

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20210015-EI

Petition for rate increase
by Florida Power & Light
Company.

_____ /

VOLUME 9
PAGES 1880 - 2164

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER ANDREW GILES FAY
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Monday, September 20, 2021

TIME: Commenced: 9:30 a.m.
Concluded: 12:00 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

APPEARANCES: (As heretofore noted.)

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

	I N D E X	
	WITNESS:	PAGE
1		
2		
3	MACKENZIE MARCELIN	
4	Prefiled Direct Testimony inserted	1885
5	JUANITA ALVAREZ	
6	Prefiled Direct Testimony inserted	1898
7	LEIGH ANN GUSTAVUS	
8	Prefiled Direct Testimony inserted	1903
9	VIOLA JERKINS	
10	Prefiled Direct Testimony inserted	1910
11	ELIZABETH MATHIS	
12	Prefiled Direct Testimony inserted	1915
13	ANDREA MERCADO	
14	Prefiled Direct Testimony inserted	1922
15	KAREN OSSES	
16	Prefiled Direct Testimony inserted	1929
17	NOEMI SALVADOR	
18	Prefiled Direct Testimony inserted	1935
19	MARI CORUGEDO	
20	Prefiled Direct Testimony inserted	1942
21	SARAH HERNANDEZ	
22	Prefiled Direct Testimony inserted	1951
23	DAVID SINCLAIR	
24	Prefiled Direct Testimony inserted	1957
25		

	I N D E X (CONTINUED)	
	WITNESS:	PAGE
1		
2		
3	JOHANNES WERNER	
4	Prefiled Direct Testimony inserted	1963
5	BECKY AYECH	
6	Prefiled Direct Testimony inserted	1969
7	GLENNA BLOMQUIST	
8	Prefiled Direct Testimony inserted	1978
9	BOBBIE LEE DAVENPORT	
10	Prefiled Direct Testimony inserted	1983
11	SARA LEWIS	
12	Prefiled Direct Testimony inserted	1988
13	LINDA WILSON	
14	Prefiled Direct Testimony inserted	1992
15	STEVE W. CHRISS	
16	Prefiled Direct Testimony inserted	1997
17	RHONDA HICKS	
18	Prefiled Direct Testimony inserted	2032
19	DEBRA DOBIAC	
20	Prefiled Direct Testimony inserted	2039
21	JAMES M. COYNE	
22	Examination by Ms. Moncada	2074
	Prefiled Direct Testimony inserted	2076
23		
24		
25		

EXHIBITS				
	NUMBER:		ID	ADMITTED
1	1	Comprehensive Exhibit List	2044	2044
2	2-606	As identified in the CEL	2044	
3	607	Gulf Power Company Dec. 2017 Rate of Return Surveillance Report	2045	
4	608	Gulf Power Company Dec. 2016 Rate of Return Surveillance Report	2045	
5	609	Gulf Power Company Dec. 2015 Rate of Return Surveillance Report	2045	
6	610	Gulf Power Company Dec. 2014 Rate of Return Surveillance Report	2045	
7	611	Gulf Power Company Dec. 2013 Rate of Return Surveillance Report	2045	
8	612	Gulf Power Company Dec. 2012 Rate of Return Surveillance Report	2045	
9	613	Gulf Power Company Dec. 2011 Rate of Return Surveillance Report	2045	
10	614	Gulf Power Company Dec. 2010 Rate of Return Surveillance Report	2045	
11	615	Gulf Power Company Dec. 2009 Rate of Return Surveillance Report	2045	
12	3-52	As identified in the CEL	2045	
13	53-57	As identified in the CEL	2045	
14	70-89	As identified in the CEL	2045	
15	102-263	As identified in the CEL	2045	
16	281-290	As identified in the CEL	2045	
17	291-362	As identified in the CEL	2045	
18	365-372	As identified in the CEL	2045	
19	380-477	As identified in the CEL	2045	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

(Transcript follows in sequence from Volume
8.)

(Whereupon, prefiled direct testimony of
MacKenzie Marcelin was inserted.)

Errata Sheet**Witness: MacKenzie Marcelin – Direct Testimony**

<u>PAGE #</u>	<u>CHANGE</u>
P. 5, line 5	Replace “well over a thousand members” with “1,743 active members”
P. 5, line 7	Replace “A majority of Florida Rising members are FPL customers because most” with “856 Florida Rising active members are served by FPL as much of”

Direct Testimony of MacKenzie Marcelin
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF MACKENZIE MARCELIN
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. MacKenzie Marcelin.

3 **Q. Where do you live?**

4 A. 1444 NW 14th Ave., Apt. 1210, Miami, FL 33125.

5 **Q. What organization are you a member of?**

6 A. Florida Rising.

7 **Q. How long have you been a member?**

8 A. I've been a member for about 3 years.

9 **Q. What is your position in the organization?**

10 A. I am the Climate Justice Organizer for Miami-Dade County.

11 **Q. What is your source of income?**

12 A. My job at Florida Rising.

13 **Q. Are you a customer of FPL? If so, for how long?**

14 A. Yes. I've been a customer for about 3 years.

15 **Q. What do you think of FPL?**

16 A. FPL is a large monopoly that is allowed to run wild. It focuses on maximizing profits and
17 maintaining its power structure. FPL deceives the public by claiming to act in the best
18 interest of its customers and misrepresenting the extent to which it actually invests in energy
19 efficiency and clean energy, like solar. In its commercials, FPL shows rows and rows of solar
20 panels and talks about how "green" it is. In reality, FPL still relies on natural gas for about
21 70% of its energy generation. FPL also has a hold on elected officials. During Florida
22 Rising's anti-disconnection campaign last year is when I really saw the lobbying power from
23 FPL. Even though FPL was disconnecting people from power, often a necessary good to
24 survive, elected officials mostly sided with FPL. Rather than act in the interest of the people
25 they are supposed to represent, elected officials in Florida most often act in the interest of

1 FPL.

2 **Q. How much does your FPL bill usually cost each month?**

3 A. It is about \$80-100.

4 **Q. How do you feel about the current price you are paying for your utilities?**

5 A. Fortunately, I personally can pay my bill each month. However, that is not the situation
6 for many members of Florida Rising who struggle each month to pay their electric bills. FPL
7 customers pay way more than they should for electricity because FPL has built more
8 expensive power plants than are actually needed and because it refuses to provide customers
9 with meaningful energy efficiency aid to help them lower their usage and monthly bills. FPL
10 actually has some of the lowest energy efficiency in the entire country compared to other
11 utilities, which forces FPL customers to use more energy due to old homes or appliances, and
12 therefore allows FPL to build more expensive power plants that we all have to pay for.

13 **Q. Based on information provided by FPL, the base rate for electricity is projected to
14 increase by about 20%. How would this rate increase impact you?**

15 A. My financial situation is tight at the moment. Rent is extremely expensive in Miami. If I
16 had to pay 20% more on my electric bill, I would have to recalculate my budget and make
17 trade-offs in spending, meaning I would be forced to spend less on other necessities. Such an
18 increase would be a significant strain on my already limited checkbook.

19 **Q. As a Floridian, are you concerned about climate change?**

20 A. Yes. I am extremely concerned about climate change impacts like increasing
21 temperatures, sea level rise, and more frequent and intense hurricanes. A named tropical
22 storm already developed before the official start of hurricane season, and the National
23 Oceanic and Atmospheric Administration recently predicted another above-normal hurricane
24 season. I am particularly concerned because Black, Brown, and Indigenous people,
25 communities that Florida Rising represents, will have to face the worst impacts of climate

1 change, to which the energy industry has significantly contributed. By paying for fossil fuel
2 power, communities of color are paying the system that actively harms them. Communities
3 of color have little voice in deciding how much they pay for electricity and where power
4 plants are located, meaning they are disproportionately saddled with energy burdens they
5 cannot afford and increased pollution from living closer to contaminating power plants.

6 Additionally, these communities are often the last to get relief during “natural” disasters.

7 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
8 **upgraded methane gas power plants. Do you believe this will have an impact on the**
9 **climate?**

10 A. Yes. These plants will emit greenhouse gases, which will worsen our
11 atmosphere and further warm our planet. Methane is a particularly dangerous greenhouse gas
12 because it traps heat much more effectively than carbon dioxide. Even though gas plants may
13 have lower carbon emissions than other forms of fossil powered electricity, the processes of
14 fracking that gas and getting it to Florida leaks lots of methane. Our dependence on gas is
15 already way too high, and with all these emissions FPL shouldn't get to increase it more.

16 **Q: In light of that, how do you feel about contributing your own money to those**
17 **projects, through your FPL bill?**

18 A. It is disheartening because FPL will force me to pay for fossil fuel generation that will
19 disproportionately affect the communities that Florida Rising represents. I have no choice but
20 to give FPL this money—I need to power my computer and wifi for work, and air
21 conditioning to make it through our summers. When FPL continues to put our money into
22 bad fossil fueled projects, we are forced into contributing to climate change disasters that
23 FPL is worsening. FPL essentially is allowed to do what it wants, while we FPL customers
24 don't have a choice or say in how FPL invests our money in the energy system.

25 **Q. What organization are you speaking on behalf of?**

1 A. Florida Rising.

2 **Q. Where is your organization located?**

3 A. 10800 Biscayne Blvd, Suite 1050, Miami, FL 33161.

4 **Q. How many members does your organization have?**

5 A. We have well over a thousand members.

6 **Q. Approximately how many members are FPL customers? How do you know?**

7 A. A majority of Florida Rising members are FPL customers because most our member base
8 lives in the tri-county region, consisting of Palm Beach, Broward, and Miami-Dade counties,
9 all of which are serviced by FPL.

10 **Q. Is your organization a customer of FPL? If so, for how long?**

11 A. Yes. It has been for quite some time at its Broward County office, 1142 W. Sunrise Blvd.,
12 Fort Lauderdale, FL 33311.

13 **Q. How does your organization view FPL?**

14 A. Florida Rising views FPL as a corporation looking out for its own interests, not
15 the interests of the people of the State. Because of its strong lobbying team, one of the largest
16 in the state, FPL has a great influence over Florida's Legislature. FPL's interests are its own,
17 not those of its paying customers. The company has spent billions of dollars on unnecessary
18 investments in fossil-fuel infrastructure, from which FPL expects to reap profit. Even though
19 it continues to significantly contribute to climate change, FPL has not adequately responded
20 to hurricane disasters in low-income communities and communities of color. FPL does not
21 adequately provide low-income communities and communities of color with customer
22 service or energy efficiency offerings to help them lower their energy usage and electricity
23 bills. FPL's electricity disconnections disproportionately burden low-income communities
24 and communities of color. As an example of how it has disproportionately burdened frontline
25 communities with pollution, FPL did not listen to the voices of Florida Rising members

1 during the construction of the Dania Beach generating units, ignoring the community's
2 concerns about its impacts and overall disapproval of the project.

3 **Q. Usually, how much is your organization's monthly FPL bill?**

4 A. It varies, but about \$100 per month.

5 **Q. How does your organization feel about the current price it pays for utilities?**

6 A. Any price—it doesn't matter the amount—is too high if it contributes to the climate crisis
7 or to high energy burdens of low-income communities or communities of color.

8 **Q. How would FPL's proposed rate increase impact your organization?**

9 A. Florida Rising would have to divert money away from projects that empower
10 marginalized communities in order to pay more to a company that is making climate change
11 worse. The rate change would reduce our budget for our advocacy work that serves our
12 mission.

13 **Q. How would FPL's proposed rate increase impact the members of your organization?**

14 **How do you know?**

15 A. Many Florida Rising members, the majority of whom are working-class people,
16 would not be able to afford paying a 20% increase in their electricity bill. Because FPL's
17 bills are already expensive for people, the rate increase would put a financial strain on
18 members, who would have to make trade-offs in their budget and face the risk of
19 disconnection. High bills disproportionately burden low-income communities and
20 communities of color, who often live in energy inefficient homes and lack FPL's assistance
21 in making their residences more energy efficient. As average temperatures rise due to climate
22 change, members will be forced to use more air conditioning and therefore will have pay
23 even more each month for electricity. Because electric utility bills are already too high, FPL
24 should be looking for ways to lower electric bills, not increase them. I know that many
25 Florida Rising members will not be able to afford the increased rate because I talk with

1 Florida Rising members on a regular basis. Members have called me when they received
2 disconnection notices and told me about the stress they felt in trying to prevent such
3 disconnection. Other members were disconnected without warning. In the past year, Florida
4 Rising has given out many gift cards to members facing energy insecurity.

