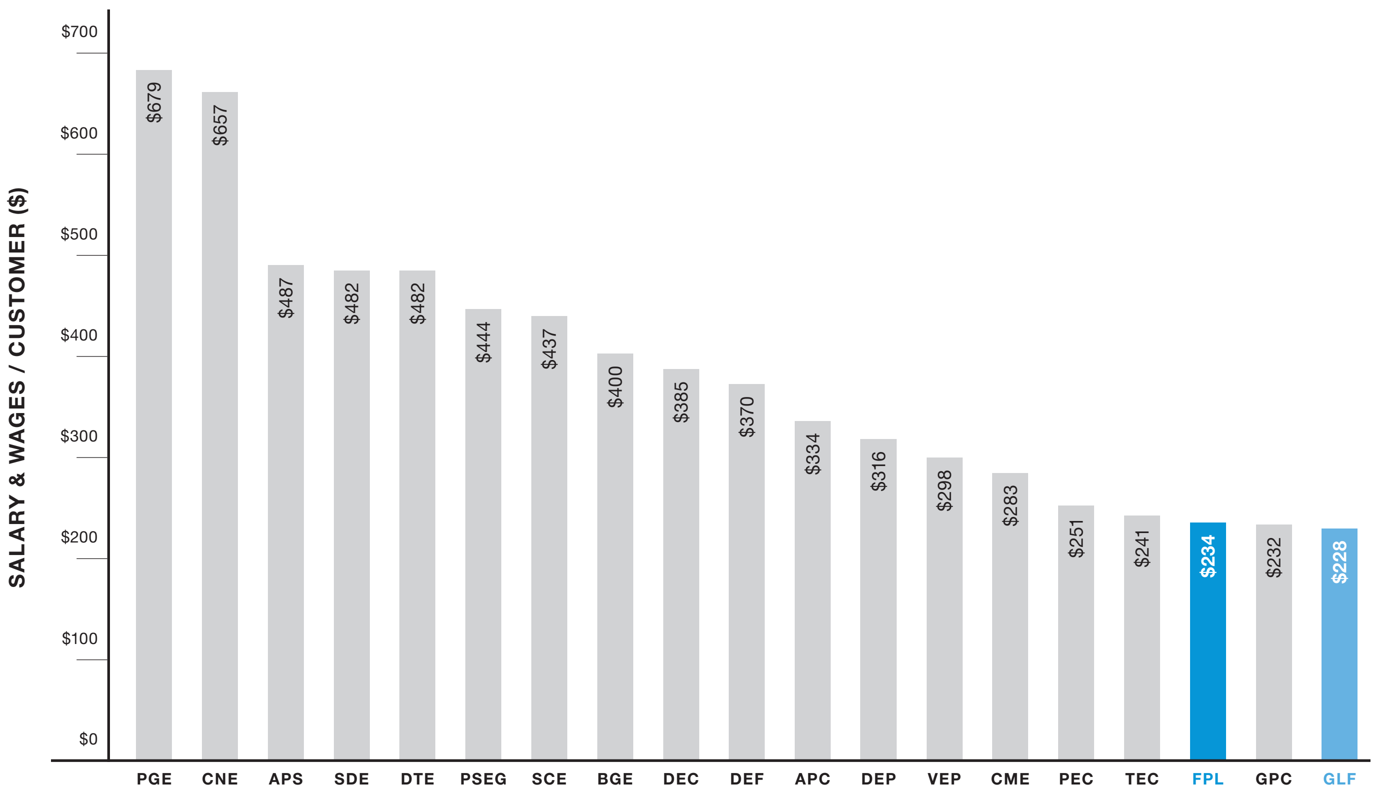
Florida Power & Light Company

SUPPLEMENT 2 - GULF STANDALONE INFORMATION IN MFR FORMAT SPONSORED OR CO-SPONSORED BY KATHLEEN SLATTERY

Schedule	Period	Title
SOLE SPONSOR:		
F-03	Test Subsequent	BUSINESS CONTRACTS WITH OFFICERS OR DIRECTORS
CO-SPONSOR:		
C-08	Test	DETAIL OF CHANGES IN EXPENSES
C-17	Test Subsequent	PENSION COST
C-35	Test Subsequent	PAYROLL AND FRINGE BENEFIT INCREASES COMPARED TO CPI

