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FILED 7/14/2021
DOCUMENT NO. 07901-2021
FPSC - COMMISSION CLERK

July 14, 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 Rebuttal Testimony and Exhibits of FPL witness Scott R. Bores.

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

(Document 13 of 15)

Sincerely,

Wade Litchfield

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

RWL:ec
Attachment
cc: Counsel of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF SCOTT R. BORES

DOCKET NO. 20210015-EI

JULY 14, 2021

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Scott R. Bores. My business address is Florida Power & Light Company ("FPL" or "the Company"), 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. Have you previously submitted direct testimony in this proceeding?

A. Yes.

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

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

- SRB-12 – 2024 and 2025 High-Level Revenue Requirements
- SRB-13 – FPL Productivity Savings

I am co-sponsoring the following exhibit:

- LF-10 – FPL's Notice of Identified Adjustments filed May 7, 2021 and Witness Sponsorship, filed with the rebuttal testimony of FPL witness Fuentes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to rebut the incorrect assertions from numerous intervenor witnesses regarding: (1) the reliability of the forecast FPL proposes to use to set rates for 2023 (OPC witness Smith); (2) the propriety of and need for the 2023 Subsequent Year Adjustment ("2023 SYA") (OPC witnesses Smith and Lawton); (3) FPL's increasing revenue requirements in 2024 and 2025 (FEA witness Gorman); (4) the Reserve Surplus Amortization

Mechanism ("RSAM") in the past and how it will be used under FPL's four-year rate plan (OPC witnesses Smith and Lawton); (5) FPL's need for accelerated amortization of unprotected excess accumulated deferred income taxes ("EADIT") (OPC witness Smith) and the proposed tax reform mechanism as necessary components of the four-year proposal (FIPUG witness LaConte and OPC witness Smith); (6) the value of the consummation payment as part of the overall Scherer 4 transaction (OPC witness Smith, FIPUG witness LaConte, FEA witness Gorman); and (7) recovery of Directors and Officers Liability ("DOL") insurance expense (OPC witness Smith).

Q. Please summarize your rebuttal testimony.

A. Intervenor witnesses attempt to cast doubt over FPL's forecast of years beyond 2022, but make no genuine effort to provide a valid basis for their assertions. The Minimum Filing Requirements ("MFRs") developed to support the 2022 Test Year and 2023 SYA were subject to the same rigorous forecasting process resulting in forecasts of revenue requirements and are reasonable and reliable for setting base rates in this proceeding. The forecast demonstrates that the 2023 SYA is necessary to avoid falling more than 100 basis points below the allowed midpoint return on equity ("ROE"), and approving it is consistent with Florida Public Service Commission ("Commission") policy and past practice. In addition, FPL has provided evidence showing that its continued investments for customers in 2024 and 2025 increase the revenue requirements in those years, even though FPL's four-year plan does not seek any general rate increases after 2023. The RSAM, acceleration of unprotected EADIT to 2024 and 2025 and tax reform mechanism are therefore necessary to manage the revenue deficiency and the numerous uncertainties and risks over the period of FPL's four-year rate plan.

The financial results from 2017 through 2020 belie the claim by various intervenor witnesses that the RSAM was utilized solely as a mechanism to earn at the top-end of the allowable ROE range. Rather, FPL's superior management of costs and productivity improvements created the value that enabled FPL to earn at the top of the approved ROE range in the past, and the financial scenarios for 2024 and 2025 indicate that the RSAM will not drive FPL to earn at the top of the range during the four-year term. In fact, FPL will need to use about $1.345 billion of the proposed $1.48 billion Reserve Amount simply to earn at the midpoint in 2024 and 2025, leaving only about $135 million over the entire four year period to manage through the many risks associated with multi-year "stay outs." The Reserve Amount is therefore insufficient to absorb a change in the corporate tax rate. The tax mechanism proposed by FPL, which is substantially similar to mechanisms previously approved by the Commission, is a necessary component of the four-year plan.

Additionally, OPC witness Smith's and FEA witness Gorman's recommended disallowance of the $100 million consummation payment related to Scherer Unit 4 is confiscatory. The $100 million consummation payment to JEA is a necessary investment to unlock $583 million of projected CPVRR savings for customers. FPL should be allowed to include that payment within rate base and earn a fair return like any prudent investment made for the benefit of customers.