5 **Q. Is your organization concerned about climate change?**

6 A. Yes. Florida Rising members disproportionately live in coastal areas, making
7 them vulnerable to sea level rise and flooding from hurricanes and climate change. Policies
8 on sea level rise in South Florida have been geared more toward affluent communities near
9 the water, like Miami Beach, instead of communities like Homestead, home to a large Latinx
10 population, and North Miami, where a large Haitian population resides. However, each
11 community that Florida Rising serves, no matter its distance to the water, faces different
12 issues relating to climate change. For example, in Opa-locka, an inland city, many residents
13 have older homes that are more vulnerable to storm damage. The communities we serve
14 often lack tree cover, which contributes greatly to urban heat effect, exacerbated by rising
15 temperatures. Florida Rising members often live in energy inefficient homes and likely can't
16 obtain rooftop solar because it is expensive and/or because they are renters. There is also
17 inequity in climate disaster response, as people of color are often the last to receive disaster
18 relief from the government. Florida Rising has a Climate Justice team that helps the
19 communities we serve with hurricane preparedness, such as through checklist distribution
20 and weatherization assistance. Florida Rising advocated for a Climate Justice Accountability
21 Task Force in order to hold county officials accountable for their climate goals. We also
22 work to prevent utility disconnections and recently tried to pass a bill that would have
23 assisted people in utility debt. Florida Rising aims to empower the communities that will be
24 most negatively impacted by climate change to lead the movement in responding to climate
25 change. If such communities are not adequately involved in the decision-making process

1 regarding climate policies, then we risk perpetuating the same system that disproportionately
2 harms these communities. Our organization's members are already disproportionately
3 impacted by the negative effects of climate change and will become increasingly more so as
4 its effects intensify.

5 **Q: Does your organization believe that FPL's investment in new or upgraded methane**
6 **gas power plants will have an impact on the climate?**

7 A. Yes. These plants will produce unnecessary greenhouse gas emissions, which
8 will amplify global warming. Temperatures are rising, and storms continue to worsen.
9 Construction of such gas plants is unacceptable because they would be open for decades, and
10 the time is now to stop fossil fuel generation.

11 **Q: How does your organization feel about contributing its own money to those projects,**
12 **through its FPL bill?**

13 A. Florida Rising does not want to pay any amount of money that will further contribute to
14 climate change, which disproportionately harms communities of color.

15 **Q. What is the mission of your organization?**

16 A. Florida Rising is dedicated to building broader multiracial movements with
17 individuals from historically marginalized communities to seize power and govern to
18 advance social, economic, and racial justice.

19 **Q. How is the purpose of your organization being served by participating in this**
20 **proceeding?**

21 A. By ensuring a fair, just, and reasonable rate in this proceeding, Florida Rising
22 advances economic justice for its members. Florida Rising's participation in this proceeding
23 will help communities seize power because they will engage in this proceeding, have their
24 voices heard, and take more control over energy systems that historically have economically
25 harmed and negatively impacted the health of communities of color and low-income

1 communities. Asthma rates, polluted sites, and disproportionate energy burdens are all
2 directly caused or influenced by the policies and system at issue in this proceeding. The goal
3 is to amplify the voices from low-income communities and communities of color to enable
4 them to benefit from a clean, affordable, renewable energy system now and in the future.
5 Participation in this proceeding will allow Florida Rising to advocate for a departure from
6 investments in fossil fuel generation and towards clean energy, electrification, and energy
7 efficiency. In this proceeding, Florida Rising can expose FPL as a bad actor in the energy
8 transition by fighting against the “recovery,” i.e., profits, from FPL’s bad investments in bad
9 gas plants, i.e., the so-called “clean-energy” centers. Florida Rising, by participating, can
10 show communities and individuals that they can do something about their high electricity
11 bills and fight back. By preventing FPL from recovering funds for such wasteful spending on
12 climate-change-causing generation, Florida Rising can promote a just transition to clean
13 energy, making sure its members’ FPL bills pay for meaningful investments that advance
14 clean energy and community interests, not FPL profits.

15 **Q. Will a substantial number of your organization’s members be substantially affected**
16 **by the Commission’s decision in this proceeding? How do you know?**

17 A. Yes. As previously mentioned, most of Florida Rising’s members reside in FPL’s service
18 territory and are customers of FPL. We know this because we know where our membership
19 lives. As to how the many FPL customers among Florida Rising’s membership will be
20 substantially affected, first, many Florida Rising members are struggling financially and will
21 not be able to pay the 20% increase. Second, Florida Rising members generally come from
22 historically marginalized communities, which have been and will continue to be exposed to
23 the worst impacts of climate change. If FPL uses the increased revenue it gains from the rate
24 change to invest in fossil fuel generation, then the communities that Florida Rising represents
25 will disproportionately face the negative consequences.

1 **Q. How is the subject matter of this proceeding within your organization’s general**
2 **scope of interest and activity?**

3 A. The subject matter is within our organization’s general scope of interest and activity
4 because we seek to empower individuals from historically marginalized communities in
5 order to advance social, economic, and racial justice. By preventing the rate change and not
6 having to pay for FPL’s bad investments in gas plants, we are working towards a more
7 equitable society because communities of color should not face higher energy burdens or
8 more severe climate change impacts. Florida Rising is advancing economic justice for its
9 members by stopping FPL from unnecessarily increasing their bills, which many members
10 already cannot afford. We are advancing racial justice by seeking to mitigate climate
11 change—which disproportionately harms Black, Brown, and Indigenous communities—by
12 pushing for a rapid but just transition away from the carbon-based energy system that is the
13 single greatest cause of climate change.

14 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
15 **receive on behalf of its members?**

16 A. Many Florida Rising members survive on low incomes, and therefore individual
17 intervention in this proceeding would be cost-prohibitive. The pandemic is ongoing and jobs
18 aren’t fully back yet. The majority of our members still haven’t recovered financially,
19 especially as small businesses closed and the tourism industry suffered. This is an
20 economically insecure time for our members, not the time to add an additional expense in
21 their lives. Because most of our organization’s members cannot afford to pay FPL’s proposed
22 rate increase or intervene individually in this proceeding, the relief that Florida Rising
23 requests is appropriate to receive on behalf of its members.

24 **Q. How has your organization engaged with utility matters in the past?**

25 A. Florida Rising has participated in various proceedings at the Public Service Commission:

1 Docket Nos. 20190015-EG, 20190016-EG, 20190018-EG, 20190020-EG, 20190021-EG, *In*
2 *re: Commission review of numeric conservation goals*, Docket No. 20200219-EI, *In re:*
3 *Petition to initiate emergency rulemaking to prevent electric utility shutoffs, by League of*
4 *United Latin American Citizens, Zoraida Santana, and Jesse Moody*; and Docket No.
5 202000181-EU, *In re: Proposed amendment of Rule 25-17.0021, F.A.C., Goals for Electric*
6 *Utilities*. Outside of the PSC, Florida Rising has worked to stop disconnections during the
7 pandemic, provided emergency funding to restore power to disconnected households, and led
8 campaigns in opposition to new or expanded fossil fueled power plants in Florida,
9 particularly FPL’s expansion of its Dania Beach plant.

10 **Q. Why has it done so?**

11 A. Florida Rising’s mission calls us to advance racial, economic, and climate justice. As I
12 have explained numerous times through my testimony, energy and utility matters touch the
13 very heart of our mission, due to the disproportionate impacts the energy system has on low
14 income-communities and people of color in terms of affordability, access, and health, and the
15 direct connection of utility decisions to climate change, which further burdens these
16 communities. In past and current energy work, Florida Rising has participated to advocate on
17 behalf of low-income communities and communities of color that are over energy-burdened
18 and energy-insecure, and who are underrepresented in these PSC proceedings. FPL has
19 excluded and continues to exclude these communities from energy decision-making. Florida
20 Rising has intervened in matters so that stakeholders can thoughtfully and appropriately
21 address the concerns of these communities, who have been disproportionately harmed by the
22 energy system.

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Juanita Alvarez was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Juanita Alvarez
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF JUANITA ALVAREZ
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Juanita Alvarez.

3 **Q. Where do you live?**

4 A. 1865 NW 24th St, Apt. 3, Miami, FL 33142.

5 **Q. What organization are you a member of and for how long?**

6 A. I am a member of Florida Rising and I have been a member for 2 years. I was also
7 member of the New Florida Majority, now Florida Rising, for many years.

8 **Q. What is your source of income?**

9 A. Social security benefits.

10 **Q. Are you a customer of FPL? If so, for how long?**

11 A. Yes, I have been a customer for a very long time as I've lived in this area for a long time.
12 I have lived in my current home, serviced by FPL, for 4 years.

13 **Q. What do you think of FPL?**

14 A. I think FPL is very expensive. My family and friends will tell me how their bills go up
15 constantly. Miami is becoming hotter every year so people cannot wait to go inside to their
16 air conditioners. Many people I know tell me their bills are sometimes over \$200 because of
17 this. The rent in this area is already so high, so an increase in an FPL bill is too much. How
18 can this rate increase happen even with COVID-19 and wide-spread unemployment?

19 **Q. How is your current utility service?**

20 A. It is a high bill for just one person. When it increases, I go crazy and I have to get an
21 inspector to come out to check my meter.

22 **Q. How much does your FPL bill usually cost each month?**

23 A. It costs around \$80-85 a month. I try to prevent it from going up by really controlling my
24 air conditioner. However, it should be lower because I don't use as much and I live by
25 myself.

1 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
2 **increase by about 20%. How would this rate increase impact you?**

3 **A.** I cannot do this. It worries me because, if it goes higher than what it is now, how can I
4 possibly pay? I cannot live without electricity, but my income is not increasing along with
5 this. The cost of living is already so high, and there are so many people living under bridges
6 in Miami because of this. I cannot, along with my family and neighbors, afford to pay more
7 than what I am paying now for the electric bill.

8 **Q. As a Floridian, are you concerned about climate change?**

9 **A.** Yes. I, along with others, went to speak to Mayor of Miami a few years ago to talk about
10 climate change We go to the Everglades and see the water is so low, yet the streets of Miami
11 flood constantly, both when it rains and when it is sunny. On one instance, the streets started
12 to flood when I was driving and the water was so high it almost came up into my car. The
13 City spent so much time and money working to repair a road in Little Havana yet it still
14 floods. I have noticed an increase in this flooding and heat over the past few years.

15 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
16 **upgraded methane gas power plants. Do you believe this will have an impact on the**
17 **climate?**

18 **A.** Yes. We should not be using or building things that are going to make our planet hotter.
19 They aren't helping the families by doing this, but instead are hurting them in the future.

20 **Q: In light of that, how do you feel about contributing your own money to those**
21 **projects, through your FPL bill?**

22 **A.** I don't think that is good at all. This is not protecting the community or human beings in
23 general. Where is the justice and dignity? I receive only so much in Social Security and then
24 they are going to use my money for that? That is not fair. The extra money is not going to
25 helping the community, but instead is going to hurt the community. We are forced into an

1 ultimatum where we either have to stop using air conditioning or pay the high bill.

2 **Q. What is the mission of your organization?**

3 **A.** We fight for justice and dignity. We help people in our community with housing, assisting
4 women and immigrants, and focus on climate change. All of these things are directly tied to
5 justice and dignity. Our main goal is to help the human being.

6 **Q. How is the purpose of your organization being served by participating in this**
7 **proceeding?**

8 **A.** Not raising rates will help the community. Neighborhoods like Little Havana and
9 Allapattah are really suffering. Since we are not getting the help and assistance we need, we
10 have to fight for it. When we all get together, we can make a difference. We cannot allow
11 this to go on without our voices being heard.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Leigh
2 Ann Gustavus was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Leigh Ann Gustavus
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF LEIGH ANN GUSTAVUS
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Leigh Ann Gustavus.

3 **Q. What organization are you an employee of?**

4 A. I am an employee of Florida Rising.

5 **Q. What are your duties as an employee of Florida Rising?**

6 A. I am the Climate Justice Organizer in North Florida. My role specifically within the
7 organization is to organize and have conversations with the most disaffected communities in
8 the Jacksonville area, specifically communities that are more prone to flooding due to a lack
9 of updated infrastructure and that are the worst hit, with needs last to be addressed, post-
10 disaster. Day-to-day we ensure that people are prepared for hurricane season and ensure that
11 exposure to environmental toxins are not at a level that would be unacceptable to those in
12 upper middle class neighborhoods.

13 **Q. Is your organization a customer of FPL?**

14 A. Yes

15 **Q. How does your organization view FPL?**

16 A. FPL is a massive corporation that enacts its own will and agenda on a huge portion of
17 Florida and it is often not to the public's benefit. We want FPL to develop a better
18 relationship with the community at large and make decisions with the community that are in
19 the community's best interest.

20 **Q. Based on information provided by FPL, the base rate for electricity is projected to
21 increase by about 20%. How would this rate increase impact your organization?**

22 A. Our organization represents lower socio-economic and minority communities and this
23 would impact those communities significantly. These groups do not have a lot of extra
24 income to put towards this basic necessity if rates were to go up. They cannot opt out of
25 paying for their bills. Instead, they would have to buy less groceries that week or forego

1 buying new school clothes for their children because their utility bill is so imperative.

2 **Q. Is your organization concerned about climate change?**

3 **A.** Yes, very much. First and foremost, we are talking about and urging for equity in the
4 response to environmental and climate issues.

5 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
6 **upgraded methane gas power plants. Does your organization believe this will have an**
7 **impact on the climate?**

8 **A.** Absolutely it does. Methane is prone to leaking at every step from its extraction to
9 transportation to combustion, and is an incredibly potent greenhouse gas when it does. The
10 methane that is burned as intended still produces carbon dioxide emissions that contribute to
11 climate change. Even though not all people in Northeast Florida are FPL customers, for
12 people in low lying, coastal areas, FPL's climate-worsening emissions continue to increase
13 the risks of sea level rise, regardless of the name of the utility on their monthly bill. Also, the
14 emissions that come out of a project like that not only affect greenhouse gas levels but also
15 affect, on a more local scale, the communities surrounding those facilities. Northeast Florida
16 has a long history of poor air quality, and it was only in the 1990s that we got a lot of paper
17 mills out of area. Things are getting to a level with other manufacturers where it is again
18 affecting day-to-day life, so adding to that will be completely detrimental to community
19 health.