Total Salaries & Wages per Customer

Per MWh 2019



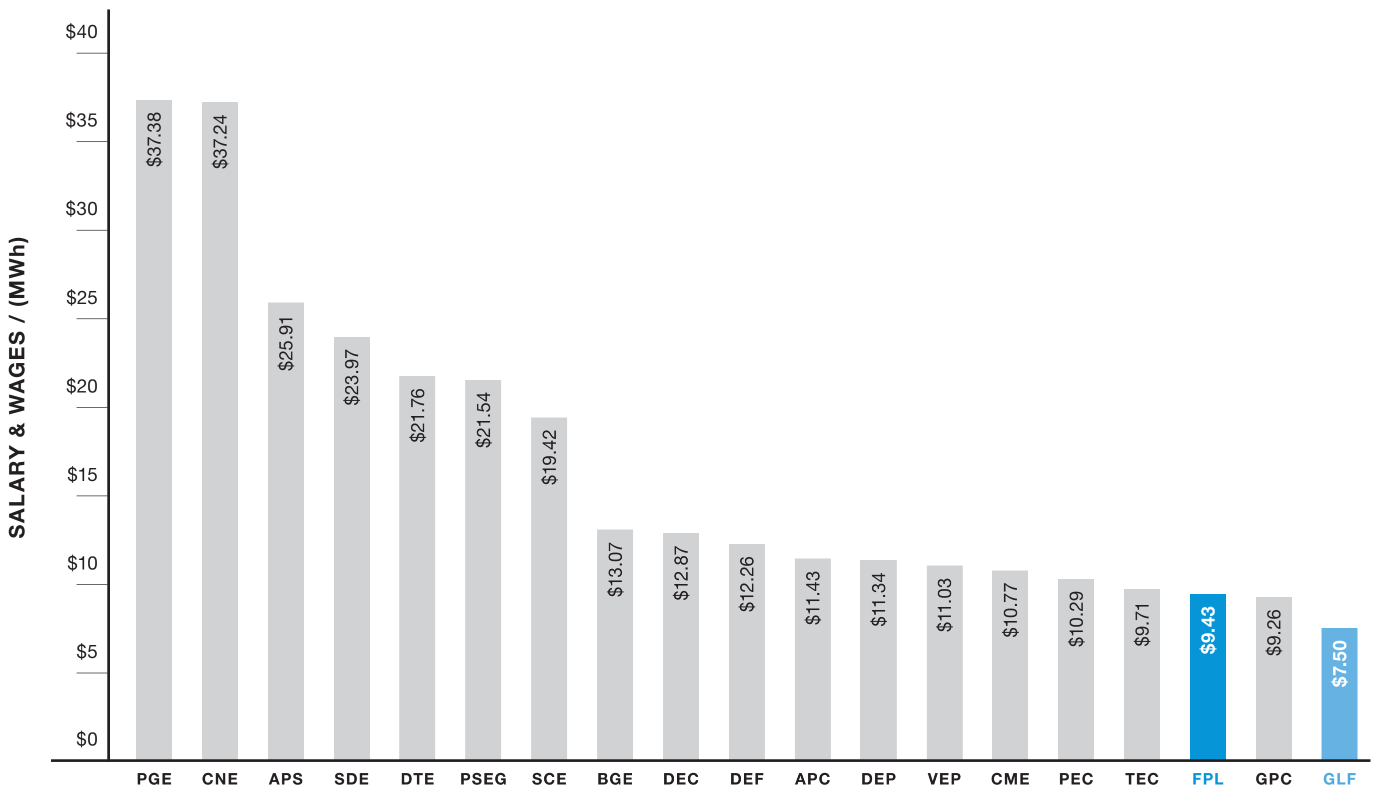
APC	Alabama Power
APS	Arizona Public Service
BGE	Baltimore Gas & Electric
CME	Commonwealth Edison
CNE	Consolidated Edison
DEC	Duke Energy Carolinas
DEF	Duke Energy Florida
DEP	Duke Energy Progress
DTE	DTE Electric
FPL	Florida Power & Light

GLF	Gulf Power
GPC	Georgia Power
PEC	PECO Energy
PGE	Pacific Gas & Electric
PSEG	Public Service Electric & Gas
SCE	Southern California Edison
SDE	San Diego Gas & Electric
TEC	Tampa Electric
VEP	Virginia Electric & Power