Finally, the Commission should reject OPC witness Smith's recommendation that 50% of DOL insurance expense should be disallowed in order to reflect an allocation to shareholders. This insurance is a prudent cost to attract and retain skilled leadership, is part of conducting business for a large corporation and has been historically part of FPL's cost of service.

II. 2023 SUBSEQUENT YEAR ADJUSTMENT

Q. Are the Company's forecasts for 2023 reasonable and reliable for setting rates in this proceeding?

A. Yes. Similar to the 2022 projected test year, the basis and process used in developing the 2023 forecasts are robust and reasonable, and the resulting forecasts of revenue requirements can be relied upon for rate setting. FPL's forecasts are the products of a rigorous process involving a multi-year planning horizon that I describe in great detail in my direct testimony.

Q. Did the circumstances surrounding the 2020 pandemic make estimates beyond 2022 unreliable?

A. No. OPC witness Lawton suggests that the 2020 pandemic somehow invalidated estimates beyond 2022. However, nothing about the forecast process for the 2023 SYA diverges from the process used to forecast 2021 and

2022. To the contrary, the Company followed the same rigorous process and the underlying work and support for each of these forecasts share a common platform and approach, equally appropriate for 2023 as for 2021 and 2022. Mr. Lawton does not point to anything about the 2020 pandemic that would impact the 2023 forecast differently than the forecast for 2021 or 2022.

Q. Has the economic outlook already changed from the time you prepared the forecast for 2022 and 2023?

A. Yes. The economic landscape has begun to change since FPL filed its rate case, but, ironically, those changes indicate that FPL will likely need *more* revenues in future periods to earn a fair and reasonable return. Pursuant to the four-year proposal described by FPL witness Barrett, FPL takes on the responsibility to manage through these increases in the cost of doing business, not only in the 2023 SYA, but also through each year of the four-year proposal as I will discuss in more detail.

Q. Has the Commission previously approved the use of subsequent year adjustments?

A. Yes. Order Nos. 13537, PSC-92-1197-FOF-EI, and PSC-93-0165-FOF-EI are examples of instances in which the Commission approved the use of "two fully projected test years" in rate cases for FPL, Florida Power Corporation, and Tampa Electric Company, respectively.

Q. Is the Company's request for a 2023 SYA appropriate and consistent with Commission policy?

A. Yes. Use of the Company's proposed 2023 subsequent year to approve the 2023 SYA in this proceeding is appropriate under Commission Rule 25-6.0425 and represents an efficient and reasonable basis upon which to establish rates for the Company. The justification for the 2023 SYA is especially critical in this case due to FPL's commitment to forgo general base rate increases in 2024 and 2025 upon approval of its four-year plan. OPC witness Lawton's attempt to apply an "extraordinary circumstances"[1] threshold requirement for subsequent year adjustments is contrary to precedent and undermines the Commission's goal to set rates on a going forward basis that will enable a utility to recover its costs and earn a fair and reasonable return. This principle has been addressed by the Florida Supreme Court which stated in a 1985 challenge to a Commission order granting FPL a rate increase in 1984 with a subsequent year adjustment for 1985:

> At the heart of this dispute is the authority of [the] PSC to combat "regulatory lag" by granting prospective rate increases which enable utilities to earn a fair and reasonable return on their investments. We long ago recognized that rates are fixed for the future and that it is appropriate for [the] PSC to recognize factors which affect future rates and to grant prospective rate increase based on these factors.

[1] Direct Testimony OPC witness Lawton at Page 15, Line 15 through Line 21.

Q. Why is the 2023 SYA necessary, and why is it good public policy?

A. As demonstrated in the Company's filing, FPL projects a $605 million revenue deficiency in 2023.[2] Without the 2023 SYA, the Company projects its ROE in 2023 will fall more than 100 basis points, putting it below the bottom of the allowed range. On one hand, OPC witness Smith asserts that 2023 SYA is not necessary, but on the other hand, his own calculations indicate that the Company has a $457 million[3] revenue deficiency and will be unable to earn a reasonable return in 2023.