20 **Q: In light of that, how does your organization feel about contributing its own money to**
21 **those projects, through its FPL bill?**

22 **A.** We do not want any of our money to go to projects of that nature. To have the opportunity
23 to choose the projects our money is going towards is important because we are the people so
24 affected. FPL has a natural monopoly so we are subject to the decisions they make, but we
25 need true community input.

1 **Q. What is the mission of your organization?**

2 **A.** As a whole, we are a people-powered organization, advancing economic and racial justice
3 in Florida to not only win progressive elections or effect policy and legislation, but to create
4 communities where Black, Latinx, and Indigenous peoples can live happy, healthy, and
5 whole lives.

6 **Q. How is the purpose of your organization being served by participating in this**
7 **proceeding?**

8 **A.** We serve to amplify the voices and needs of the community who will be directly affected
9 by the result of this proceeding. Each of our organizers are talking to the community on a
10 day-to-day basis, developing relationships with other community leaders. Our ears are to the
11 ground. On a personal level, looking at Duval County, we recently went through our utility
12 almost being privatized. Knowing that we would be considered a smaller municipality, we
13 would likely have been bought up by FPL and would be subject to the direct decisions they
14 are making right now. However, smaller energy providers may follow suit with the decisions
15 FPL makes as they are a huge corporation. Even as someone that represents a community and
16 a portion of our members that are not specifically in FPL's territory, it is still relevant that
17 Duval and all other areas of Florida have a voice in this case.

18 **Q. Will a substantial number of your organization's members be substantially affected**
19 **by the Commission's decision in this proceeding? How do you know?**

20 **A.** Florida Rising members who reside in Duval county represent only a fraction of our
21 organization's statewide membership. Outside of Duval, looking to South Florida, we have
22 many members that live in FPL's provider area, including our highest population of
23 members, which is in the Broward and Miami-Dade area. We know this because we know
24 where our members live, we organize around their voting districts, and we are canvassing
25 their neighborhoods.

1 **Q. How is the subject matter of this proceeding within your organization's general**
2 **scope of interest and activity?**

3 **A.** We are concerned when the economic stability of the people in our community is affected.
4 We are organizing for change for people on every front, but economic justice at the forefront
5 because it is the most immediate and pressing issue for people. Before we even talk about an
6 election or coal ash spill-off, we are making sure that people have food to eat. Part of what I
7 do, along with many of our organizers, is connect resources to people. When people are in a
8 dire economic situation, we are connecting them to jobs and monetary resources. Raising the
9 cost of utilities will directly impact people's economic situations.

10 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
11 **receive on behalf of its members?**

12 **A.** Denying the rate increase is the only option for decency, but I do not think I would call it
13 relief. It would not be a relief to not raise the price of a resource FPL has an abundance of
14 and that they make plenty of profit on. Raising the price of a life necessity, after a pandemic
15 that still isn't over and after a long period of wide-spread unemployment where people are
16 dealing with extreme loss, is absurd.

17 **Q. How has your organization engaged with utility matters in the past?**

18 **A.** We were part of the effort to prevent the Jacksonville Electrical Authority (JEA) from
19 being privatized. We also assisted people in the pandemic to help them get their utility bills
20 paid through direct servicers.

21 **Q. Why has it done so?**

22 **A.** Not only is electricity a basic necessity that is not equitably offered to the people in the
23 communities that we represent, but with unpredictable rising costs that aren't in sync with the
24 rising living wage, we have to step in. In addition, we have the pandemic and wide-spread
25 unemployment to address. Economic justice is something we really fight for within our

1 communities and although utilities are a necessity, we feel we have to protect our
2 communities from the high costs.

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Viola
2 Jerkins was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Viola Jerkins
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY

OF VIOLA JERKINS

ON BEHALF OF

FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Viola Jerkins.

3 **Q. Where do you live?**

4 A. 3030 NW 8th Place, Fort Lauderdale, 33311.

5 **Q. What organization are you a member of and for how long?**

6 A. I am a member of Florida Rising. I'm not sure exactly how long I've been a member, but I
7 have gone to meetings and I do as much as I am able to do at my age.

8 **Q. What is your source of income?**

9 A. I am a retired school teacher so I live off of my retirement.

10 **Q. Are you a customer of FPL? If so, for how long?**

11 A. Yes, I have been a customer for over 60 years.

12 **Q. What do you think of FPL?**

13 A. I think they charge too much. I've been retired for over 20 years now and I haven't seen
14 much help and much improvement from FPL, yet my bill keeps going up.

15 **Q. How is your current utility service?**

16 A. I have not had any issues with service. However, they are not very responsive as of late. In
17 the past, they would make sure tree limbs close to power lines were cut down before
18 hurricanes, but they have not been doing that recently. In addition, some people I know were
19 left without power for two weeks after a hurricane.

20 **Q. How much does your FPL bill usually cost each month?**

21 A. \$300-400.

22 **Q. Based on information provided by FPL, the base rate for electricity is projected to
23 increase by about 20%. How would this rate increase impact you?**

24 A. I am a retired school teacher and teachers don't make too much money. This increase
25 would be way too much for me, especially since my bill is already too high. I would be

1 unable to pay.

2 **Q. As a Floridian, are you concerned about climate change?**

3 **A.** Yes I am. The rains have gotten more intense where I live and the flooding in my area has
4 increased. Though the roads would flood in the past when it rained, this most recent time was
5 incredibly unusual. We could not even travel down the east part of my street because the
6 water was so high. It was a scary sight.

7 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
8 **upgraded methane gas power plants. Do you believe this will have an impact on the**
9 **climate?**

10 **A.** I'm not well informed enough about these specifics, though I will say I'm a bit scared of
11 gas. I do know that I'm very concerned about climate change, so if using this gas does have a
12 bad impact, I don't think they should be doing that.

13 **Q: In light of that, how do you feel about contributing your own money to those**
14 **projects, through your FPL bill?**

15 **A.** Again, I'm not informed about the methane gas plants, but I don't want to see things get
16 worse. I think they should focus on improving their current services like the cutting down of
17 trees in preparation for hurricane season with the money they already have. They seem to not
18 be doing anything about it. I've even been told I have to pay when someone else's tree falls
19 into my yard, why would I then pay even more for their service?

20 **Q. What is the mission of your organization?**

21 **A.** Florida Rising has really helped our struggling communities, for example, helping those
22 who are not totally able pay all of their light bills. There was a period recently where there
23 were thousands in Fort Lauderdale were without clean water because of faulty piping
24 infrastructure in the city. Florida Rising brought me clean water and distributed it to the
25 community before the city even did. They have also coordinated to make sure the seniors in

1 the community were taken care of. Florida Rising is there to help those that need it.

2 **Q. How is the purpose of your organization being served by participating in this**
3 **proceeding?**

4 **A.** Since Florida Rising's purpose is to help our communities, ensuring that vulnerable
5 populations do not have to pay more for their electric bill is important. Though it often seems
6 like the rich get richer and the poor get poorer, those people who make a limited income and
7 need help with the basic things are helped and supported by Florida Rising. It is also so
8 important that people from Broward County are involved as well, to ensure our community
9 has a voice.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Elizabeth Mathis was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF ELIZABETH MATHIS
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 **A.** Elizabeth Mathis.

3 **Q. What organization are you an employee of?**

4 **A.** Florida Rising.

5 **Q. What are your duties as an employee of Florida Rising?**

6 **A.** I am the Central Florida Climate Justice Organizer. My primary role is as the coordinator
7 of our Disaster Resilience Initiative. This is a program that was created to help communities
8 become more resilient to disasters, such as hurricanes, which are becoming more frequent,
9 and the on-going pandemic. It is a network that builds leadership within frontline
10 communities and my role as coordinator is to provide resources and connections with the
11 community. Not only do I facilitate hurricane preparedness and response, but also things like
12 affordable and safe housing. Any issues around frequent utilities disconnections or
13 unnecessarily high utility bills also fall into my work. We have a lot of people who rely on
14 air conditioning or power due to health issues, so they are part of what we consider frontline
15 communities. I also organize around environmental injustice issues as well as legislative
16 advocacy at the local and state level. Ultimately my job is to respond to the needs of the
17 community, which often includes environmental needs. For instance, right now, we are
18 working on a campaign about predatory landlords that are not cleaning up black mold in the
19 homes of some of our community members.

20 **Q. How does your organization view FPL?**

21 **A.** It is not positive. Utility companies, and FPL especially, are taking advantage of frontline
22 communities. Not only are energy efficiency standards in Florida already awful, but they are
23 also trying to raise the rates in the middle of a pandemic. We are even seeing disconnections
24 now and we are in hurricane season. They do not have our best interest in mind and we are
25 very concerned with the negative impacts they are having on Floridians, including our

1 members in particular. We will do everything we can to protect our communities from
2 behaviors we view as predatory.

3 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
4 **increase by about 20%. How would this rate increase impact your organization?**

5 **A.** Our communities are already having a difficult time paying. Many in our lower income
6 communities are paying upwards of \$200 a month. If we are talking about raising rates even
7 further, with the pandemic and unemployment, it is completely unsustainable and likely not
8 possible in our communities. Historically, our legacy organizations have not been direct
9 relief organizations. However, especially with the pandemic and many non-profits closing
10 their doors, there is a greater demand for this type of relief and we want to get resources into
11 the community. For instance, through grants, we try to provide direct support our
12 communities so their power is not cut off. Since we were not initially built for this type of
13 relief, the internal infrastructure to support direct relief is still fairly new to us. We strive to
14 put our communities first and this rate increase will put a further strain on not just our
15 members, but on what we are able to provide them.

16 **Q. Is your organization concerned about climate change?**

17 **A.** Yes, absolutely. Florida is ground zero for the climate crisis in the US. We are already
18 seeing immense problems as a result of climate change. Historically speaking, hurricanes
19 haven't hit Central Florida as hard or frequently. However, we are starting to see more
20 intense storms much more frequently in this area. The forecast is already projecting 13-20
21 named storms for this hurricane season so we are going to start seeing major issues. Also in
22 Central Florida, we are experiencing not only heat stress from a lack of coastal breezes in
23 addition to rising temperatures but will also be majorly affected by inland migration due to
24 sea level rise. The economy in Central Florida is based almost exclusively on tourism, so we
25 already do not have enough of a diversified economy to handle such a large migration to our

1 area.

2 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
3 **upgraded methane gas power plants. Does your organization believe this will have an**
4 **impact on the climate?**

5 **A.** Absolutely. It is plainly incorrect to claim that natural gas is somehow renewable or
6 “clean” (which is what the FL legislation recently claimed by adding natural gas to the
7 definition of “renewable energy” at the state level). Methane gas is worse than carbon
8 emissions as it traps heat more than carbon in our atmosphere. It is also impossible to harvest
9 methane gas without leaks. This movement toward using methane is not only bad for the
10 environment in the current moment, but will also accelerate the overall climate crisis. The
11 movement from coal was so important, but we do not want to move in the direction of
12 methane gas. All new electricity generation should be coming from renewable resources—we
13 have to stop building things that burn fossil fuels.

14 **Q: In light of that, how does your organization feel about contributing its own money to**
15 **those projects, through its FPL bill?**

16 **A.** It is really frustrating because we don’t have an option. Florida utilities are allowed to
17 operate regional monopolies, which doesn’t give consumers a choice of which utility
18 company they prefer in any given area. This does not just affect current FPL customers but
19 also other utility customers because FPL is trying to buy up other utilities in other areas of
20 the state. It is not fair that we are putting money into bad environmental policies, but cannot
21 even have a say as to where the energy for each of our buildings comes from because of a
22 recent bill passed by the FL legislature that was widely supported by utility companies.
23 Divestment is a tactic we use in organizing, but here it is tough because we are still paying
24 into this machine that we cannot get away from. Honestly, it’s inappropriate and damaging,
25 especially when you look at the recent bill passed by the Florida Legislature that I mentioned

1 above that would prohibit local municipal governments from banning any specific type of
2 energy source, effectively ending 100% renewable energy goals for areas that don't have
3 municipal utility companies.

4 **Q. What is the mission of your organization?**

5 **A.** We work in Black, brown, and indigenous communities to advance both social and
6 political power. We work in frontline communities to empower leadership and take the
7 direction of these communities.

8 **Q. How is the purpose of your organization being served by participating in this**
9 **proceeding?**

10 **A.** We are advocating on behalf of communities as well as providing a space for our
11 community members to tell their stories. This proceeding allows our members to engage on a
12 statewide level and be heard in Tallahassee where many of FPL's decisions are actually
13 made, which is so powerful.

14 **Q. Will a substantial number of your organization's members be substantially affected**
15 **by the Commission's decision in this proceeding? How do you know?**

16 **A.** Yes. I know this because a huge bulk of our members reside in FPL's territory, since FPL
17 is the provider for a large portion of the state, and we also have the information from our
18 outreach work to the communities we represent. As I have stated, many of our members have
19 low incomes and high energy burdens already, and cannot afford for their electricity rates to
20 jump up by 20%.

