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

August 26, 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 is the Pre-Filed Settlement Testimony of Tiffany C. Cohen together with Ms. Cohen's Exhibits TCC-11 and TCC-12.

Please contact me if you have any questions regarding this submission.

(Document 4 of 4)

Sincerely,

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

PRE-FILED SETTLEMENT TESTIMONY OF TIFFANY C. COHEN

PROPOSED SETTLEMENT AGREEMENT

DOCKET NO. 20210015-EI

AUGUST 26, 2021

Q. Please state your name and business address.

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

Q. Did you previously submit direct and rebuttal testimony in this proceeding?

A. Yes.

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

A. Yes. I am sponsoring the following exhibits:

- TCC-11 Bills at Unified Rates (Current FPL Customers)
- TCC-12 Bills at Unified Rates (Northwest Florida Customers)

I am also co-sponsoring Exhibit REB-15 Stipulation and Settlement Agreement, attached to the pre-filed settlement testimony of FPL witness Barrett.

Q. What is the purpose of your pre-filed settlement testimony?

A. The purpose of my pre-filed settlement testimony is to present the rates projected to result from the Stipulation and Settlement Agreement filed on August 10, 2021 ("Proposed Settlement Agreement"). Under the Proposed Settlement Agreement, the bills for all customers are projected to remain among the lowest in the nation. FPL's projected 2022 typical residential 1,000-kWh bill would remain nearly 21% below the current national average and the projected 2025 typical residential 1,000-kWh bill would remain nearly 22% below the projected 2025 national average. The rates under the Proposed

Settlement Agreement were designed in accordance with the Florida Public Service Commission's ("Commission") gradualism principle. Additionally, my pre-filed settlement testimony supports the addition of a minimum bill provision and moving the Regulatory Assessment Fee on customer bills from base rates and clauses into the Gross Receipts Tax line.

Q. Please summarize the base rate increases under the Proposed Settlement Agreement.

A. Under the Proposed Settlement Agreement, base rates and service charges would increase by an amount intended to generate an additional $692 million of annual revenues effective January 1, 2022, and an additional $560 million of annual revenues effective January 1, 2023. The Proposed Settlement Agreement also provides for the implementation of Solar Base Rate Adjustments ("SoBRAs"), subject to certain conditions and requirements, intended to cover the incremental costs of new cost-effective solar generation. As shown on Exhibits TCC-11 and TCC-12, the SoBRAs are estimated at approximately $140 million of annual revenues effective January 1, 2024, and an additional approximately $140 million of annual revenues effective January 1, 2025.

Q. What are the projected bills for the major rate classes under the Proposed Settlement Agreement?

A. The tariffs and rates provided in Exhibits B (2022) and C (2023) to the Proposed Settlement Agreement are based on unified rates for customers in the former FPL service area in Peninsular Florida and the former Gulf service area in

Northwest Florida. Exhibits TCC-11 and TCC-12 show the typical bills under the Proposed Settlement Agreement for customers in the former FPL service area and the former Gulf service area, respectively.

As shown on page 1 of Exhibit TCC-11, under the Proposed Settlement Agreement, the five-year compound annual growth rate ("CAGR") of the typical residential bill for customers in the former FPL service area is projected to increase from January 1, 2021 through December 31, 2025 by approximately 2.5%, as compared to 3.4% under the original as-filed rates. Additionally, under the Proposed Settlement Agreement, the typical residential bill for customers in the former Gulf service area is projected to decrease by approximately 0.7% through 2025 as shown on page 1 of Exhibit TCC-12.

Under the Proposed Settlement Agreement, and as shown on pages 2 through 5 of Exhibit TCC-11, the typical commercial and industrial ("CI") customers in the former FPL service area will see minimal growth in their rates of 1.1% to 3.1% through 2025, as compared to 3.9% to 4.9% under the as-filed rates. Similarly, under the Proposed Settlement Agreement, the CI customers in the former Gulf service area will see even lower percentage increases in their rates of flat to 1.4% through 2025 as shown on pages 2 through 5 of Exhibit TCC-12.

Q. Please describe the basis for allocation of the revenue increases under the Proposed Settlement Agreement.

A. Multiple parties presented evidence in this case regarding revenue allocation, and each had different proposals for how to allocate the revenue increase to the customer classes. The revenue allocation under the Proposed Settlement Agreement reflects a negotiated compromise of differing and competing positions by parties representing a broad range of interests and customers. Although the signatory parties did not agree to a specific cost of service methodology under the Proposed Settlement Agreement, the signatory parties agreed to allocate the revenue increase to the customer classes consistent with prior settlements. The allocation of the revenue increase under the Proposed Settlement Agreement is provided in Exhibit A, Schedule E-5 to the Proposed Settlement Agreement included in Exhibit REB-15 attached to the pre-filed settlement testimony of FPL witness Barrett.

All rates under the Proposed Settlement Agreement were designed in accordance with the Commission’s gradualism principle. The concept of gradualism limits the revenue increase for each rate class to 1.5 times the total system average increase, including adjustment clauses, and provides that no rate class receives a decrease in rates.

With respect to the residential class under the Proposed Settlement Agreement, the base revenue allocation is approximately 59%. This is higher than the as-filed case but is slightly lower than it has been for the past fifteen years. Additionally, in the Commission-approved 2016 Settlement Agreement, the residential class received nearly a 66% allocation of the increase in base revenue. If the residential class allocation from the 2016 Settlement Agreement had been applied in this case, the residential class would have been allocated an additional $45 million of revenues as compared to the allocation under the Proposed Settlement Agreement.

As previously mentioned, under the Proposed Settlement Agreement, the signatory parties agreed to an allocation of the revenue increase rather than to a specific cost of service methodology. However, if alternative cost of service methodologies were adopted, such as the 4 coincident peak (4 CP) method proposed by parties in this proceeding and in a recent Florida IOU settlement and the Minimum Distribution System (MDS) method also proposed by parties in this proceeding and previously approved by the Commission for at least two other Florida IOUs, the residential class could have been allocated substantial additional revenue responsibility under the as-filed case. As explained in the rebuttal testimony of FPL witness Dubose, the incremental responsibility to the residential customers would have been approximately $365.8 million in 2022 and approximately $390.5 million in 2023 under the as-filed case if these alternative cost of service methodologies were adopted. Customers would have been allocated approximately 69% of the total increase under these alternative cost of service methodologies as compared to the 59% they were assigned under the Proposed Settlement Agreement.