SOURCE: FERC FORM 1

Total Salaries & Wages per MWh

Per MWh 2019



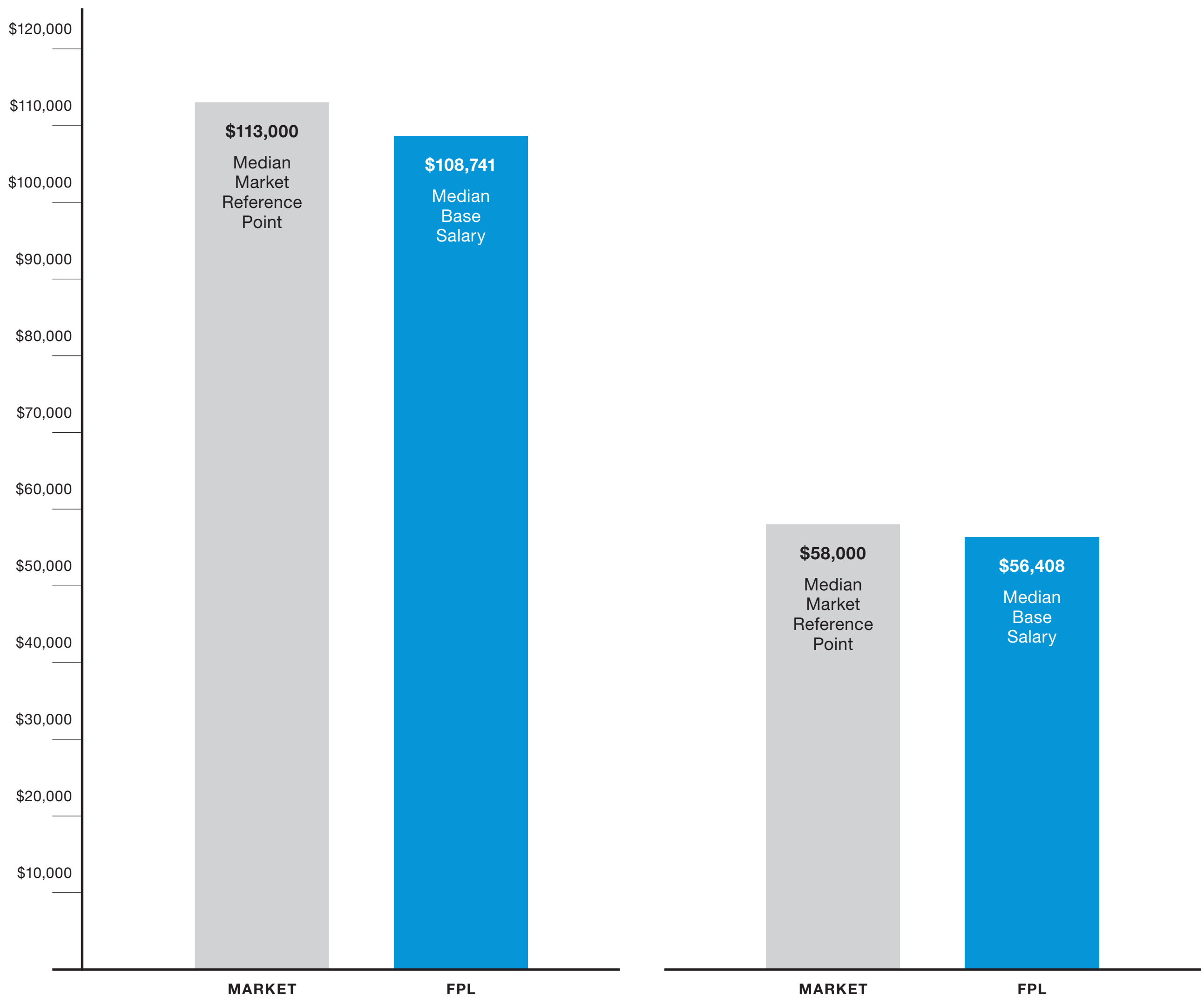
APC	Alabama Power
APS	Arizona Public Service
BGE	Baltimore Gas & Electric
CME	Commonwealth Edison
CNE	Consolidated Edison
DEC	Duke Energy Carolinas
DEF	Duke Energy Florida
DEP	Duke Energy Progress
DTE	DTE Electric
FPL	Florida Power & Light

GLF	Gulf Power
GPC	Georgia Power
PEC	PECO Energy
PGE	Pacific Gas & Electric
PSEG	Public Service Electric & Gas
SCE	Southern California Edison
SDE	San Diego Gas & Electric
TEC	Tampa Electric
VEP	Virginia Electric & Power