Additionally, OPC witness Smith's assertion that the 2023 SYA is not good public policy ignores the realities of running a regulated utility. The 2023 SYA allows the Company to avoid filing another rate case in 2022 for new base rates effective in January 2023. Filing back-to-back rate cases would require FPL to expend significant time and resources – time that is better spent finding additional ways to create value for FPL's customers. Through a series of multi-year rate plans, FPL has been able to prepare, file and execute base rate proceedings occurring infrequently (every three or four years), without building a large permanent staff devoted to processing rate cases, in part because the filings have been infrequent. In addition, FPL has utilized the time between those rate cases to find significant costs efficiencies that accrue to the benefit of customers in the form of a lower rate case request and lower rates over the long-term. If base rate proceedings were to become an annual requirement,

[2] Exhibit LF-12, Page 1 of 6, to FPL witness Fuentes's Rebuttal Testimony.

[3] Exhibit RCS-3, Schedule A, line 8, column E to OPC witness Smith's Direct Testimony

customers would bear additional costs and the Company would be investing significant resources into rate proceedings instead of finding additional opportunities to drive out significant cost and create long-term value for customers. Certainly, such an approach also is directly counter to the multi-year plans that have been approved by the Commission and which have worked exceptionally well for customers for more than 20 years, as discussed at greater length by FPL witness Barrett.

Q. Will the Commission maintain the ability to oversee FPL's earnings in 2023 and future years in the absence of back-to-back rate cases?

A. Yes. FPL is required to submit to the Commission earnings surveillance reports ("ESR") on a monthly basis. These reports set forth the level of FPL's earnings and other financial results. The Commission utilizes the ESRs to ensure that FPL is not earning above the allowed ROE range and has the authority to initiate an earnings investigation when appropriate. Through this robust process, the ESRs effectively and efficiently have served to protect customers and the Company during multi-year rate plans and "stay outs," and it will serve the same function during the 2023 subsequent year and remainder of the four-year rate plan being proposed in this proceeding.

Q. How does the 2023 SYA impact the Company's earnings?

A. FPL is not petitioning for an increased ROE in the subsequent year. The 2023 SYA would set rates at the midpoint ROE authorized by the Commission. The mathematical fallout is that the 2023 SYA is midpoint seeking, and OPC witness Lawton's suggestion that the 2023 SYA will serve only to increase equity earnings is just not true. Conversely, without a subsequent year adjustment, the Company's ROE will fall below the proposed authorized range, meaning the Company will be unable to earn a fair return and would be forced to return to the Commission a few months from now to seek an incremental base rate increase to be effective January 1, 2023.

III. 2024 AND 2025 REVENUE REQUIREMENTS

Q. Has FPL supported its position that it will experience a revenue deficiency in 2024 and 2025?

A. Yes. FEA witness Gorman's rejection of FPL's four-year plan on the grounds that the Company did not produce a full set of MFRs for each year overlooks information FPL has produced in this proceeding and misconstrues the nature of FPL's four-year proposal. In responses to various interrogatories, the Company has provided high-level base scenario projections that indicate FPL's base rate revenue requirements are projected to grow in excess of $500 million per year in both 2024 and 2025 as a result of FPL's continued investment for the benefit of customers. Exhibit SRB-12 provides a high-level revenue requirement calculation for 2024 and 2025. Even after accounting for additional base revenues projected to be received under FPL's proposed SoBRA mechanism, and assuming approval of the Company's requested base revenue increase in 2022 and 2023, FPL projects incremental revenue requirements of $433 million in 2024 and $911 million in 2025 to earn at the proposed midpoint return on equity, or a total of $1.345 billion. This will leave only approximately $135 million of the Reserve Amount remaining for FPL to utilize to manage uncertainty and risk in the business, which represents approximately only 0.4% of total base revenues over the four-year rate plan time period, hardly the shareholder benefit claimed by intervenor witnesses.

Q. What types of uncertainties and risks will the Company need to manage?

A. As OPC witness Lawton points out, there is an unusually high degree of risk and uncertainty surrounding the impact of the COVID-19 pandemic on the economy over the longer term, including the impact on productivity, the labor force, and technological innovation – all factors which FPL relies on to drive further efficiency and execute its capital plan for the benefit of customers. Additionally, OPC witness Lawton argues that the Company did not consider "more rapid recovery and the influences of recent fiscal and some monetary initiatives."[4] To the contrary, as discussed by FPL witness Park, FPL has considered these initiatives and other market dynamics as part of the four-year plan, and it is the exact reason FPL is asking for the flexibility afforded under the RSAM. For example, IHS Markit, FPL's third-party source for economic projections, reflected much higher current and long-term inflation assumptions in their June 2021 forecast than FPL utilized in preparation of their forecasts over the four-year plan. Additionally, on June 16, 2021, the Federal Open Market Committee, a committee that conducts monetary policy for the United States central bank, raised its inflation expectations and announced that it may