Finally, I note that the Proposed Settlement Agreement reflects a negotiated compromise by the signatory parties that results in a reduction in the overall revenue requirement of $383 million in 2022 and $45 million in 2023 and continues to provide rate stability through the minimum four-year rate plan. FPL witness Barrett also describes additional benefits in his pre-filed settlement testimony.

Q. Please explain the minimum bill provision included in the Proposed Settlement Agreement.

A. The Proposed Settlement Agreement provides for the addition of a minimum base bill to better ensure all residential and general service non-demand customers contribute towards their fair share of fixed system costs, which do not vary with usage of electricity. FPL incurs fixed system costs to connect and serve a customer even if that customer's usage is low or zero, which could result in other customers subsidizing the customer with low or zero usage, including customers with second homes that may have no consumption during the off-season.

Under the Proposed Settlement Agreement, FPL's base charge (formerly the customer charge) in 2022 will be $8.99, which is the lowest among all Florida investor-owned utilities and among the lower base charges in the state of

Florida. The Proposed Settlement Agreement provides a minimum base bill of $25.00 for residential and general service non-demand customers. This will help better ensure that all customers contribute towards their fair share of fixed system costs. It also represents an alternative to increasing the base charge, which would impact all customers including low-income customers and not only those customers with low or zero usage. The vast majority of customers will have usage that exceeds the low threshold for the minimum base bill, and only a small number of customers who consume very little or no energy will be impacted by the new minimum bill provision. On average and over the term of the Proposed Settlement Agreement, approximately 360,000 residential and 110,000 general service customers per month pay less than a $25 base bill. These customers generally use less than 230 kWh and 180 kWh per month, respectively.

The minimum bill provision of the Proposed Settlement Agreement reflects a reasonable compromise of differing positions and negotiations. FPL submits that adding a proposed minimum bill will ensure that customers with little to no usage fairly and reasonably contribute to the fixed costs incurred to serve them and will reduce the potential for subsidization by other customers.

Because the minimum bill provision is the result of a settlement rather than part of FPL's original as-filed proposal, FPL will need some additional time to make the billing system changes necessary to implement the minimum bill. FPL estimates that billing system modifications will be completed by June 1, 2022.

Q. Please explain the modification to the Regulatory Assessment Fee ("RAF") under the Proposed Settlement Agreement.

A. In accordance with Section 350.113, Florida Statutes, and Rule 25-6.0131, Florida Administrative Code, FPL is required to remit to the Commission a RAF of 0.00072 of gross operating revenues. Today, base and clause rates are grossed up to include this amount. Under the Proposed Settlement Agreement, FPL will remove the RAF from base and clause rates and collect it in the Gross Receipts Tax line item, which appears as a separate line item on the customer bill. The proposed modification to the RAF on the customer bill will have no impact on the overall total customer bill. To provide further clarity to customers, the line item appearing on a customer bill will be renamed "Gross Receipts Tax and Regulatory Assessment Fee" or an appropriate variation thereof. FPL estimates this change will be made on January 1, 2022 consistent with the effective dates of new rates; provided, however, that if that modification is not complete by January 1, 2022, FPL will forgo cash collection from customers until such time as the modification is complete and FPL will fund the RAF during this interim period.

Starting January 1, 2022, FPL will no longer include RAF in its clauses. FPL will include any over-recovery associated with RAF in the actual/estimated and final true-up filings for each clause.

Q. Have you submitted a correction to an exhibit to the proposed Settlement Agreement?

A. Yes. During the course of responding to discovery on the Proposed Settlement Agreement, FPL determined that there was an inadvertent stenographic error on Line 49 of Exhibit A, Schedule E-5 to the Proposed Settlement Agreement. FPL provided a corrected Exhibit A, Schedule E-5 in response to Staff's Fifth Data Request No. 3. This correction has no impact on the revenue requirements, allocations, rates, or tariffs under the Proposed Settlement Agreement. The corrected Exhibit A, Schedule E-5 to the Proposed Settlement Agreement is included in Exhibit REB-15 attached to the pre-filed settlement testimony of FPL witness Barrett.

Q. Please explain how FPL will address any corrections or updates to the consolidated tariffs provided in Exhibits B (2022) and C (2023) to the Proposed Settlement Agreement that may be identified during discovery.

A. FPL will include any additional corrections or updates to Proposed Settlement Agreement Exhibits B and C in a final complete tariff book that will be submitted to Staff for administrative approval following the Commission's final approval of the Proposed Settlement Agreement.

Q. Should the Proposed Settlement Agreement rates be approved?

A. Yes. The rates under the Proposed Settlement Agreement are part of a multi-faceted agreement that reflects a carefully balanced compromise of differing and competing positions by parties representing a broad range of interests and customers. The Proposed Settlement Agreement rates are consistent with the