21 **Q. How is the subject matter of this proceeding within your organization's general**
22 **scope of interest and activity?**

23 **A.** The subject matter affects vulnerable communities, so it is within our scope. As an
24 organization, we are the bridge between high-level policy and our communities, so this
25 proceeding is very much within our scope.

1 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
2 **receive on behalf of its members?**

3 **A.** We want to be able to keep our members from paying more than they can afford.

4 Generational wealth is a function of white privilege so many of our members are unable to
5 pay several hundred dollars every month for electric bills in addition to what they already
6 pay.

7 **Q. How has your organization engaged with utility matters in the past?**

8 **A.** We have already engaged with Duke Energy over a similar issue since I have been at
9 Florida Rising. I have only been with the organization since October so I cannot speak to
10 anything specifically before I arrived, but I do know we engaged with that kind of work
11 before.

12 **Q. Why has it done so?**

13 **A.** We have engaged for the same reasons that we engage in this FPL case. We do not want
14 any raised rates until energy efficiency standards are updated. Our lowest income families
15 cannot afford energy efficient appliances so they will end up paying exponentially more than
16 others. We are also very concerned about climate change, and we need all utilities to stop
17 building new fossil fuel infrastructure. Frankly, FPL needs to read the room. We are still in a
18 pandemic and there has to be recognition of what is going on and the severe harm this rate
19 increase could cause. We are also in a worsening climate crisis, and allowing FPL to keep
20 recovering money for new dirty energy infrastructure sends the wrong message.

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Andrea Mercado was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Andrea Mercado
FL RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF ANDREA MERCADO
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Andrea Mercado.

3 **Q. What organization are you speaking on behalf of?**

4 A. Florida Rising.

5 **Q. Where is the organization located?**

6 A. 10800 Biscayne Blvd, Suite 1050, Miami, FL 33161.

7 **Q. How long have you been involved in the organization?**

8 A. I've been Executive Director of Florida Rising since it was renamed from New Florida
9 Majority this past year and before the rename was Executive Director of New Florida
10 Majority since 2017.

11 **Q. What are your duties in that position?**

12 A. I lead organizational strategy, coordinate fundraising, evaluate the organization's impact,
13 and act as an organizational spokesperson.

14 **Q. What does your organization think of FPL?**

15 A. Florida Rising recognizes that FPL provides an important service but that it is granted a
16 privileged status by the Legislature, which should instead be advancing the needs of the
17 people it represents.

18 **Q. Based on information provided by FPL, the base rate for electricity is projected to
19 increase by about 20%. How would FPL's proposed rate increase impact the members
20 of your organization? How do you know?**

21 A. The rate increase would impact the thousands of our members who receive low or fixed
22 incomes. Many members are facing financial hardships and struggle to afford necessary
23 goods and services, like childcare and food. I personally know that many members would not
24 be able to afford the rate increase because I talk with Florida Rising members on a regular
25 basis.

1 **Q. Is your organization concerned about climate change?**

2 A. Yes. It is the most significant crisis we face because the impacts of climate change
3 disproportionately harm the historically marginalized communities that Florida Rising
4 represents. Rising temperatures in our region are a major concern for our members, many of
5 whom work outdoors or don't have access to air conditioning. Because climate change is
6 increasing the severity of storms, our members will likely experience more power outages.
7 Our members disproportionately suffer during outages because many members do not have a
8 vehicle or the means to leave to a different region. Florida Rising uses much of its resources
9 educating members about emergency preparedness and advocating for equitable climate
10 policies in order to protect human life.

11 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
12 **upgraded methane gas power plants. Does your organization believe this will have an**
13 **impact on the climate?**

14 A. Yes. These plants will emit greenhouse gases that will lead to further climate
15 change. FPL describes these plants as "clean," even though the plants still emit carbon
16 dioxide and though there is a potential for methane, an extremely powerful greenhouse gas,
17 to leak into the atmosphere during extraction, transportation, or energy production. Also,
18 such power plants are usually located in historically marginalized communities, and their
19 emissions often harm the health of community members. Florida Rising members protested
20 FPL's construction of a power plant in Dania Beach due to the negative impacts it would
21 have on their health and on the climate.

22 **Q: How does your organization feel about contributing its own money to those projects,**
23 **through its FPL bill?**

24 A. It is extremely problematic. FPL should only invest in solar and other forms of zero-
25 emission renewable energy because now is the time to move completely away from fossil

1 fuel generation. We live in a state where the sun shines over 300 days a year, which means
2 FPL could be on the cutting edge of solar. However, FPL still produces a majority of its
3 energy from gas, further aggravating the climate crisis.

4 **Q. What is the mission of your organization?**

5 A. The mission of Florida Rising is to build broader multiracial movements with individuals
6 from historically marginalized communities to seize power and govern to advance social,
7 economic, and racial justice.

8 **Q. How is the purpose of your organization being served by participating in this
9 proceeding?**

10 A. By participating in this proceeding, we are advancing social, economic, and racial justice
11 for the communities we represent. Preventing FPL's rate increase is economic justice
12 because a majority of our members would face extreme hardship in having to pay about 20%
13 more for their electricity. Low-income people of color, the people who Florida Rising
14 represents, already have the heaviest energy burdens. Moreover, members should not have to
15 pay the rate increase when FPL will use some of that extra revenue to invest in unnecessary
16 fossil fuel generation, which will contribute to further exacerbate climate change, which
17 again disproportionately impacts low-income communities of color. By preventing these
18 investments in fossil fuel generation, Florida Rising is advancing social and racial justice
19 because the health and safety of our members would be disproportionately impacted by
20 further climate change.

21 **Q. Will a substantial number of your organization's members be substantially affected
22 by the Commission's decision in this proceeding? How do you know?**

23 A. Yes. A majority of our members live in areas that are serviced by FPL. Because most of
24 our members come from low-income underserved communities, FPL's rate increase would
25 place an extremely heavy financial burden on our members. I know that members would be

1 substantially negatively impacted because our organization has monthly meetings with
2 members, who often tell me that they are struggling to pay their bills.

3 **Q. How is the subject matter of this proceeding within your organization's general**
4 **scope of interest and activity?**

5 A. Florida Rising advocates for the needs of historically marginalized groups, who will be
6 disproportionately impacted by the proposed rate increase.

7 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
8 **receive on behalf of its members?**

9 A. Most of Florida Rising's members, who survive on low incomes, would not be able to
10 intervene individually in this proceeding because of the time commitment and legal costs
11 required. For this reason, Florida Rising has intervened to represent the interests of its
12 members. Our organization advocates on behalf of communities that have historically borne
13 the brunt of policy decisions. Florida Rising members should not be forced to shoulder the
14 burden of the rate hike when they are cut off from millions of dollars from federal
15 unemployment benefits and recovering from a pandemic.

16 **Q. How has your organization engaged with utility matters in the past?**

17 A. Florida Rising has participated in various proceedings at the Public Service Commission:
18 Docket Nos. 20190015-EG, 20190016-EG, 20190018-EG, 20190020-EG, 20190021-EG, *In*
19 *re: Commission review of numeric conservation goals*, Docket No. 20200219-EI, *In re:*
20 *Petition to initiate emergency rulemaking to prevent electric utility shutoffs, by League of*
21 *United Latin American Citizens, Zoraida Santana, and Jesse Moody*; and Docket No.
22 202000181-EU, *In re: Proposed amendment of Rule 25-17.0021, F.A.C., Goals for Electric*
23 *Utilities*. Outside of these proceedings, Florida Rising organized protests in 2018 against
24 FPL's Dania Beach power plants, which would negatively impact the health of the
25 surrounding low-income community. Additionally, Florida Rising has provided financial

1 support to members who faced the threat of utility disconnection.

2 **Q. Why has it done so?**

3 A. Utility decisions relating to customer costs and to the environmental impact of energy
4 infrastructure disproportionately impact low-income communities of color. Therefore,
5 engaging in these energy issues is one way Florida Rising is working to accomplish its core
6 mission to advance social, economic, and racial justice.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Karen
2 Osse was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Karen Osse
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY

OF KAREN OSSES

ON BEHALF OF

FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Karen Osses.

3 **Q. Where do you live?**

4 A. 9800 Sheridan St., Apt. 305, Pembroke Pines, FL 33024.

5 **Q. What organization are you a member of?**

6 A. Florida Rising.

7 **Q. How long have you been a member of this organization?**

8 A. For three years.

9 **Q. What is your source of income?**

10 A. I am currently unemployed, but the week of June 21st, 2021, I will begin working as a Field
11 Manager for Florida Rising, where I will investigate the reasons why some of our members
12 choose not to get vaccinated.

13 **Q. Are you a customer of FPL? If so, for how long?**

14 A. Yes, for four years.

15 **Q. What do you think of FPL?**

16 A. I think that FPL takes advantage of its customers. Paying the electricity bill is very
17 expensive but it's a necessity, without which you can't survive. We have no choice about how
18 much we pay for electricity, and FPL doesn't care why people can't afford its bills sometimes.
19 FPL has no connection with or empathy for its customers. We shouldn't have difficulty paying
20 our FPL bills because electricity, like water, is a necessity, which should be affordable and
21 clean because everyone is paying for and affected by the emissions of the energy industry.

22 **Q. How much does your FPL bill usually cost each month?**

23 A. I pay between \$150-180 each month.

24 **Q. How do you feel about the current price you are paying for your utilities?**

25 A. My FPL bill is expensive. It's already hard for me to pay rent for my apartment. Even if I

1 wanted to save money by going solar, I couldn't invest in solar panels, both because it's too
2 expensive and I'm a renter.

3 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
4 **increase by about 20%. How would this rate increase impact you?**

5 **A.** A 20% increase is a lot. Recently we had just a one percent increase in our local sales taxes,
6 and that turned out to be expensive for me. With my light bill going up by 20%, I would have
7 to spend less on food, clothing and other things I use every day. I don't have a choice to not
8 pay for power because it's essential, and thus, I would have to change my budget to spend less
9 on other necessities and maybe even try to get a second job.

10 **Q. As a Floridian, are you concerned about climate change?**

11 **A.** Of course. Not only as a Floridian, but as a human I'm worried. My community will be
12 disproportionately harmed by climate change because we don't have money to storm proof our
13 homes. Nor can members of my community afford to just fly to another state when a hurricane
14 comes. Many people in my community don't even have time to worry about climate change
15 because they are already busy providing the daily necessities of their families. The saddest
16 thing is that the poorest people will be the most negatively affected by climate change.

17 **Q. Based on information provided by FPL, part of this rate increase will pay for new or**
18 **upgraded methane gas power plants. Do you believe this will have an impact on the**
19 **climate?**

20 **A.** Yes. FPL describes this type of energy production as "clean" or "natural" even though it
21 contributes significantly to climate change. Methane is 28 times more potent at trapping heat
22 in the atmosphere than carbon dioxide. Now is the time to stop unnecessary emissions because
23 climate change is already affecting my community, as it's hotter every year. In addition, the
24 emissions from these gas plants, usually located in communities of color or in low-income
25 communities, worsen air quality in the surrounding areas, which increases cases of respiratory

1 illnesses. We need to know the consequences of the gas plants because FPL is confusing people
2 into believing that they are clean even when they emit greenhouse gases and other air pollutants
3 that impact the climate and human health. FPL should invest only in solar or other forms of
4 renewable energy that don't produce harmful emissions.

5 **Q. In light of that, how do you feel about contributing your own money to those projects,**
6 **through your FPL bill?**

7 **A.** I don't want to pay so that FPL can harm my health. Emissions from the plants in which
8 FPL plans to invest will decrease air quality and will lead to further climate change, the impacts
9 from which threaten my safety. It doesn't make sense to have to contribute to climate change
10 and at the same time pay for health insurance. The emissions from gas plants and climate
11 change that they cause put the health and safety of my community in danger.

12 **Q. What is the mission of your organization?**

13 **A.** The mission of Florida Rising is to build multiracial movements with individuals from
14 historically marginalized communities to seize power and govern to advance social, economic,
15 and racial justice. Florida Rising fights to seek justice for and advance communities of color.
16 We want to inform the people we represent about matters that affect their well-being.

17 **Q. How is the purpose of your organization being served by participating in this**
18 **proceeding?**

19 **A.** By participating in this proceeding, Florida Rising is fighting for economic justice for its
20 members, the majority of whom are living on low incomes. Many of our members cannot
21 afford to pay the increase in the base rate, especially because many already have difficulty
22 paying their current bills. Besides, the pandemic has caused monetary instability for many
23 members of Florida Rising. It would not be just to force our members to pay more for
24 electricity, a necessity of survival, particularly now. Also, by participating in this proceeding,
25 we are promoting social and racial justice by protecting the health and safety of our

1 communities by seeking to prevent emissions that affect air quality and contribute to climate
2 change, which disproportionately harms communities of color.