[4] Direct Testimony OPC witness Lawton at Page 9, Line 1 through Line 2.

need to increase interest rates earlier than expected. These are significant changes that occurred only a few months after the Company's base rate filing and highlight the potential risks and uncertainties the Company will assume as part of the four-year rate plan. To be able to assume that uncertainty and provide the significant benefits of rate stability and predictability to its customers, FPL requests approval of all the elements outlined in the four-year rate plan and described in witness Barrett's direct testimony.

Q. Why is FPL proposing to accelerate the amortization of unprotected EADIT amortization into 2024 and 2025?

A. The Company's proposed four-year rate plan, as described in detail in FPL witness Barrett's direct testimony, will enable FPL to forgo general base rate increases in both 2024 and 2025 while providing customers with rate stability and certainty through at least January 2026. The accelerated amortization of unprotected EADIT, which is classified as a regulatory liability, is an essential element of the four-year proposal. Although accelerating EADIT amortization in 2022 and 2023 as proposed by OPC witness Smith would reduce the revenue deficiency in the projected test year and the subsequent year, it would have the negative consequence of increasing the revenue requirements in both 2024 and 2025, thereby no longer allowing FPL to commit to the Four-Year Rate Plan. The acceleration of unprotected EADIT amortization into 2024 and 2025 is necessary for FPL to be able to earn a fair and reasonable return while managing risks and uncertainties over the four-year term.

IV. RESERVE SURPLUS AMORTIZATION MECHANISM

Q. Please describe how FPL intended to utilize the RSAM at the time it entered into the 2016 Settlement Agreement?

A. Under the 2016 Settlement Agreement, FPL agreed to no general base rate increases in 2019 or 2020, even though it planned to continue making long-term investments for the benefit of customers. The flexibility under the RSAM allowed FPL to make these investments, manage the uncertainty in the business and defer cash rate increases, which provided an immediate benefit to customers in the form of base rate stability and lower rates. And, as evidenced by the terms to which the parties agreed in 2016, it was always the intent of the signatories that FPL would in fact utilize the entire $1.25 billion reserve established in that Agreement.

Q. Did FPL use RSAM to "pay" for Hurricane Irma restoration costs and thereby burden future customers with a cost that current customers should pay?

A. Absolutely not. OPC witness Smith is incorrect in his assertion. FPL did not pay for Hurricane Irma restoration costs with RSAM. FPL has yet to find a vendor who will accept RSAM as payment for anything. Contrary to this mischaracterization, the costs of Hurricane Irma restoration were funded by internal cash flow and liquidity including cash flow generated by the income tax revenue requirement savings associated with the Tax Cuts and Jobs Act of 2017. This essentially is the same treatment OPC agreed to with Duke Energy

Florida (Order No. PSC-2018-0103-PCO-EI; Order No. PSC-2019-0232-AS-EI). RSAM was employed, as allowed by the 2016 Settlement Agreement, to partially offset the book expense of Hurricane Irma. Three items were simultaneously true: 1) tax savings paid for storm costs over roughly the same period as would have been the case with a storm surcharge; 2) the amount of RSAM used through the settlement period was essentially as expected by all parties to the agreement (though in fact a bit less as evidenced by the estimated $346 million remaining at the end of 2021); and 3) FPL was able to provide an extra year of deferral of a base rate increase.

Q. Please explain how the RSAM allowed FPL to make the investments you described and how that impacted FPL's earnings.

A. The intervenors' repeated assertions that FPL used the RSAM to earn at the top of the range are, at best, uninformed. FPL's continued capital investments in 2019 and 2020, which I describe in my direct testimony, occurred despite the lack of general base rate increases in those years. Yet, investment of that capital for the benefit of customers resulted in incremental revenue requirements in both 2019 and 2020. FPL utilized the RSAM approved under the 2016 Settlement Agreement to amortize the established $1.25 billion surplus reserve in order to earn at the *midpoint ROE*. Contrary to what intervenor witnesses would like the Commission to believe, as demonstrated in Exhibit SRB-13, the $1.25 billion RSAM approved in the 2016 Settlement Agreement would not have been sufficient to allow FPL to earn anywhere near the top of the allowed ROE range.