SOURCE: FERC FORM 1

Position to Market (2020 Base Pay)

All Non-Bargaining Employees



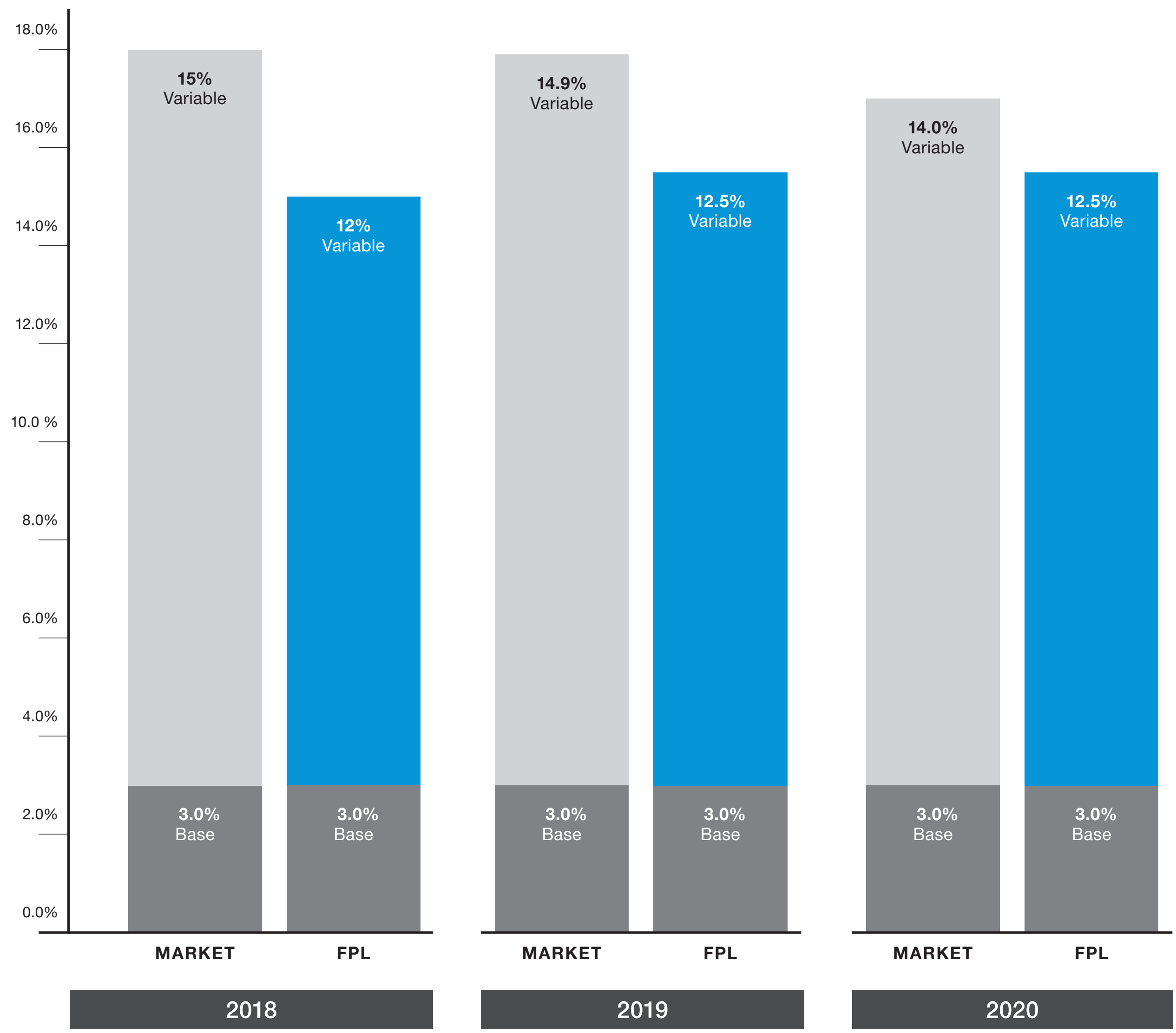
SALARIED	
Median Market Reference Point	$113,000
Median Base Salary	$108,741
Position to Market	**-3.8%**

HOURLY	
Median Market Reference Point	$58,000
Median Base Salary	$56,408
Position to Market	**-2.7%**

Market reference points are determined using current industry survey sources, including Willis Towers Watson, Mercer and Aon.