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Noemi
2 Salvador was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Noemi Salvador
FLORIDA RISING
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF NOEMI SALVADOR
ON BEHALF OF
FLORIDA RISING

June 21, 2021

1 **Q. Please state your name.**

2 A. Noemi Salvador.

3 **Q. Where do you live?**

4 A. 4 West Las Olas Blvd., Apt. 311, Fort Lauderdale, FL 33301.

5 **Q. What organization are you a member of?**

6 A. Florida Rising.

7 **Q. How long have you been a member?**

8 A. I have been a member for a little less than a year.

9 **Q. What is your source of income?**

10 A. I work for Florida Rising. Also, as a midwife student, I get paid for attending births.

11 **Q. What is your position in the organization?**

12 A. I am a Climate Justice Organizer.

13 **Q. What are your duties in that position?**

14 A. I work with indigenous communities (I am a member of the Kichwa Nation) to ensure
15 food sovereignty, rebuild indigenous food pathways, reclaim land, protect sacred sites, and
16 hold oil corporations accountable, among many other types of projects. This work is
17 grounded in the principle that the well-being of land is attached to well-being of people.

18 **Q. Are you a customer of FPL? If so, for how long?**

19 A. Yes. I have been a customer for about a year and a half.

20 **Q. What do you think of FPL?**

21 A. FPL operates from a colonial standard. It is either delusional about its long-term impact or
22 doesn't care. FPL embodies the toxic and extractive attitude we work against. FPL is not
23 willing to work with customers and doesn't listen to what they are going through. As a multi-
24 billion-dollar utility company providing an essential good, FPL should not be allowing its
25 customers to choose between acquiring debt or getting the lights shut off. At Florida Rising,

1 we run phone banks, and many members tell us that they struggle to afford basic human
2 necessities, like electricity. It is cruel to financially burden customers for such a necessary
3 good.

4 **Q. How much does your FPL bill usually cost each month?**

5 A. It usually costs about \$20.

6 **Q. How do you feel about the current price you are paying for your utilities?**

7 A. I barely use electricity, as I often use candles for light. Also, fortunately my apartment is
8 relatively energy efficient because it is newer.

9 **Q. Based on information provided by FPL, the base rate for electricity is projected to
10 increase by about 20%. How would this rate increase impact you?**

11 A. The rate increase would force me to adjust my budget and spend less on other things I
12 need, like food.

13 **Q. As a Floridian, are you concerned about climate change?**

14 A. Yes. I think about it every day. Climate change disproportionately harms Black, Brown,
15 and Indigenous communities in South Florida, who are already facing a myriad of issues,
16 including the following: the inaccessibility of food for some Black communities in Broward,
17 the exploitation of industrial farming in Homestead, the tourism industry's destruction of the
18 shoreline, and oil extraction and toxic dumps near reservations. The effects of climate change
19 are happening right now. It is the beginning of hurricane season, and we already seeing the
20 formation of storms.

21 **Q: Based on information provided by FPL, part of this rate increase will pay for new or
22 upgraded methane gas power plants. Do you believe this will have an impact on the
23 climate?**

24 A. The chemical shape of methane is brutally effective at trapping heat and therefore
25 a contributor of the climate crisis. Methane exposure is also linked to reproductive issues.

1 Carbon dioxide emissions from such plants will contribute to the climate crisis and affect the
2 health of members, as they compromise the immune system. The Trump administration
3 butchered methane emission regulations, meaning that the gas industry has emitted much
4 more methane than it should have. By operating its existing plants and even building new
5 ones, FPL is adding to the demand for methane and further encouraging the reckless gas
6 industry. Besides, using methane gas is an inefficient and outdated energy method of energy
7 production.

8 **Q: In light of that, how do you feel about contributing your own money to those**
9 **projects, through your FPL bill?**

10 A. I feel so sad because I am essentially paying to increase health hazards for the
11 communities Florida Rising represents. Investment in these gas plants decreases our chances
12 of building an energy system that's efficient and safe for the land and our people. FPL needs
13 to think of the bigger picture rather than focus on the short-term goals of accumulating
14 money and pleasing its shareholders.

15 **Q. How would FPL's proposed rate increase impact the members of your organization?**
16 **How do you know?**

17 A. We are experiencing two global crises: COVID-19 and climate change. Limiting access to
18 electricity and water increases one's chances of getting COVID-19. These are extremely
19 difficult times for the communities that Florida Rising represents, and the rate increase would
20 cause further distress. Mental health issues have been on the rise during the pandemic, as
21 many are in survival mode struggling to get by. Black, Brown, and Indigenous communities
22 have to fight all the time to protect their livelihoods, and those same communities are
23 presenting the solutions to the systemic problems that harm them. The rate increase will be
24 another stressor in our members' already stressful lives. I know that FPL's rate increase will
25 place a significant financial burden on our members because we talk with them on a regular

1 basis. The rate increase was not a consensual decision with FPL customers. The money for
2 fossil fuel generation should not come out of our members' pockets. FPL's decision to raise
3 its base rate shows its lack of empathy with low-income customers, who often don't know if
4 they will be able to pay their bills every month.

5 **Q. What is the mission of your organization?**

6 A. The mission of Florida Rising is to build broader multiracial movements with individuals
7 from historically marginalized communities to seize power and govern to advance social,
8 economic, and racial justice.

9 **Q. How is the purpose of your organization being served by participating in this**
10 **proceeding?**

11 A. In this proceeding, we are advancing social, economic, and racial justice for our members
12 by fighting to prevent FPL from overcharging our members for a necessary good and from
13 causing further climate change, which disproportionately impacts the communities we
14 represent. We strive to do what's best for our members. The rate increase is a temporary fix
15 for providing what FPL calls "clean" energy. FPL's decision to increase the base rate is not
16 sustainable or compatible with goals of the communities we represent. Florida Rising wants
17 to fix the root of the issue of climate change. At the same time, we need to ensure that our
18 members have their basic needs met so that they can live a decent life.

19 **Q. Will a substantial number of your organization's members be substantially affected**
20 **by the Commission's decision in this proceeding? How do you know?**

21 A. Yes. The majority of our members would not be able to easily afford their power bill if
22 FPL increased the base rate. I know because I communicate with members regularly.

23 **Q. How is the subject matter of this proceeding within your organization's general**
24 **scope of interest and activity?**

25 A. Whenever corporations abuse our members, we would want to get involved whether such

1 abuse relates to oil, lead, or other energy industries. Florida Rising is not new to confronting
2 issues relating to the energy system. We aim to act in the best interest of our members, and it
3 is our role as community organizers to intervene when powerful actors try to take advantage
4 of them. FPL's rate increase is a form of oppression, and wherever there is oppression, there
5 has to be resistance.

6 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
7 **receive on behalf of its members?**

8 A. By preventing the rate increase and discouraging FPL from building even more polluting
9 fossil plants, Florida Rising would be supporting the wellbeing of all its members, the
10 majority of whom come from low-income communities. We have had grants that allow us to
11 help members get necessary goods and services, like food or light. We look for ways to give
12 back to the community and sustain their way of life.

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Mari
2 Corugedo was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Mari Corugedo
LULAC
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase)
 by Florida Power & Light) DOCKET NO. 20210015-EI
 Company)**

**DIRECT TESTIMONY
OF MARI CORUGEDO
ON BEHALF OF
LEAGUE OF UNITED LATIN
AMERICAN CITIZENS**

June 21, 2021

1 **Q. Please state your name.**

2 A. Mari Corugedo.

3 **Q. Where do you live?**

4 A. 6041 SW 159th Court, Miami, FL 33193.

5 **Q. What organization are you a member of?**

6 A. League of United Latin American Citizens.

7 **Q. How long have you been a member?**

8 A. I have been a member for about 8-10 years.

9 **Q. What is your position in the organization?**

10 A. The State Director of Florida.

11 **Q. What is your source of income?**

12 A. I am an elementary school teacher.

13 **Q. Are you a customer of FPL? If so, for how long?**

14 A. Yes. I've been a customer for about 30 years.

15 **Q. What do you think of FPL?**

16 A. FPL's prices have been increasing over the years, and the wages in Florida haven't kept
17 up with the price of electricity. Paying FPL for electricity is expensive. The price of utilities
18 keeps increasing when wages haven't and when affordable health care isn't an option for
19 most people.

20 **Q. How much does your FPL bill usually cost each month?**

21 A. It costs about \$300.

22 **Q. How do you feel about the current price you are paying for your utilities?**

23 A. The price I pay for electricity is expensive.

24 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
25 **increase by about 20%. How would this rate increase impact you?**

1 A. I wouldn't be able to afford it without having to spend less on other necessary goods and
2 services. My FPL bill is already expensive as is.

3 **Q. As a Floridian, are you concerned about climate change?**

4 A. Yes. Florida is one of the areas in our country that will be most negatively affected by
5 climate change due to hurricane risk and extremely hot temperatures. Our nation and state
6 have not adequately prioritized how to combat climate change. Our government leaders need
7 to base their policies on what the science clearly shows: climate change is a danger to our
8 future in South Florida. That means we need all of our public agencies to be making
9 decisions with the climate in mind, including when it comes to the electricity system.

10 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
11 **upgraded methane gas power plants. Do you believe this will have an impact on the**
12 **climate?**

13 A. Yes. FPL should be investing only in renewable energy because that is the way
14 of the future. Investing in gas plants that significantly emit greenhouse gases will hurt
15 communities of color in the end, who are most harmed by environmental hazards, such as
16 climate change impacts.

17 **Q: In light of that, how do you feel about contributing your own money to those**
18 **projects, through your FPL bill?**

19 A. I don't want to pay more so that FPL can invest in gas plants, which contribute to climate
20 change. I don't want to pay more so that climate change can further harm the communities I
21 represent, especially since this is a company that is forced upon us.

22 **Q. What organization are you speaking on behalf of?**

23 A. The Florida chapter of the League of United Latin American Citizens.

24 **Q. Where is your organization located?**

25 A. 6041 SW 159th Court, Miami, FL 33193.

1 **Q. How many members does your organization have?**

2 **A.** LULAC Florida has over 160 members.

3 **Q. Approximately how many members are FPL customers? How do you know?**

4 **A.** About one-third of our members are FPL customers. All of our south and southwest
5 Florida members, including all members of our chapters in Sarasota and in the metro Miami
6 area, have FPL for their electricity provider. We know this because FPL is the power
7 company for this area.

8 **Q. How does your organization view FPL?**

9 **A.** We don't necessarily have a negative view of their service, but we feel that the trend has
10 been that FPL has the power to make decisions and, overall, these decisions hurt their
11 customers. This is especially true for those customers that don't have the means to advocate
12 for themselves. For that reason, and for the disproportionate effects from energy burden and
13 pollution from power plants, LULAC's mission has required our organization to grow more
14 involved in energy advocacy on behalf of our membership, as we have by providing
15 comments or formally intervening in numerous energy dockets over several years. These
16 companies, including FPL, continue to make decisions that put our community in a
17 disadvantage economically and health wise, so we must continue to push back to protect our
18 community.

19 **Q. How would FPL's proposed rate increase impact your organization?**

20 **A.** LULAC always looks to advance economic conditions for our members, and this would
21 really put our members in an economic disadvantage. We need to bring equity to the
22 decisions they make for communities of color, particularly our Hispanic communities.
23 Instead, FPL is seeking to raise rates by 20%, even though this will particularly harm the
24 Hispanic community and other communities of color that already suffer disproportionate
25 energy burdens in Florida. Therefore, FPL's rate increase would impact LULAC Florida

1 because the organization will have to spend extra time advocating for better energy policy
2 and economic conditions for our members, taking away time and resources from other
3 important LULAC campaigns, such as improving education and bilingual access.

4 **Q. How would FPL's proposed rate increase impact the members of your organization?**
5 **How do you know?**

6 **A.** Many of our members are struggling, especially after COVID-19. Many are trying to get
7 back to their jobs, keep the lights on in their homes, and keep the food on their tables.
8 Increasing rates is not the way to help them. Renewable energy is not affordable for them, so
9 they often make decisions that are not the best for their families and our communities, but
10 that is all they can afford. The difficult energy burden on our members during this pandemic
11 is why LULAC Florida petitioned the Public Service Commission last year to suspend all
12 disconnections for all customers that can't afford to pay their bills during this crisis. We
13 made that petition alongside several of our individual members who were facing
14 disconnections for COVID-19 nonpayment, and on behalf of many other members who were
15 also struggling. Notably, that all happened before FPL announced its plans to increase rates
16 by 20%—this rate hike will only make the effects of expensive energy bills much worse for
17 our members.

18 **Q. Is your organization concerned about climate change?**

19 **A.** Yes, very concerned. We see that communities of color and specifically our members are
20 underrepresented when it comes to decision-making regarding climate issues. There are no
21 positive effects of climate change and lots of places where you see these negative issues,
22 such as air pollution, are in communities of color. This is not a partisan-issue, this is a time
23 for us to understand the crisis we are in.

24 **Q: Does your organization believe that FPL's investment in new or upgraded methane**
25 **gas power plants will have an impact on the climate?**

1 **A.** Yes, this will definitely have a very negative effect on our communities and cities. It is not
2 the way to move forward because increased emissions will lead to more air pollution and
3 contribute to climate change, the impacts of which disproportionately harm communities of
4 color. FPL may say gas is clean burning, but only solar panels have zero harmful emissions
5 for the people living around them. FPL needs to understand that we need to start looking at
6 science.

7 **Q. What is the mission of your organization?**

8 **A.** The mission of LULAC is to advance the economic condition, educational attainment,
9 political influence, housing, health and civil rights of the Hispanic population of the United
10 States.