Q. If FPL utilized amortization of the reserve established under the 2016 Settlement Agreement to earn at the midpoint ROE, how was FPL able to earn near or at the top of the ROE range during the term of the 2016 Settlement Agreement each year?

A. Over the term of the 2016 Settlement Agreement, FPL worked diligently on identifying and implementing productivity savings. Specifically, as shown in Exhibit SRB-13, since 2017 FPL has been able to generate approximately $1.1 billion in productivity savings. It is these savings that have allowed FPL to earn above the midpoint ROE, a position that FAIR witness Devlin supports as reasonable[5], and not the use of the RSAM. Without these productivity savings, which continue to benefit customers and have reduced the O&M included within FPL's 2022 Test Year and 2023 SYA, FPL would have earned about 100 basis points less than it did during each year from 2017 through 2021.

Exhibit SRB-13 clearly demonstrates that it was the productivity improvements that allowed FPL to earn near the top of the range, and that FPL only utilized the RSAM to add an average of four basis points of ROE above the midpoint. In fact, FPL did not utilize all of the $1.25 billion afforded under the 2016 Settlement Agreement, but rather that customers have retained the benefit of the $346 million of surplus that FPL has forecast to remain at the end of 2021.

[5] Direct Testimony FAIR witness Devlin at Page 25, Line 5 through Line 8.

FPL's actual earned return was not, by any means, a "guaranteed" return, as Mr. Smith states on Page 12 of his direct testimony. Instead, it was the result of substantial efforts made by FPL to improve long-term productivity. What FPL has done is beyond what a prudent utility does, as discussed by FPL witness Reed and reflected in FPL's significantly higher performance compared to its peers.[6] In addition, customers will realize the benefits of this O&M productivity in not only the current base rate request, but for the foreseeable future.

Q. Will the RSAM work in a similar manner under FPL's current Four-Year Rate Plan?

A. Yes. As noted in my testimony above, FPL will be utilizing the flexibility awarded under the RSAM to avoid cash rate increases, offer rate stability and manage the uncertainty and risk that is inherent in a four-year proposal. Approximately 90% of the requested RSAM amount is needed to allow FPL to earn at the midpoint ROE in 2024 and 2025, leaving the $135 million remaining amount to manage the business and absorb higher costs that are most certainly going to present themselves as a result of rising inflation and interest rates. This means that if FPL wants the opportunity to earn at the top of the allowed ROE range, it must find further efficiencies and productivity improvements in the business. This is the benefit of the four-year proposal in that customers get rate stability for an extended period of time, and there is incentive for FPL to focus on further cost efficiencies that will accrue to the benefit of customers at the

[6] Exhibits JJR-3 through JJR-14 to FPL witness Reed Direct Testimony.

time rates are next reset. Just like under the 2016 Settlement Agreement, the RSAM as part of the current four-year proposal does not guarantee FPL earns at the top of the allowed ROE range, but affords FPL the opportunity should it continue to find cost efficiencies and create long-term value for the benefit of customers.

V. SCHERER UNIT 4 RETIREMENT

Q. FPL is requesting regulatory asset treatment for the unrecovered net book value of Scherer Unit 4. Why is it appropriate for FPL to earn a return on this asset?

A. Scherer Unit 4 has been a valuable component of FPL's generation fleet for over 30 years and provided customers with reliable electricity; however, it is no longer economical to operate given FPL's efficient and modern generation fleet. Like any prudent investment that has served for the benefit of customers, FPL should be entitled to earn a return on its investment. Furthermore, the economic analysis which yielded $583 million of projected CPVRR savings for customers includes the impact of establishing regulatory assets for the remaining unrecovered book value and recovery over ten years. Lastly, it can be argued that the disallowance of a return on the unrecovered book value of Scherer Unit 4 would be penalizing the Company for finding creative ways to reduce costs and would disincentivize the Company from seeking similar customer-value driven opportunities in the future.

Q. In order to retire Scherer Unit 4, FPL had to make a consummation payment to JEA. Why is it appropriate for FPL to include this amount in retail rate base?