Merit Pay Program Awards

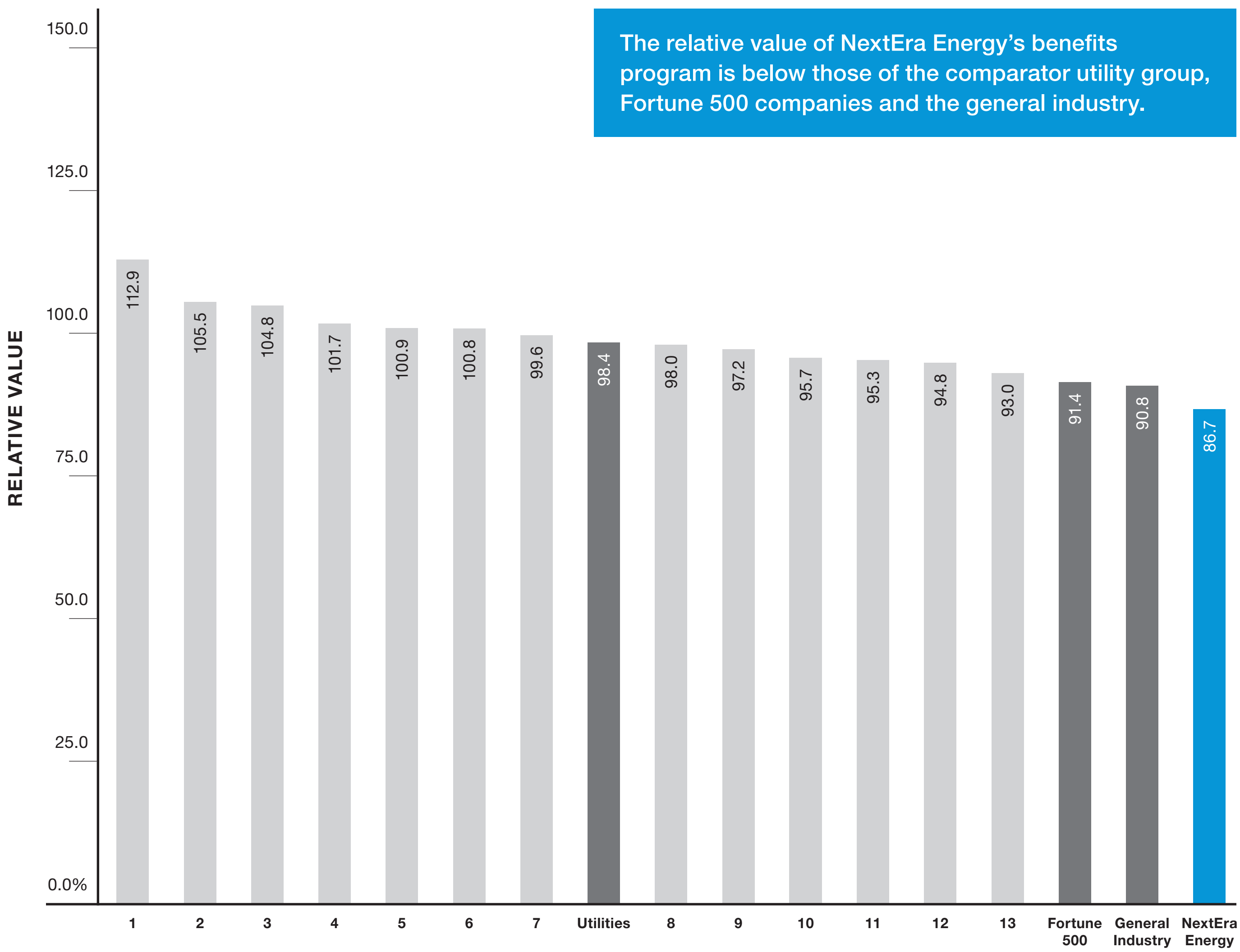
2018 to 2020



FPL's annual pay program has been at or below market from 2018 through 2020.

Total Benefit Program

Relative Value Comparison - 2020



Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.