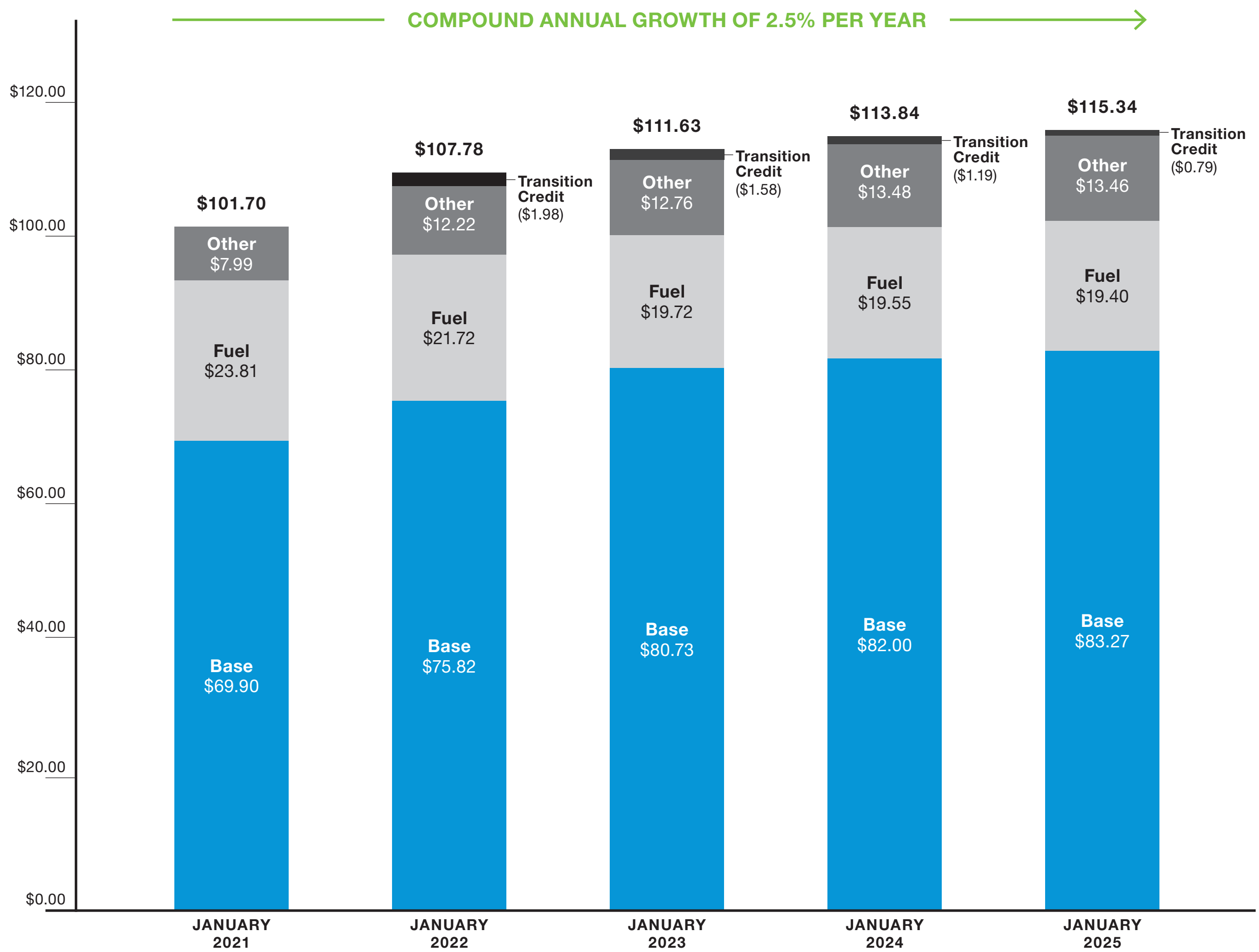
Commission's principle of gradualism, while still keeping typical residential bills 21% below the current national average and nearly 22% below the projected 2025 national average. Additionally, as further discussed in the pre-filed settlement testimony of FPL witness Barrett, the proposed rates provide customers with predictability and stability as part of the overall Proposed Settlement Agreement.

Q. Does this conclude your pre-filed settlement testimony?

A. Yes.

Typical Bills at Unified Rates - Current FPL Customers

1,000 kWh Residential Bill Comparison

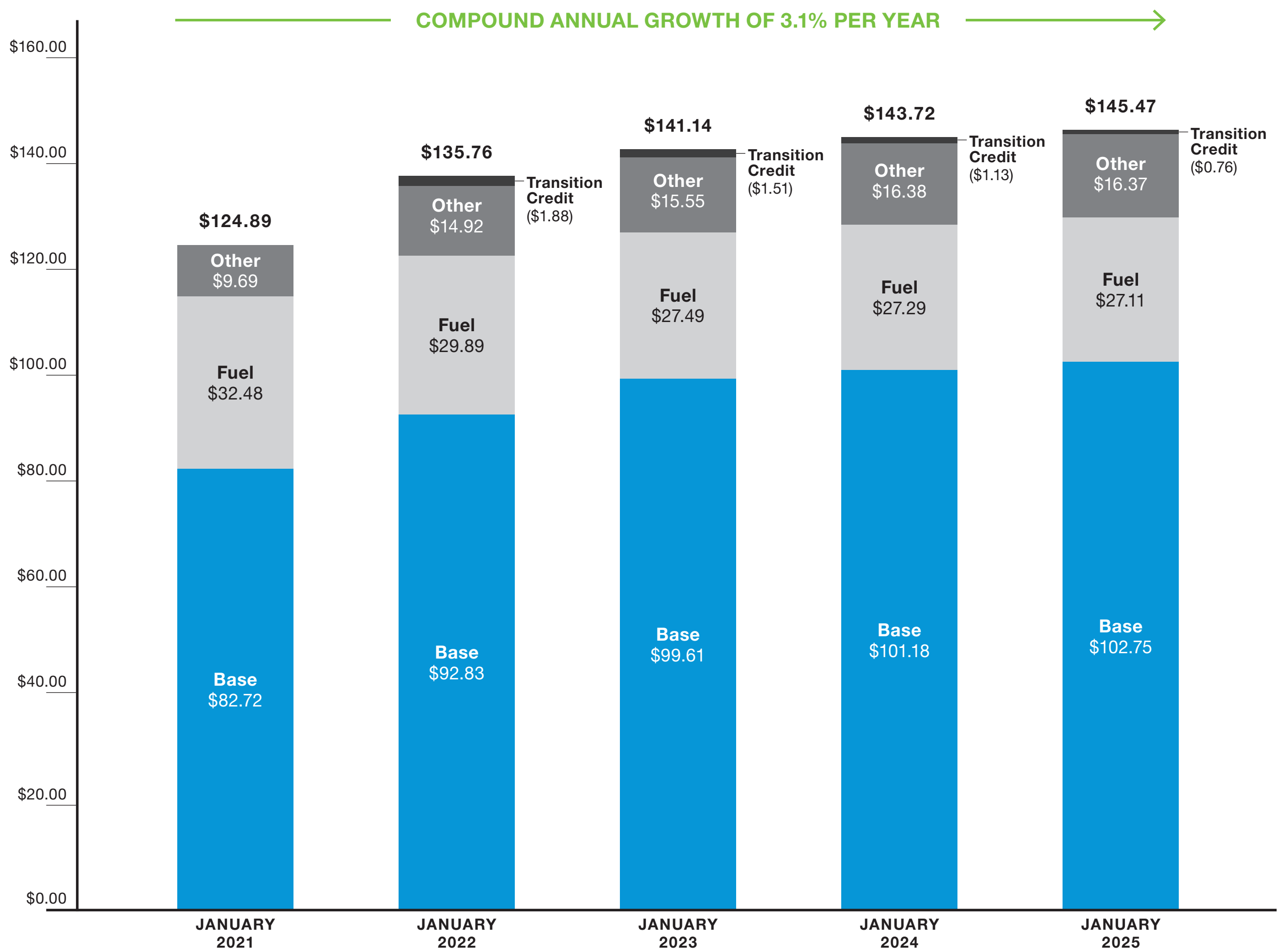


Notes:

1. *Assumes a unified rate structure for all customers with a declining Transition Credit to customers in the former FPL service area to account for the difference in the initial cost to serve.*
2. *"Other" includes Conservation Clause, Environmental Clause, Capacity Clause, Storm Protection Clause, Regulatory Assessment Fee and Gross Receipts Tax.*
3. *All clause projections are consistent with FPL's original filing with the exception that Regulatory Assessment Fee has been removed and is now included in Gross Receipts Tax.*
4. *Compound Annual Growth Rate is calculated on the full year.*

Typical Bills at Unified Rates - Current FPL Customers

1,200 kWh GS Commercial Bill Comparison



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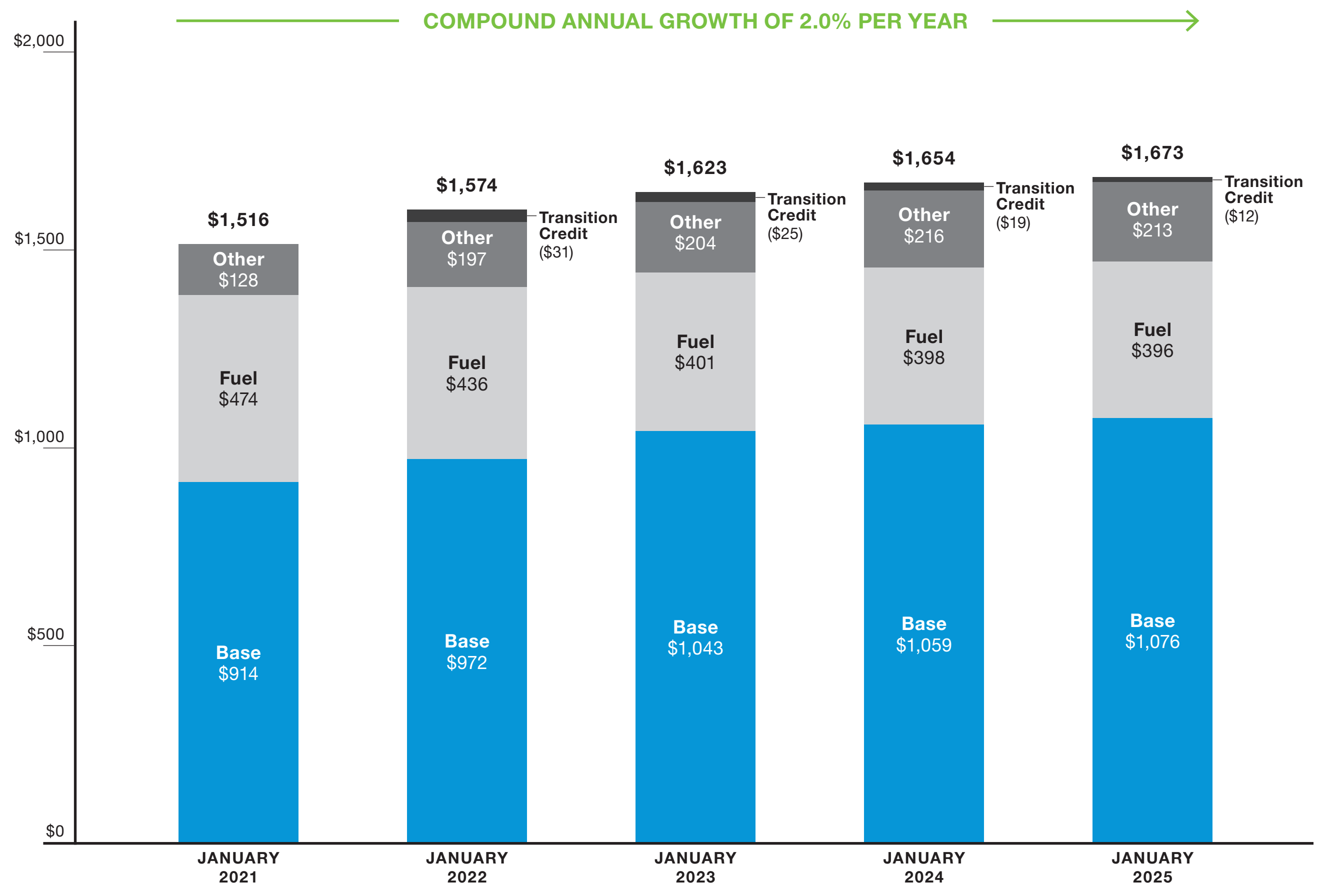
Typical Bills at Unified Rates - Current FPL Customers