A. The retirement of Scherer Unit 4 is projected to yield $583 million of CPVRR savings for customers inclusive of the $100 million consummation payment to JEA. FPL owns a 76.36% undivided interest in Scherer Unit 4 with the remaining 23.64% undivided interest owned by JEA. As discussed by FPL witness Forrest, FPL does not have the ability to retire its percentage ownership of Scherer without the agreement of JEA and absent the consummation payment to JEA, FPL would not have been able to jointly retire this unit to create the projected $583 million of savings for FPL customers. The consummation payment is like any other prudent investment that yields customer benefits and FPL should be entitled to earn a return on that investment.

Q. Is it appropriate to assume that FPL customers will be exposed to higher fuel costs as a result of the Scherer Unit 4 retirement? Additionally, is it appropriate to remove fuel savings from the Scherer Unit 4 CPVRR analysis?

A. No. Contrary to what OPC witness Smith seems to believe, and as further discussed by FPL witness Forrest, it would not be appropriate to assume that FPL customers would be exposed to higher fuel costs as a result of the Scherer Unit 4 retirement. The Company plans on replacing the generation associated with the retirement of Scherer Unit 4 with efficient combined cycle upgrades and more importantly, with zero-cost fuel and emissions-free solar. This replacement generation has already been factored in the CPVRR analysis that results in the $583 million of projected savings to FPL customers. Additionally, it would be very inappropriate to selectively choose one variable in the CPVRR analysis that provides customer benefit and ask that it be ignored as there is a remote possibility a portion of the savings may not materialize. It is also important to note that there are assumption changes that could increase the CPVRR benefit for customers, including higher emissions or coal compliance costs. FPL includes its best estimate of fuel projections in all resource planning work and CPVRR calculations including those utilized in need determinations, SoBRAs, and other proceedings before the Commission.

VI. TAX LAW

Q. Please reiterate FPL's proposal as it relates to a potential change in tax law during the Four-Year Rate Plan.

A. FPL's 2022 Test Year forecast and 2023 SYA are based on current tax law. Should there be a change in tax law either during or after the conclusion of the rate case, FPL proposes to adjust base rates for the impact of the new tax legislation. The calculation of the required change in base rates will be submitted to the Commission for review within 90 days of the enactment of the new tax law. FPL is not asking for any adjustment in base rates prior to a change in tax law, it is simply seeking a mechanism to allow for an adjustment to base rates should new tax laws be enacted that change FPL's cost of service during the term of FPL's four-year proposal.

Q. Should FPL include the impact of any new tax law in its earnings surveillance reports and offset with RSAM, as suggested by OPC witness Smith?

A. Absolutely not. A potential change in the income tax rate will significantly impact revenue requirements. The Company's four-year rate plan, and the $1.48 billion of RSAM, an essential component of this plan, do not contemplate any potential impacts due to changes in tax law and FPL cannot absorb the corresponding significant increase to revenue requirements.

Q. Does FPL agree that its proposal for an adjustment to base rates should apply to either an income tax rate increase or decrease?

A. Yes. FPL commits to adjust base rates for any change in tax law, whether it is an income tax rate increase or decrease.

VII. DIRECTORS AND OFFICERS LIABILITY EXPENSE

Q. Do you agree with OPC witness Smith's proposed adjustment to reduce DOL insurance expense by 50% to reflect an allocation to shareholders?

A. No. DOL insurance is an essential and prudent cost to attract and retain skilled leadership and is appropriately included in the Company's determination of revenue requirements in this case. DOL insurance is a necessary part of conducting business for a large corporation. In light of the growing risk exposures related to corporate governance, it would be impossible to attract and retain experienced directors and officers without the protections offered by the DOL program.

Q. Should the Commission include FPL's requested expense for DOL insurance in its revenue requirement calculation?

A. Yes. DOL insurance directly benefits customers and is a necessary and reasonable expense for FPL to provide service to its customers.