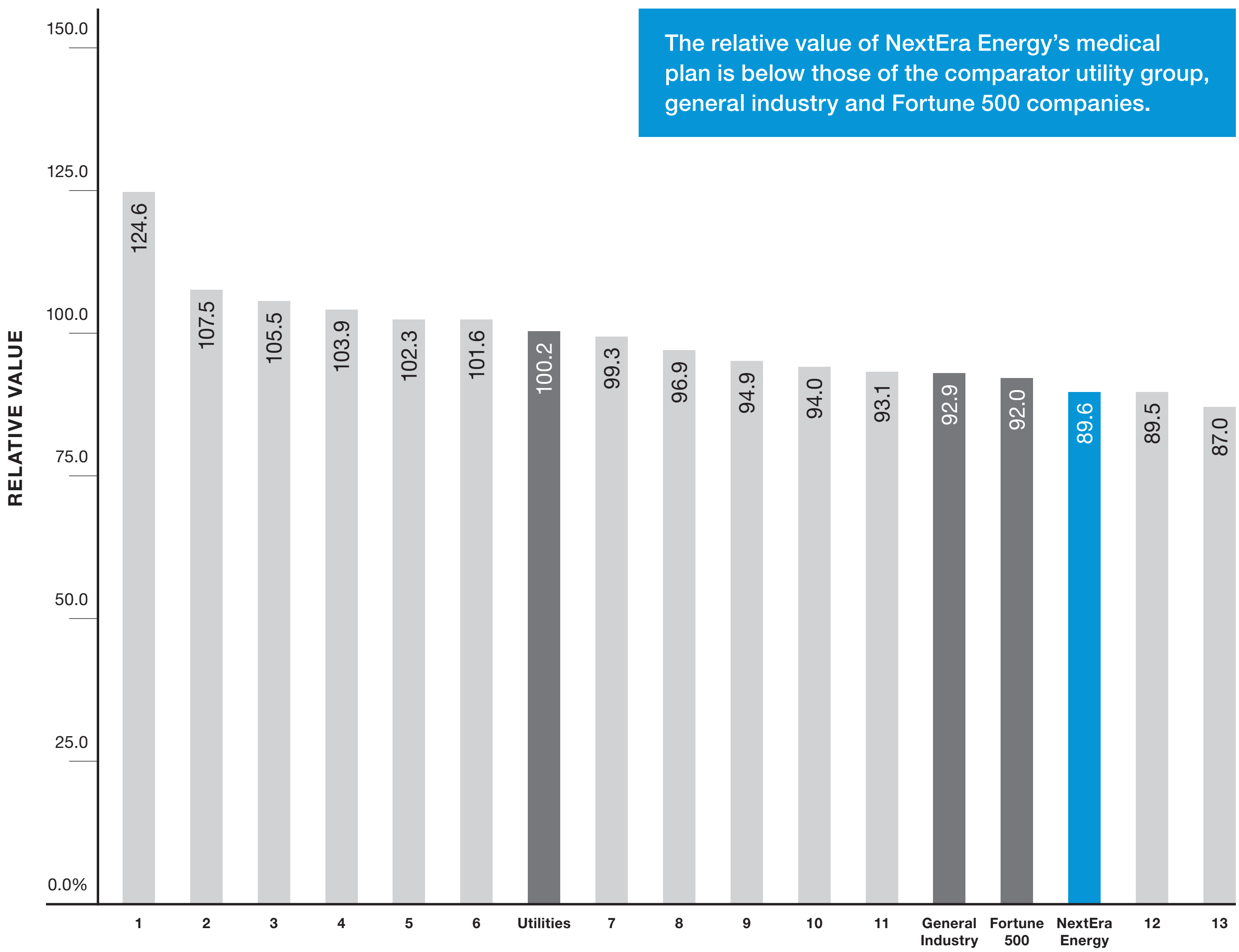
»» Comparator Group Average = 100. Companies Included in Comparator Group: American Electric Power Company, Inc., Consolidated Edison Company of New York, Inc., CenterPoint Energy, Inc., Dominion Resources, Inc., DTE Energy Company, Duke Energy Corporation, Edison International, Exelon Corporation, FirstEnergy Corp., Pacific Gas & Electric Company, Public Service Enterprise Group Incorporated, Southern Company, Tampa Electric Company.

SOURCE: Aon Benefit Index, 2020

Active Employee Medical Plan

Relative Value Comparison - 2020

The relative value of NextEra Energy's medical plan is below those of the comparator utility group, general industry and Fortune 500 companies.