17,520 kWh / 50 kW GSD Commercial Bill Comparison



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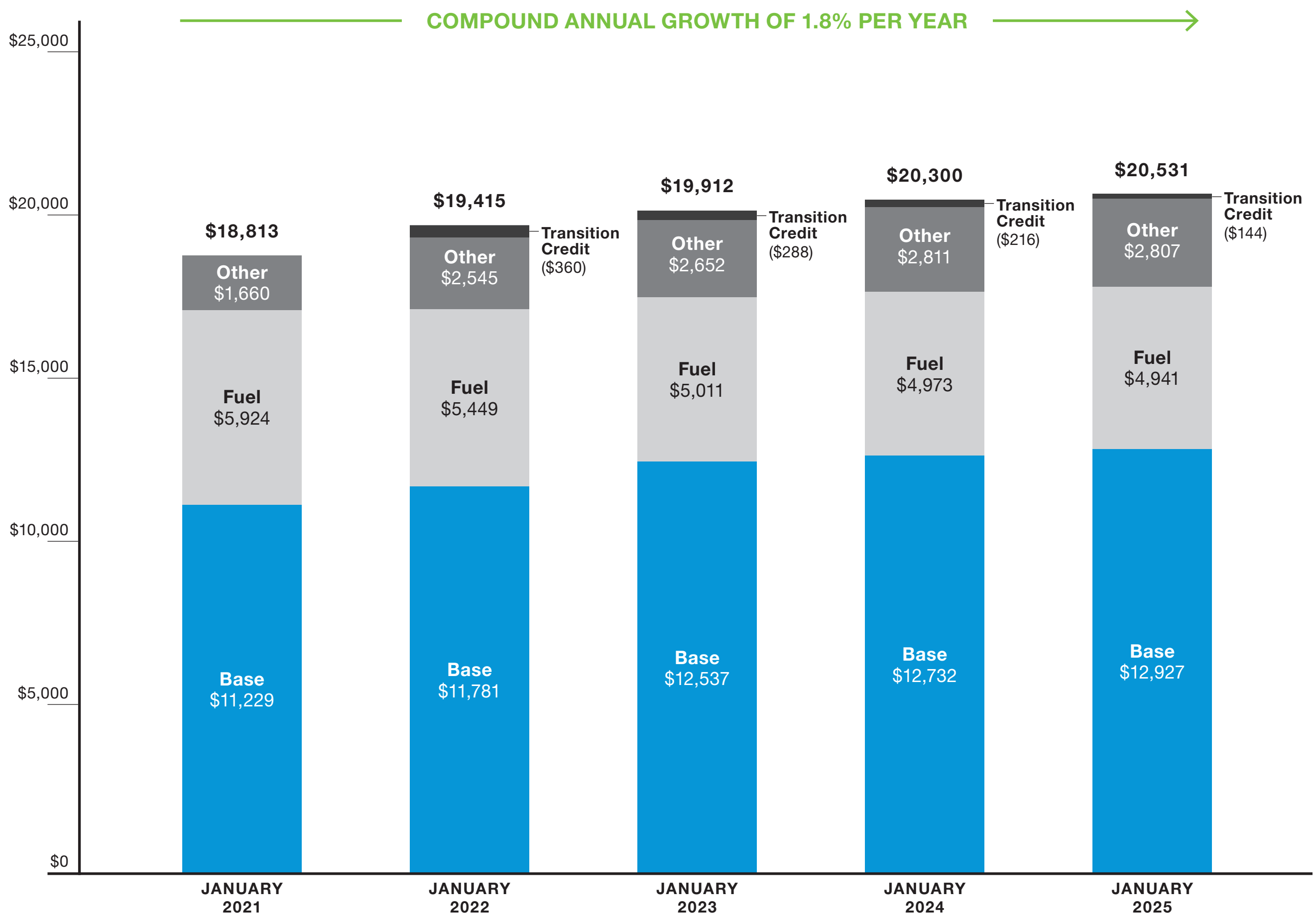
Typical Bills at Unified Rates - Current FPL Customers

219,000 kWh / 600 kW GSLD-1 Commercial Bill Comparison



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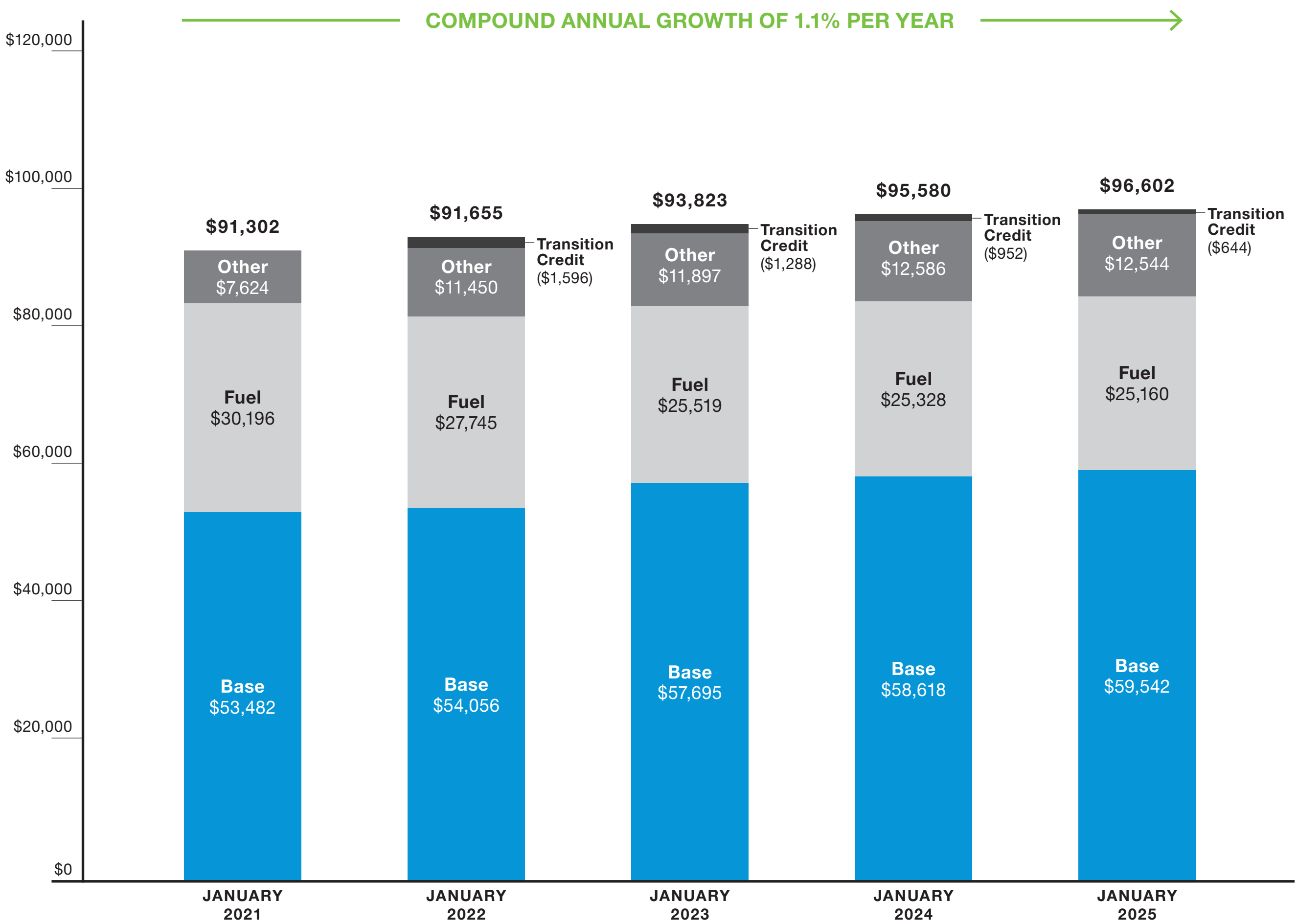
Typical Bills at Unified Rates - Current FPL Customers