Q. Does this conclude your rebuttal testimony?

A. Yes.

High-Level 2024 & 2025 Revenue Requirements
($ Millions)

Line	Description		2023		2024		2025	Reference
	FPSC Adjusted Rate Base							
1	Capital Expenditures	$	7,056	$	7,355	$	7,325	FIPUG INT No. 43
2	*Less:* SPPC Capital Expenditures	$	1,268	$	1,311	$	1,035	Docket No. 20200071-EI, Exhibit MJ-1, Appendix C (FPL); Docket No. 20200070-EI, Exhibit MS-1, Appendix C (Gulf).
3	Adjusted Capital Expenditures	$	5,789	$	6,044	$	6,290	
4	Average Depreciation Rate[1]				2.87%		2.87%	Exhibit KF-3(B), Page 24 of 47
5	Annual Depreciation & Amortization	$	2,429	$	2,599	$	2,776	MFR C-01 SYA
6	**FPSC Adjusted Rate Base**	**$**	**59,605**	**$**	**62,923**	**$**	**66,314**	MFR B-01 SYA
7	**FPSC Adjusted Rate Base - Incremental Growth**			**$**	**3,318**	**$**	**3,391**	
8	Pre-Tax Weighted Average Cost of Capital (WACC)				8.88%		8.99%	MFR D-01 SYA - As adjusted
9	Property Tax Rate				1.75%		1.75%	MFR F-08 SYA
10	**Revenue Requirement Multiple**				**10.63%**		**10.74%**	
11	**Revenue Requirement - Capital Initiatives**			**$**	**523**	**$**	**541**	
	Operating Expenses							
12	CPI Index				2.1%		2.2%	Staff INT No. 151
13	2024 and 2025 FPSC Adjusted O&M Expense	$	1,380	$	1,409	$	1,440	MFR C-01 SYA
14	**FPSC Adjusted O&M Expense - Incremental**			**$**	**29**	**$**	**31**	
15	**Total Revenue Requirements - Incremental**			**$**	**552**	**$**	**572**	
16	*Less:* SoBRA Revenue Requirements			$	140	$	140	Test Year Notification filed on January 11, 2021
17	**Net Revenue Requirements - Incremental**			**$**	**412**	**$**	**432**	
18	Annual Surplus			$	412	$	844	
19	Surplus - Rate Base Impact			$	22	$	67	
20	Total Annual Surplus			$	433	$	911	
21	**Total Cumulative Surplus [2]**			**$**	**433**	**$**	**1,345**	

[1] Based on the RSAM parameters as proposed by FPL witness Ferguson
[2] Assumes approval of the Company's requested base revenue increase in 2022 and 2023 and an 11.5% midpoint return on equity

FPL Productivity Savings

YEAR	ROE (%)			O&M ($ MILLIONS)			ROE O&M	ROE SURPLUS & OTHER
	ACTUAL[1]	MIDPOINT[2]	DIFFERENCE	ESTIMATED[3]	ACTUAL[4]	DIFFERENCE		
2017	11.08%	10.55%	0.53%	$1,420	$1,325	$ (95)	0.48%	0.04%
2018	11.60%	10.55%	1.05%	$1,472	$1,262	$ (210)	0.96%	0.09%
2019	11.60%	10.55%	1.05%	$1,501	$1,216	$ (285)	1.17%	-0.12%
2020	11.60%	10.55%	1.05%	$1,531	$1,236	$ (295)	1.08%	-0.03%
2021	11.60%	10.55%	1.05%	$1,562	$1,311	$ (250)	0.83%	0.22%
Average	**11.50%**		**0.95%**			**$ (1,136)**	**0.90%**	**0.04%**

O&M productivity was the key driver of FPL's ability to earn at the top of the allowed ROE range.

[1] *2017-2020 actual average ROE per the December ESR Schedule 1, Page 1 of 1. 2021 average ROE per the 2021 Forecasted ESR Schedule 1, Page 1 of 1.*

[2] *The 2017-2020 midpoint ROE per the December ESR Schedule 4, Page 1 of 2. 2021 midpoint ROE per the 2021 Forecasted ESR Schedule 3, Page 1 of 1.*

[3] *2017-2020 projected base O&M per FPL's response to OPC's First Set of Interrogatories No. 3, Attachment No. 1 in Docket No. 160021-EI. 2021 projected Base O&M assumes a 2% growth vs. 2020 Base O&M.*

[4] *Base O&M per MOPR Page 9. Excludes Revenue Enhancement and adjusted for storm costs. MOPR Page 9 for 2016-2020 provided in response to OPC's First Request for Production of Documents Supplemental Request No. 53 and OPC's First Request for Production of Documents Supplemental Request No. 46.*