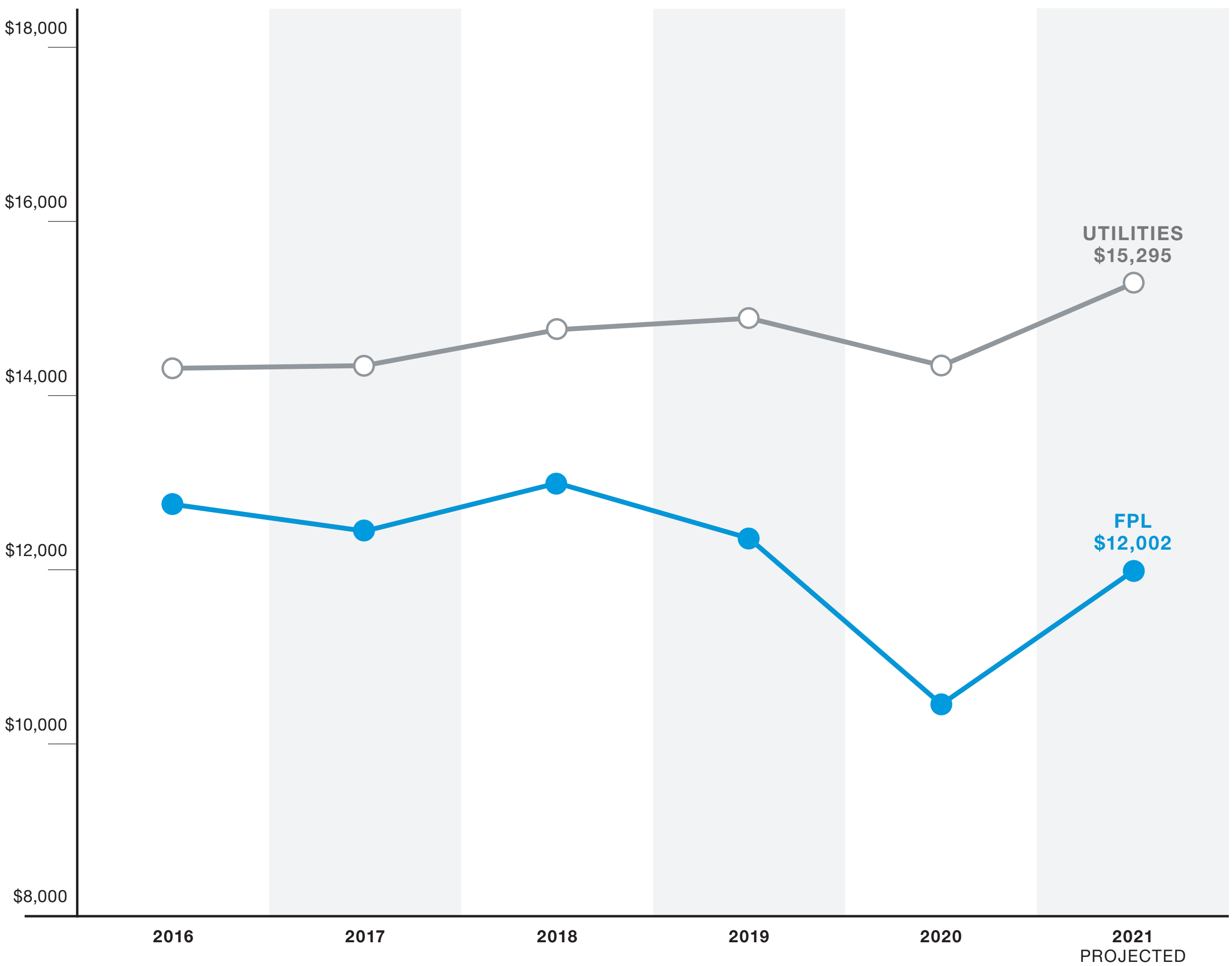
Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.

»» Comparator Group Average = 100. Companies Included in Comparator Group: American Electric Power Company, Inc., Consolidated Edison Company of New York, Inc., CenterPoint Energy, Inc., Dominion Resources, Inc., DTE Energy Company, Duke Energy Corporation, Edison International, Exelon Corporation, FirstEnergy Corp., Pacific Gas & Electric Company, Public Service Enterprise Group Incorporated, Southern Company, Tampa Electric Company.