1,124,200 kWh / 2,800 kW GSLD-2 Commercial Bill Comparison



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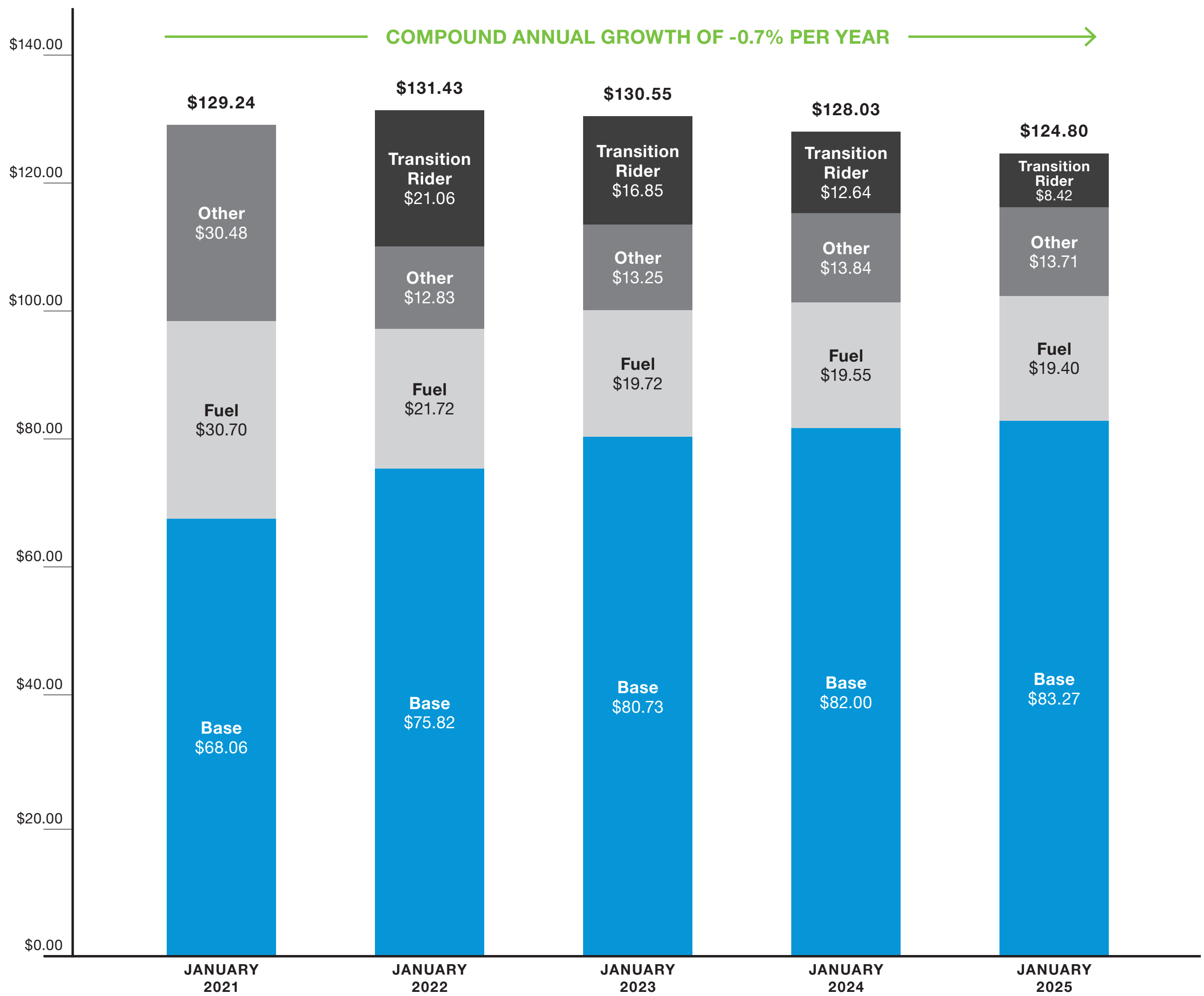
Typical Bills at Unified Rates - Northwest Florida Customers

1,000 kWh Residential Bill Comparison



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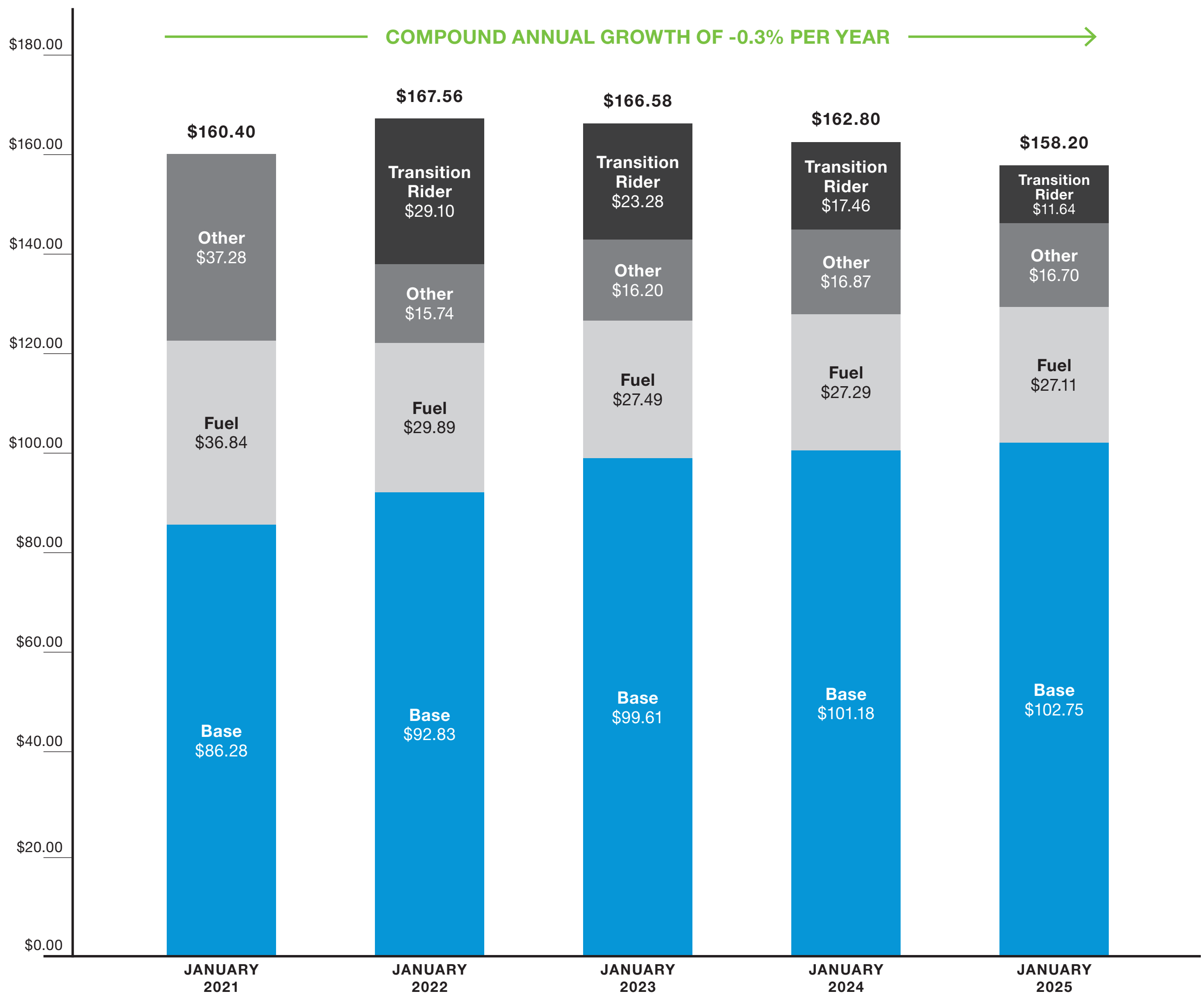
Typical Bills at Unified Rates - Northwest Florida Customers