11 **Q. How is the purpose of your organization being served by participating in this**
12 **proceeding?**

13 **A.** We are interested in community advocacy. LULAC understands that we must not stay
14 silent during this proceeding. We must take a stand and make our companies understand that
15 they are putting profit before people. LULAC's intention is to create a pause, to have them
16 understand how vital it is to make the correct decisions, especially where we find ourselves
17 economically and with our climate. Unfortunately, we won't get to have a voice at the table
18 unless we participate in this proceeding. FPL's decision to increase rates and invest in fossil-
19 fuel generation will have a very negative effect on our communities and our state.

20 **Q. Will a substantial number of your organization's members be substantially affected**
21 **by the Commission's decision in this proceeding? How do you know?**

22 **A.** Yes, our members in South Florida and Sarasota certainly will be affected by the rising
23 rates. However, whether they are FPL members or not, all of our members will be affected
24 because other companies may emulate what FPL is doing. We are a grassroots organization;
25 people volunteer their time to make sure we have these conversations. The communities we

1 advocate for will be affected and they are our mission.

2 **Q. How is the subject matter of this proceeding within your organization's general**
3 **scope of interest and activity?**

4 **A.** It is in the interest of the community and anything that has an ill effect on the community
5 is in our interest. This will put our communities at a disadvantage. The implications of this
6 proceeding are relevant to LULAC's mission. Because it seeks to improve the economic
7 condition of its members, LULAC wants to decrease members' energy burdens. Because it
8 aims to improve the health of its members, LULAC wants to prevent excess greenhouse gas
9 emissions from gas power plants. In advancing the housing conditions of its members,
10 LULAC seeks to prevent further climate change, which is causing more destructive
11 hurricanes and sea level rise, both of which pose risks to members' homes. Because it aims to
12 protect its members' civil rights, LULAC intends to give its members a voice in the decision-
13 making process of the energy system, which directly affects members in the ways listed
14 above. Ultimately it is the mission of LULAC to advance the condition of the Hispanic
15 community, and we have frequently fulfilled this mission by advocating at the Public Service
16 Commission for the well-being of our members and the broader Hispanic community. Our
17 involvement in this rate case, to seek equitable rates and a transition away from harmful
18 fossil-fuel powered generation, is no different.

19 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
20 **receive on behalf of its members?**

21 **A.** It will bring real change to our communities, it will bring something positive to the people
22 of Florida. It is important that FPL understands how they could really affect our state.

23 **Q. How has your organization engaged with utility matters in the past?**

24 **A.** We have been involved in other cases surrounding electricity, most recently focusing on
25 disconnections during the pandemic. We have intervened or been involved in the following

1 PSC matters: Docket Nos. 20190015-EG, 20190016-EG, 20190018-EG, 20190020-EG,
2 20190021-EG, *In re: Commission review of numeric conservation goals*; Docket Nos.
3 20200053-EG, 20200054-EG, 20200055-EG, 20200056-EG, *In re: Petition for approval of*
4 *demand-side management plan* Docket No. 20200219-EI; *In re: Petition to initiate*
5 *emergency rulemaking to prevent electric utility shutoffs, by League of United Latin*
6 *American Citizens, Zoraida Santana, and Jesse Moody*; and Docket No. 202000181-EU, *In*
7 *re: Proposed amendment of Rule 25-17.0021, F.A.C., Goals for Electric Utilities*.

8 **Q. Why has it done so?**

9 **A.** We want to make sure that we advocate in the community and ensure that we don't put
10 people at a disadvantage for profit. Decisions made at the Public Service Commission have
11 huge impacts on our membership and the Hispanic community. In order to fulfill our mission
12 to advance the condition of our community, we have at times determined it was important to
13 participate in utility or energy matters at the Commission and beyond.

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Sarah
2 Hernandez was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Sarah Hernandez
LULAC
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase)
 by Florida Power & Light) DOCKET NO. 20210015-EI
 Company)**

**DIRECT TESTIMONY
OF SARAH HERNANDEZ
ON BEHALF OF
LEAGUE OF UNITED LATIN AMERICAN
CITIZENS OF FLORIDA**

June 21, 2021

1 **Q. Please state your name.**

2 A. Sarah Hernandez.

3 **Q. Where do you live?**

4 A. 2239 Ixora Avenue, Sarasota, FL 34234.

5 **Q. What organization are you a member of?**

6 A. The League of United Latin American Citizens.

7 **Q. How long have you been a member?**

8 A. I have been a member of LULAC for about 3 years and was a founding member of the
9 Sarasota chapter of LULAC.

10 **Q. What is your source of income?**

11 A. I am a university professor.

12 **Q. Are you a customer of FPL? If so, for how long?**

13 A. Yes. I have been a customer since 1996.

14 **Q. What do you think of FPL?**

15 A. FPL is a monopoly, and I don't like that it's our only choice. FPL does not allow for
16 collaboration among customers to generate solar energy. I have explored the possibility to
17 reduce my rates by putting solar on my roof. Yet, because my roof is shaded by trees, I
18 cannot do so. I considered partnering with a neighbor, so as to put panels on their roof and to
19 have the energy go to my home. FPL, however, prohibits the transfer of energy from one
20 house to the next. That makes it impossible for community support systems to develop and
21 makes it so that people have no choice but to purchase electricity from FPL. I was
22 particularly angry when I learned that my city could save a lot of money and could contribute
23 to environmental improvements if they could use a photovoltaic system to produce energy
24 for our lift station. However, the panels needed to be placed in a next-door building. FPL
25 prohibited us from doing so! They were more interested in getting citizens to use our tax

1 dollars to line FPL's pockets than to use that tax money instead to benefit our low-income
2 citizens through improved social services. FPL leadership cared more about profits than
3 about the environment and community wellbeing. I don't understand why FPL doesn't
4 change its business model to incentivize its customers to use solar panels. If FPL doesn't
5 incentivize solar because of the comparatively smaller profit margin, that is just wrong
6 because all its customers would benefit from using solar by saving money.

7 **Q. How much does your FPL bill usually cost each month?**

8 **A.** My electric bills range between \$115 and \$140 dollars per month.

9 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
10 **increase by about 20%. How would this rate increase impact you?**

11 **A.** If the rate increased by 20%, my family would have less income to spend on other
12 necessities. Because I own an electric car, which has been much cheaper to operate than a
13 gas-powered vehicle, the rate increase would make using my car much more expensive.
14 Every member of LULAC, every person I know in Florida would be negatively impacted by
15 a 20% rate increase. The most affected are the low-income individuals, particularly the
16 Hispanic, Black, and Indigenous populations—who have a higher proportion of people in
17 their racial/ethnic groups in poverty.

18 **Q. As a Floridian, are you concerned about climate change?**

19 **A.** Yes. Climate change's two biggest impacts in Florida will be sea level rise and the
20 changing weather. Sea level rise will lead to more flooding even outside of hurricane season.
21 Some parts of Miami are flooded almost every time there's a heavy rainstorm. Climate
22 change will cause more intense hurricanes, and the changing weather patterns will affect
23 agriculture and our state's capacity to produce food.

24 **Q. Based on information provided by FPL, part of this rate increase will pay for new or**
25 **upgraded methane gas power plants. Do you believe this will have an impact on the**

1 **climate?**

2 **A.** Yes. Gas extraction uses a tremendous amount of resources. Methane—a powerful
3 greenhouse gas—could leak into the atmosphere during its extraction, transportation, or
4 combustion. “Natural” gas is a much dirtier resource than renewable forms of energy, like
5 solar. Florida, the Sunshine State, can certainly make a great impact locally, statewide, and
6 nationally with the generation of electricity via solar panels; yet, FPL’s logic of cutting trees
7 to place these panels is not environmentally sound when a larger and less environmentally
8 impactful approach is to place the panels on the roof of every home. There is no reason why
9 FPL could not join the growing business of leasing solar panels, generating profit for FPL,
10 using renewable energy, reducing costs for consumers, and keeping land for forests, parks,
11 and agriculture. Solar panels offer a sustainable way to generate the energy we all need,
12 while the current, dirty sources of electric production should only serve as backup.

13 **Q: How do you feel about contributing your own money to those projects, through your**
14 **FPL bill?**

15 **A.** It is abusive on FPL’s part to use our money to invest in fossil fuel generation that will
16 end up harming us customers and the environment. In the Sunshine State, we should be
17 putting solar panels over every house, allowing these to feed into the shared electric grid so
18 as to support the needs of entities that cannot generate sufficient energy through their own
19 solar panels. I should not be forced to pay higher prices to invest in unsustainable fuels, nor
20 should I be forced to pay 20% more for investments that do not include the corresponding
21 stock ownership.

22 **Q. What is the mission of your organization?**

23 **A.** The mission of LULAC is to advance the economic condition, educational attainment,
24 political influence, housing, health, and civil rights of the Hispanic population of the United
25 States.

1 **Q. How is the purpose of your organization being served by participating in this**
2 **proceeding?**

3 **A.** The mission of LULAC is to improve the quality of life of the Latinx population in
4 Florida, which would be particularly financially impacted by the rate increase because,
5 compared to White people, a higher proportion of Latinx people live in poverty.
6 Additionally, Latinx people constitute a significant part of the service and tourism industry
7 workforce, many of whom lost their jobs during the pandemic. Considering the economic
8 instability that many LULAC members are experiencing, LULAC opposes the rate increase
9 because the organization aims to advance the economic condition of its members. Now is not
10 the time to charge more for a basic necessity. Moreover, Florida residents should not have to
11 pay extra so that FPL can emit more fossil fuels and further contribute to the climate crisis,
12 which disproportionately affects communities of color.

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of David
2 Sinclair was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of David Sinclair
LULAC
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase)
 by Florida Power & Light) DOCKET NO. 20210015-EI
 Company)**

**DIRECT TESTIMONY
OF DAVID SINCLAIR
ON BEHALF OF
LEAGUE OF UNITED LATIN AMERICAN
CITIZENS OF FLORIDA**

June 21, 2021

1 **Q. Please state your name.**

2 A. David Sinclair.

3 **Q. What organization are you speaking on behalf of?**

4 A. The League of United Latin American Citizens.

5 **Q. How long have you been involved in the organization?**

6 A. I have been a member for 12 years.

7 **Q. What is your position in the organization?**

8 A. I am the Chair of the Environment and Climate Issues Committee for LULAC Florida.

9 **Q. What are your duties in that position?**

10 A. I inform LULAC members in Florida about environmental and climate issues so that they
11 can make correct decisions as advocates for themselves and other people. I share information
12 that is publicly available and inform members about the best choices available regarding
13 environmental and climate policy and try to create spaces for LULAC members and the
14 public to explore the interconnections between ideas of civil rights and justice on the one
15 hand, with climate, energy, and environmental policies on the other. I also coordinate
16 LULAC's engagement in matters of energy policy.

17 **Q. What does your organization think of FPL?**

18 A. LULAC Florida is concerned about FPL's desire to increase rates. Customers who will be
19 affected by the rate increase need to have a voice in this decision-making process.

20 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
21 **increase by about 20%. How would FPL's proposed rate increase impact the members**
22 **of your organization?**

23 A. LULAC's members generally have low to moderate income levels. The rate increase
24 would add to the already high energy burdens of communities of color and would force
25 families to make difficult decisions in their spending. Many LULAC members would have to

1 spend less on other essential goods, like food and medicine. The rate increase would
2 negatively impact the quality of life of many members by exacerbating the economic
3 insecurity they felt during the pandemic.

4 **Q. Is your organization concerned about climate change?**

5 **A.** Yes. We are passionate about this issue because climate change impacts members and
6 affects communities of color, who are underrepresented in decision-making related to climate
7 issues. Climate change will make it harder to live in Florida. Increasing temperatures pose a
8 health risk to those who work outdoors, like farmworkers, and will force Floridians to use
9 more air conditioning and therefore increase their electricity bill. Increased hurricane
10 intensity will cause more flooding and further saltwater intrusion into drinking water sources.
11 The emissions from gas power plants not only contribute to climate change but also
12 adversely impact the health of the surrounding communities. LULAC Florida advocates for
13 just living and aims to secure the needs of its members. Our organization is in favor of a
14 sensible transition to clean, renewable energy.

15 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
16 **upgraded methane gas power plants. Does your organization believe this will have an**
17 **impact on the climate?**

18 **A.** Yes. These plants will emit a significant amount carbon dioxide, contributing to further
19 climate change. The communities that surround power plants, which are disproportionately
20 low-income communities of color, will be harmed by such emissions more directly. These
21 plants create an environment that is not conducive to health.

22 **Q. What is the mission of your organization?**

23 **A.** The mission of LULAC is to advance the economic condition, educational attainment,
24 political influence, housing, health, and civil rights of the Hispanic population of the United
25 States.

1 **Q. How is the purpose of your organization being served by participating in this**
2 **proceeding?**

3 **A.** The rate increase would adversely impact the economic condition of members because it
4 would be difficult for a majority of LULAC members, who have low to moderate incomes, to
5 pay about 20% more for electricity. As temperatures rise, members will already have to
6 spend more to cool their homes. By participating in this proceeding, we are protecting the
7 health of members, which would be affected by excess greenhouse gas emissions from power
8 plants. LULAC is seeking to protect members' housing by preventing further climate change,
9 which has increased storm intensity. In this proceeding, LULAC is advancing the civil rights
10 of its members by giving them a voice in the decision-making process, the result of which
11 will affect their way of life.