SOURCE: Aon Benefit Index, 2020

Average Medical Plan Expense Per Employee

2016 - 2021

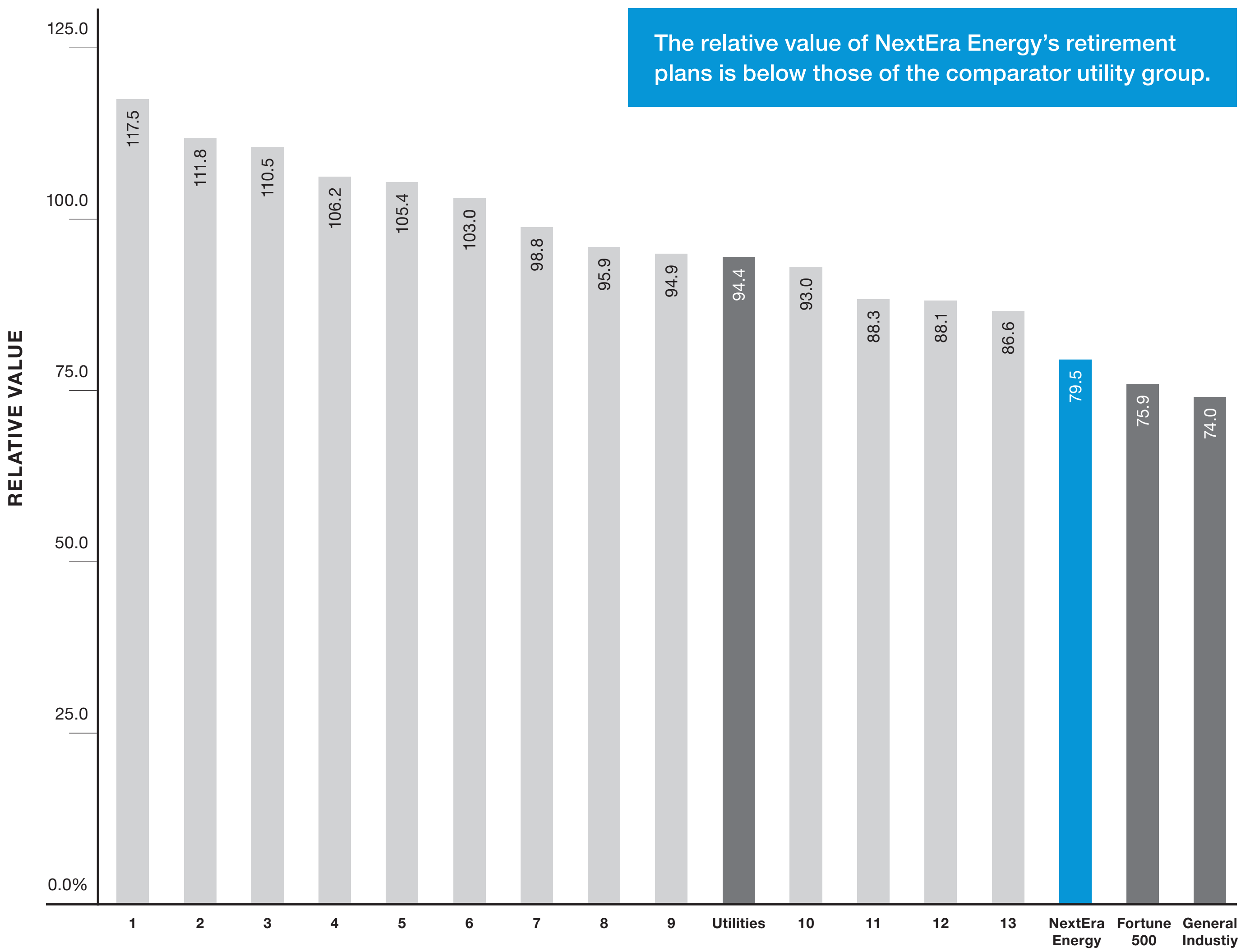


FPL's total medical plan cost per employee has been consistently below utility industry benchmarks.

Plan expense includes medical claims after employee out-of-pocket costs.

Pension & 401(k) Employee Savings Plan

Relative Value Comparison - 2020



Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.

»» Comparator Group Average = 100. Companies Included in Comparator Group: American Electric Power Company, Inc., Consolidated Edison Company of New York, Inc., CenterPoint Energy, Inc., Dominion Resources, Inc., DTE Energy Company, Duke Energy Corporation, Edison International, Exelon Corporation, FirstEnergy Corp., Pacific Gas & Electric Company, Public Service Enterprise Group Incorporated, Southern Company, Tampa Electric Company.

SOURCE: Aon Benefit Index, 2020