1,200 kWh GS Commercial Bill Comparison



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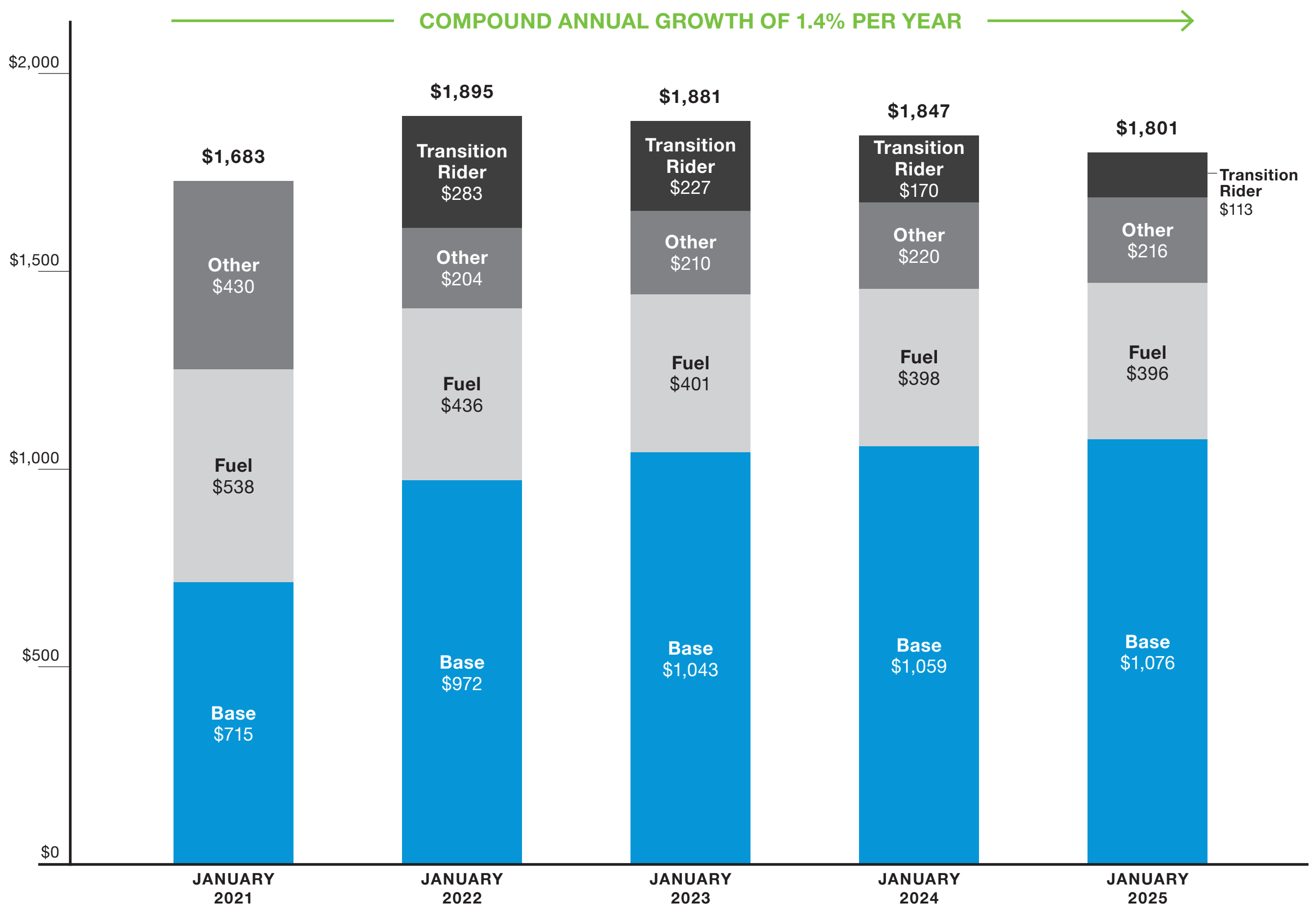