12 **Q. Will a substantial number of your organization's members be substantially affected**
13 **by the Commission's decision in this proceeding? How do you know?**

14 **A.** Yes. Most members do not have the economic flexibility to pay a 20% increase on their
15 electricity bill. Their energy burdens are already high. Many members haven't been able to
16 pay their bills on time and are in danger of being disconnected. I know how members would
17 be affected because we have district membership gatherings, in which we share about issues
18 related to climate. Additionally, council members from other districts share information with
19 me about how their members are doing.

20 **Q. How is the subject matter of this proceeding within your organization's general**
21 **scope of interest and activity?**

22 **A.** Protecting the wellbeing of our members is our top priority. The rate increase would place
23 a heavy financial burden on our members. FPL's investment of this extra revenue in fossil
24 fuel generation will contribute further to climate change, which harms our members in
25 Florida.

1 **Q. Why is the relief requested in this proceeding appropriate for your organization to**
2 **receive on behalf of its members?**

3 **A.** Because LULAC is a member-driven nonprofit, advocacy for members is indispensable.
4 We have the responsibility to promote LULAC's mission by participating in this proceeding
5 and speaking on behalf of our membership.

6 **Q. How has your organization engaged with utility matters in the past?**

7 **A.** LULAC has engaged in several energy and utility related issues in recent years, both by
8 getting involved with dockets at the PSC, where we have offered testimony and comments
9 from our members about the importance of energy efficiency, the need to protect people from
10 disconnections during the COVID-19 pandemic, and the need for community solar programs
11 to actually benefit the community, particularly low-income customers and communities of
12 color. Outside the PSC, LULAC has engaged with its members and other environmental and
13 equity focused organizations to coordinate strategies to support a just transition away from
14 fossil energy.

15 **Q. Why has it done so?**

16 **A.** People must have the right to access electricity and to live in a healthy environment with a
17 safe climate. Utility decisions about how to produce electricity and what to charge for it
18 strongly affect the economic condition, health, and futures of our members. Therefore,
19 LULAC sees engaging in these topics as an important part of its core mission.

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Johannes Werner was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Johannes Werner
LULAC
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase)
 by Florida Power & Light) DOCKET NO. 20210015-EI
 Company)**

**DIRECT TESTIMONY
OF JOHANNES WERNER
ON BEHALF OF
LEAGUE OF UNITED LATIN AMERICAN
CITIZENS OF FLORIDA**

June 21, 2021

1 **Q. Please state your name.**

2 A. Johannes Werner.

3 **Q. Where do you live?**

4 A. 2239 Ixora Avenue, Sarasota, FL 34234.

5 **Q. What organization are you a member of?**

6 A. The League of United Latin American Citizens.

7 **Q. How long have you been a member?**

8 A. I am a founding member of the Sarasota chapter of LULAC, which we started in 2018.

9 **Q. What is your source of income?**

10 A. I am a small business owner.

11 **Q. Are you a customer of FPL? If so, for how long?**

12 A. Yes. I have been a customer since 1996.

13 **Q. What do you think of FPL?**

14 A. FPL is not responsive to customer and citizen needs. There are black outs, and the rates
15 are increasing too fast. FPL has not responded well to the needs prompted by climate change.
16 We have been unable to go solar at our home because regulations backed by FPL make it
17 more difficult to do so.

18 **Q. How much does your FPL bill usually cost each month?**

19 A. Compared to other people I know who pay even higher bills, I am lucky enough to pay a
20 monthly bill that ranges from \$100 to \$150, thanks to owning a well-built home.

21 **Q. Based on information provided by FPL, the base rate for electricity is projected to
22 increase by about 20%. How would this rate increase impact you?**

23 A. An increase of about 20% in the power bill would be painful for me. Yet, it would be even
24 more painful for many of the people LULAC represents: those who earn minimum wage, live
25 in badly insulated homes, and spend more than half their income on rent and utilities. But

1 even for me personally, this rate increase would force me to cut back on my spending at a
2 moment when my business has already been down, adding another stressor to my financial
3 situation.

4 **Q. As a Floridian, are you concerned about climate change?**

5 A. Very much so. Florida is one of the most exposed states to climate change. We are
6 increasingly being hit with hurricanes, and hurricane season is becoming longer and more
7 unpredictable. I am also concerned about sea level rise and the resulting ground water
8 salination.

9 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
10 **upgraded methane gas power plants. Do you believe this will have an impact on the**
11 **climate?**

12 A. The rate increase requested by FPL pains me even more because FPL will use the added
13 revenue for construction of more natural-gas power plants. Gas already makes up more than
14 two-thirds of FPL's energy mix; even ignoring its harmful greenhouse gas emissions for a
15 moment, that's a lot of eggs in the same basket. But far more importantly, there is the
16 enormous challenge of climate change. By adding still more fossil-fuel power plants, FPL
17 bakes in more greenhouse gas emissions in the future and slows down an urgent transition to
18 renewables we should have begun more than two decades ago. This would negatively impact
19 my children's and grandchildren's lives. Under the current circumstances, I would oppose a
20 rate increase even if FPL were to use it for construction of solar farms. The Sunshine State
21 lags so far behind in the share of solar power in its energy mix, not because investor-owned
22 utilities are not building enough solar farms, but because they have been standing in the way
23 of solar on every roof and a battery at every home - the best option we have right now for a
24 rapid transition. At every turn, investor-owned utilities have used their influence to slow the
25 introduction of rooftop solar. Third-party solar providers have had to sue their way into the

1 Florida market.

2 **Q: How do you feel about contributing your own money to those projects, through your**
3 **FPL bill?**

4 A. I feel very bad about that, as more carbon emissions will accelerate climate change. It's
5 incredibly frustrating to know my money is being used against my will to directly undermine
6 the future of my kids and grandchildren.

7 **Q. What is the mission of your organization?**

8 A. The mission of LULAC is to advance the economic condition, educational attainment,
9 political influence, housing, health, and civil rights of the Hispanic population of the United
10 States.

11 **Q. How is the purpose of your organization being served by participating in this**
12 **proceeding?**

13 A. Part of LULAC's mission is to "advance the economic condition ... of the Hispanic
14 population of the United States." This case is a perfect example why organizations like
15 LULAC are needed: Someone must step up when the voices of the most affected people are
16 hard to hear. Another part of LULAC's mission is to advance the civil rights of the Hispanic
17 population. The civil rights — the overall wellbeing of people and their meaningful
18 participation in the structural decisions that shape their lives — of future generations are at
19 stake here. This must weigh more in the decisions of the Public Service Commission than
20 guaranteeing profits for companies operating in a system that ties us to a failed past. My
21 main motivation to join LULAC was, and is, to give a voice to the voiceless. I belong to the
22 minority of foreigners who are eligible to enter the path to permanent residency and
23 eventually citizenship of the United States of America. I actually felt privileged while
24 waiting in line at the El Paso border crossing in 1992, collecting the last stamps on a pile of
25 application documents that took months to assemble; at that moment it dawned on me that

1 there is no line for most of us. Since moving to Sarasota with my Mexican-born wife, we
2 have made friends with many immigrants who work two or three jobs, send a lot of their
3 income to family back home, and keep their heads down, while dreaming of starting their
4 own business and giving their children a better life. Most of these folks cannot afford to take
5 time off and do what I am doing here with the Public Service Commission. They are often
6 facing language barriers, and many are reluctant to speak up. That's why it's essential for
7 LULAC to participate to represent these interests.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Becky
2 Ayech was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Becky Ayech
ECOSWF
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)**

**DIRECT TESTIMONY
OF BECKY AYECH
ON BEHALF OF
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.**

June 21, 2021

1 **Q. Please state your name.**

2 A. Becky Ayech.

3 **Q. Where do you live?**

4 A. 421 Verna Road, Sarasota, FL 34240.

5 **Q. What organization are you a member of?**

6 A. The Environmental Confederation of Southwest Florida.

7 **Q. How long have you been a member?**

8 A. Over 30 years.

9 **Q. What is your position in the organization?**

10 A. President.

11 **Q. What is your source of income?**

12 A. Social Security income.

13 **Q. Are you a customer of FPL? If so, for how long?**

14 A. Yes. I have been a customer for 44 years.

15 **Q. What do you think of FPL?**

16 A. I do not like FPL at all. Over the years, FPL has become less interested in providing
17 quality service to its customers. In the past, meter readers would come to my house, and I
18 would be able to ask them questions. When the meter readers became remote, I no longer had
19 interaction with a representative from FPL. When problems arise, I usually have to reach out
20 to FPL numerous times before the it resolves the issue. For example, when my transformer
21 was spilling coolant, I had to reach out to the Public Service Commission again and again
22 before it cleaned up the hazardous waste. In the past, I would experience brownouts at my
23 home every evening because there wasn't enough electricity in the area where I live. FPL has
24 cut my power without telling me in advance, which risks the wellbeing of my farm animals. I
25 rely on an electric pump to get water on my property; therefore, when FPL cuts my power

1 without telling me, I am not able to prepare by filling containers of water for my animals in
2 advance. FPL often does not fulfill its promises. When I expressed to FPL that it overly
3 damaged the trees it cut when it installed its power lines, FPL told me that it would install the
4 power lines underground. However, FPL never did this. Overall, FPL has not been
5 adequately responsive to the issues I face relating to electricity provision. Additionally, FPL
6 purposefully misleads the public in its advertising. FPL has a commercial featuring a little
7 girl who suggests that FPL is doing a great job in generating renewable energy, and she states
8 that the company is using “clean” natural gas and that it will generate power from water, a
9 process the commercial does not explain adequately by any means. Because FPL continues to
10 invest in fossil-fuel generation, as evidenced by its justification for the rate increase, the
11 commercial is an attempt to mislead the public about the extent to which FPL is becoming
12 more sustainable and “green.”

13 **Q. How much does your FPL bill usually cost each month?**

14 A. It costs around \$100-120.

15 **Q. How do you feel about the current price you are paying for your utilities?**

16 A. The current price I pay is already too much. I have taken every practice and precaution to
17 try to keep my electric bill low—I don’t even use air conditioning or central heat on my
18 property. My non-fuel charge in 2012 for the first 1000 kWh was \$0.051840 and over 1000
19 kWh was \$0.061840, now the non-fuel charge is \$0.067000 for the first 1000 kWh and
20 \$0.077620 for over 1000 kWh. I still have not begun any significant electricity-consuming
21 practices on my property.

22 **Q. Based on information provided by FPL, the base rate for electricity is projected to
23 increase by about 20%. How would this rate increase impact you?**

24 A. I am on a fixed Social Security income, which certainly would not increase by 20% over
25 the next decade or two. My electricity not only provides lights and powers my appliances,

1 but also provides my drinking water through an electric pump on my well. My well not only
2 provides water for myself, my husband, but is the sole source of water for my 48 sheep, 47
3 chickens, and my dog. If my rate was to increase by 20%, it would place an inordinate
4 burden on me and my lifestyle and jeopardize me and my husband's health, safety and
5 welfare as well as my animals.

6 **Q. As a Floridian, are you concerned about climate change?**

7 A. Yes. I have grown crops for many years and have noticed that the climate is getting hotter
8 and dryer. Because of this, the growing season is shorter, which means that there is less of an
9 opportunity to grow crops. Additionally, FPL is showing commercials in my TV market area
10 stating climate change will increase my electric bill.

11 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
12 **upgraded methane gas power plants. Do you believe this will have an impact on the**
13 **climate?**

14 A. Yes. Such gas power plants will contribute to global warming, and FPL knows that too.

15 **Q: In light of that, how do you feel about contributing your own money to those**
16 **projects, through your FPL bill?**

17 A. I feel as though I am being robbed. I do not want to pay for FPL's investment in power-
18 generating plants that will significantly contribute to climate change, which adversely affects
19 me.

20 **Q. What organization are you speaking on behalf of?**

21 A. The Environmental Confederation of Southwest Florida.

22 **Q. How would FPL's proposed rate increase impact the members of your organization?**
23 **How do you know?**

24 A. Many members of ECOSWF are customers of FPL. Some of the individual members, like
25 me, would not be able to afford the rate increase. I know ECOSWF members will be affected

1 because I talk to them.

2 **Q. Is your organization concerned about climate change?**

3 A. Yes. ECOSWF is concerned about protecting Southwest Florida's natural resources, like
4 water, soil, and flora and fauna, which climate change significantly harms.

5 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
6 **upgraded methane gas power plants. Does your organization believe this will have an**
7 **impact on the climate?**

8 A. Yes. ECOSWF believes that such power plants will contribute to climate change.

9 **Q. What is the mission of your organization?**

10 A. The mission of ECOSWF is to conserve, maintain, and protect the air, water, soil,
11 wildlife, historic and architecturally significant structures, flora and fauna, and other natural
12 resources of Southwest Florida, the State of Florida and of the United States of America.