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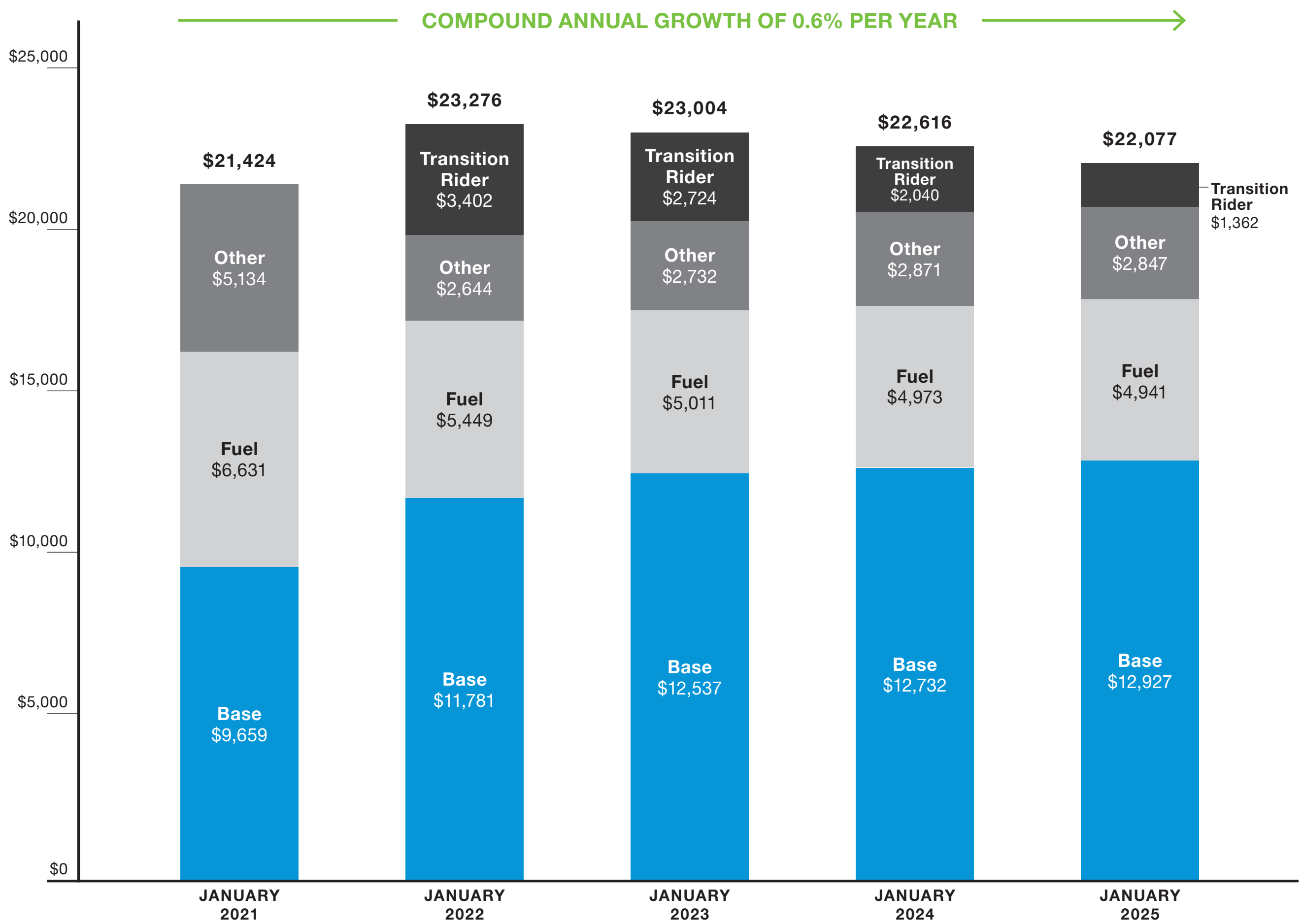
Typical Bills at Unified Rates - Northwest Florida Customers

219,000 kWh / 600 kW LP/GSLD-1 Commercial Bill Comparison



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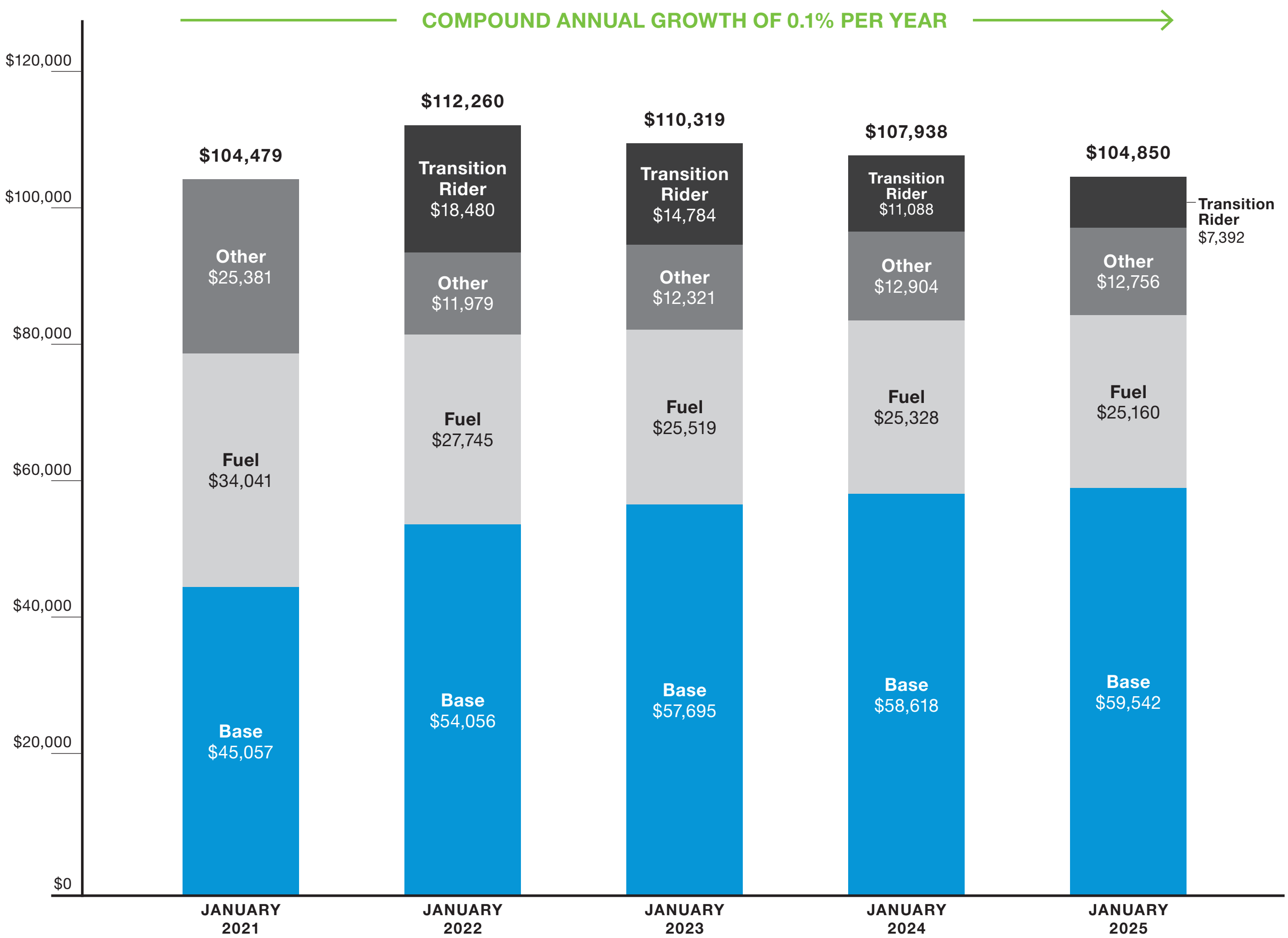

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