13 **Q. How is the purpose of your organization being served by participating in this**
14 **proceeding?**

15 A. By participating in this proceeding, ECOSWF can help combat investments in fossil-fuel
16 generation, which contributes to climate change. Climate change alters the very nature of
17 Florida, starting with the soil, where microbes and fungi have adapted over millennia to
18 certain climate patterns. The adverse effects on these organisms then impact living things up
19 the food chain, all of which form part of Florida's natural resources. This is just one example
20 of how climate change is negatively affecting Southwest Florida's natural resources, which
21 ECOSWF seeks to protect. Given the adverse impacts on Florida's natural resources, FPL
22 should not be building more gas plants, especially since much of FPL's power generation
23 already comes from gas. The members of ECOSWF do not want to pay for more fossil-fuel
24 generation because it runs counter to the purpose of our organization.

25 **Q. What does ECOSWF's membership consist of?**

1 A. We have member organizations and individual members.

2 **Q. How many of those would you estimate are FPL customers?**

3 A. Probably about 70% of members are FPL customers.

4 **Q. How do you know that most of your members are FPL customers?**

5 A. I ask members from different counties if they are FPL customers, which tells me whether
6 other members in those particular counties are FPL customers.

7 **Q. Will a substantial number of your organization's members be substantially affected
8 by the Commission's decision in this proceeding? How do you know?**

9 A. Yes. Many members of ECOSWF are customers of FPL and will have to pay much more
10 for their electricity if the base rate is increased. If the Commission approves FPL's rate
11 increase, it is allowing FPL to increase its greenhouse gas emissions, which will worsen the
12 impacts of climate change that ECOSWF members are already experiencing. Additionally,
13 by allowing FPL to charge customers for new fossil-fuel generation, the Commission will
14 signal to FPL that it should keep building infrastructure to produce fossil fuels. This is not
15 the message the Commission should be sending when climate change is already harming
16 residents of Florida.

17 **Q. How is the subject matter of this proceeding within your organization's general
18 scope of interest and activity?**

19 A. ECOSWF does not support investments in fossil-fuel generation because it contributes to
20 climate change, which adversely affects Southwest Florida's natural resources by changing
21 the ecosystem starting with the micro-organisms and fungi in the soil, therefore affecting the
22 food chain and the species that rely on the food chain including humans and their ability to
23 produce food. Climate change affects rainfall and heat patterns, storm surges, the strength of
24 hurricanes, and occurrences of flooding by elevating the temperatures. Our organization tries
25 to prevent harm to these resources, and the greenhouse gases that will come from the gas

1 plants FPL plans to build—using our money—constitute such a harm. The mission of our
2 organization, as stated in Exhibit BA-1 below, is “to conserve, maintain, and protect the air,
3 water, soil, wildlife, historic and architecturally significant structures, flora and fauna, and
4 other natural resources of Southwest Florida, the State of Florida and of the United States of
5 America.”

6 **Q. Why is the relief requested in this proceeding appropriate for your organization to
7 receive on behalf of its members?**

8 A. ECOSWF does not want its members to pay a much higher rate for electricity when
9 electricity is already expensive and when the increase in their payments will fund fossil-fuel
10 generation.

11 **Q. How has your organization engaged with utility matters in the past?**

12 A. ECOSWF has intervened or participated in numerous proceedings at the Public Service
13 Commission in order to try to stop unnecessary investments in fossil-fuel generation. These
14 include *In re: Petition for determination of need for Glades Power Park Units 1 and 2*
15 *electrical power plants in Glades County, by Florida Power & Light Company, Docket No.*
16 *070098-EI; and In re: Petition for determination of need for Okeechobee Clean Energy*
17 *Center Unit 1, by Florida Power & Light Company, Docket No. 150196-EI as full parties, in*
18 *both cases trying to stop unnecessary investments in fossil-fuel generation. ECOSWF has*
19 *also participated in In re: Petition for approval of demand-side management plan and*
20 *request to modify residential and business on call tariff sheets, by Florida Power & Light*
21 *Co., Docket No. 20200056-EG and In re: Proposed amendment of Ful 25-17.0021, F.A.C.,*
22 *Goals for Electric Utilities, Docket No. 20200181-EU in order to advocate for expanded*
23 *energy efficiency options in the State and specifically in FPL’s service territory in order to*
24 *lessen our dependence on fossil-fuels and to decrease any need to make new investments in*
25 *new fossil-fueled power plants.*

1 **Q. Why has it done so?**

2 A. ECOSWF has done so to fight unnecessary investments in fossil-fuel generation because
3 climate change is negatively affecting its members and the environment it aims to protect.

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Glenna Blomquist was inserted.)

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Direct Testimony of Glenna Blomquist
ECOSWF
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF GLENNA BLOMQUIST
ON BEHALF OF
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.

June 21, 2021

1 **Q. Please state your name.**

2 A. Glenna Blomquist.

3 **Q. Where do you live?**

4 A. 8167 Palmer Boulevard, Sarasota, FL 34240.

5 **Q. What organization are you a member of?**

6 A. I am a member and board member of the Environmental Confederation of Southwest
7 Florida, Inc. (ECOSWF), and have been a member since 2015 and a board member since
8 2019.

9 **Q. What is your source of income?**

10 A. I am retired and on a fixed income, not tied to inflation, and some social security.

11 **Q. Are you a customer of FPL? If so, for how long?**

12 A. Yes, I have been a customer since September or October of 2014 to now.

13 **Q. What do you think of FPL?**

14 A. In the big picture, they are not moving forward with sustainable energy like they should
15 be. They are not on the cutting edge or proactive in helping resolve our climate crisis.

16 **Q. How is your current utility service?**

17 A. It supports my basic household needs.

18 **Q. How much does your FPL bill usually cost each month?**

19 A. \$124-130.

20 **Q. Based on information provided by FPL, the base rate for electricity is projected to
21 increase by about 20%. How would this rate increase impact you?**

22 A. My budget is already tight and increased power bills would impact other necessities.
23 Because our annuity is fixed and not responsive to inflation, I will get poorer each year. I am
24 on a tight, limited budget and any increase in utilities will potentially be a hardship in the
25 future.

1 **Q. As a Floridian, are you concerned about climate change?**

2 **A.** Very much, it is at the top of my list.

3 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
4 **upgraded methane gas power plants. Do you believe this will have an impact on the**
5 **climate?**

6 **A.** Why would we build new methane plants? The warming potential of methane is potent,
7 there is no question that it affects global warming. Right from the source, through fracking,
8 to its appearance in the atmosphere, methane is bad. It is bad when it comes out of the
9 ground, there can be accidents when it was transported, and it is bad when it is burned. We
10 get this methane gas from fracking and fracking is a contributor to global warming. My home
11 state is North Dakota and I am aware of what has fracking done to North Dakota. My
12 husband is a hobby astronomer and I have become educated about dark skies. It is sad that in
13 North Dakota the skies were filled with flares from fires burning all night, meaning no dark
14 skies to see the stars and confused animals reacting to changes of light hours. Certainly,
15 anything related to fossil-fuels should be winding down. We do not want to be going in that
16 direction, we should be going towards wind, solar, or some other framework.

17 **Q: In light of that, how do you feel about contributing your own money to those**
18 **projects, through your FPL bill?**

19 **A.** I think the increased need in the area I live for energy, above and beyond what we are
20 using now, is for future development. I am not willing to pay to expand service to the
21 nameless, faceless residents of the future. That is not my responsibility, yet my money will
22 be going to enhance whatever methods FPL wants to use to expand availability to the
23 growing market. The growing market and growing population should be paying for that, not
24 existing residents. Our older population cannot handle raised rates. In addition, if FPL were
25 dedicated to sustainable renewable energy, I would be more likely to support a price increase.

1 It is also what they are doing with the money that matters.

2 **Q. What is the mission of your organization?**

3 **A.** We are a confederation of other environmental organizations and related interests.

4 Basically, we work on issues that are important to the environment to educate decision-
5 makers regarding impacts on the environment and our members as we represent our member
6 organizations and individual members.

7 **Q. How is the purpose of your organization being served by participating in this**
8 **proceeding?**

9 **A.** We are defending the environment by participating. Anything that will reduce our carbon
10 footprint and lead us down a different path is our work, task, and mission. We the people
11 should have a say in where our electricity comes from because we do not have a choice.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of
2 Bobbie Lee Davenport was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Bobbie Lee Davenport
ECOSWF
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF BOBBIE LEE DAVENPORT
ON BEHALF OF
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.

June 21, 2021

1 **Q. Please state your name.**

2 A. Bobbie Lee Davenport.

3 **Q. Where do you live?**

4 A. 2481 Golden Gate Boulevard East, Naples, FL 34120.

5 **Q. What organization are you a member of?**

6 A. The Environmental Confederation of Southwest Florida.

7 **Q. How long have you been a member of this organization?**

8 A. Over 20 years.

9 **Q. What is your source of income?**

10 A. I work as a physical trainer and insurance agent.

11 **Q. Are you a customer of FPL? If so, for how long?**

12 A. Yes. I have been a customer for about 39 years.

13 **Q. What do you think of FPL?**

14 A. FPL is a monopoly that doesn't work with its customers, whom it charges exorbitant
15 prices for electricity. FPL should be using its millions in profits to implement a solar
16 program, in which it could install solar panels on customer residences to provide electricity
17 from a renewable source and to lower customers' electric bills. It doesn't make sense why
18 my electricity bills keep increasing when FPL is already making millions in profit. FPL
19 should not be investing its profits in carbon-emitting power plants but instead should use its
20 profits to develop clean energy solutions that will reduce its customers' bills.

21 **Q. How much does your FPL bill usually cost each month?**

22 A. My monthly bill is \$325-350 in the winter and over \$400 in the summer. My highest bill
23 was \$425.

24 **Q. How do you feel about the current price you are paying for your utilities?**

25 A. My FPL bills have gone up and up over the years, and I can barely afford to pay them.

1 FPL's rates are extremely expensive.

2 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
3 **increase by about 20%. How would this rate increase impact you?**

4 A. I would not be able to afford my electric bill, as I can barely afford to pay it now.

5 **Q. As a Floridian, are you concerned about climate change?**

6 A. Yes. It's getting hotter and hotter, and the sea levels are rising. The warming waters are
7 killing the corals reefs. The manatees are starving to death. Storms are getting bigger and
8 becoming more frequent. As temperatures increase, people will have to spend even more on
9 already-expensive electricity in order to cool their homes. Florida is the canary in the coal
10 mine for climate change in the United States because extreme, negative impacts have been
11 manifesting quickly here.

12 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
13 **upgraded methane gas power plants. Do you believe this will have an impact on the**
14 **climate?**

15 A. Yes. Such gas plants will emit greenhouse gases and therefore will contribute to climate
16 change, which is already negatively impacting Florida's environment and residents. FPL
17 should instead invest in creating a solar energy program for its customers. Because Florida is
18 one of the sunniest places in the U.S., FPL has the potential to harness an astronomical
19 amount of renewable energy from solar infrastructure.

20 **Q: In light of that, how do you feel about contributing your own money to those**
21 **projects, through your FPL bill?**

22 A. I do not want to pay FPL any amount of money that it will invest in gas power plants,
23 which will contribute to climate change, causing Florida to become even hotter. This effect
24 would force Florida residents to spend even more on electricity to cool their homes. I cannot
25 afford to pay more for electricity than I already do.

1 **Q. What is the mission of your organization?**

2 A. ECOSWF's mission is to monitor and protect Florida's environment. It aims to stop
3 rampant pollution and functions as an environmental watchdog group.

4 **Q. How is the purpose of your organization being served by participating in this**
5 **proceeding?**

6 A. By participating in this proceeding, ECOSWF can encourage FPL to fully transition to
7 renewable energy generation. Natural gas is a nonrenewable energy source that contributes to
8 climate change, which is already devastating important aspects of Florida's environment.
9 ECOSWF is protecting the vitality of Florida's environment by participating in this
10 proceeding.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Sara
2 Lewis was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Sara Lewis
ECOSWF
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF SARA LEWIS
ON BEHALF OF
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.

June 21, 2021

1 **Q. Please state your name.**

2 A. Sara Lewis.

3 **Q. Please state the name of the entity you are representing.**

4 A. Miakka Community Club.

5 **Q. What type of entity are you representing?**

6 A. We are a community club. We have one event a year for the community, a hootenanny.

7 **Q. Where is your club located?**

8 A. 16800 Wilson Rd, Sarasota, FL 34240.

9 **Q. What organization is your club a member of?**

10 A. Environmental Confederation of Southwest Florida, Inc. (ECOSWF). We have been a
11 member for at least 10 years.

12 **Q. Is your club a customer of FPL? If so, for how long?**

13 A. Yes. Since electricity first came to this area, FPL has been the provider.

14 **Q. What is your club's view of FPL?**

15 A. Big picture, they charge a lot and they are not very present. For instance, they have not
16 been through to trim the trees that could get entangled with the power lines. It is also hard to
17 get a hold of them when you need them. When hurricanes come through, we are generally the
18 last place to get the power back on. Besides paying for our bill, we don't see them.

19 **Q. How is your club's current utility service?**

20 A. For how little we are actually using the electricity for, it is too high. All we are running is
21 a refrigerator and a street light.

22 **Q. How much does your club's FPL bill usually cost each month?**

23 A. \$33 a month, separated through two power bills.

24 **Q. How would you describe the current price your club pays for its utilities?**

25 A. It is expensive for the service that we are receiving.

1 **Q. Based on information provided by FPL, the base rate for electricity is projected to**
2 **increase by about 20%. How would this rate increase impact your club?**

3 **A.** We have a very small membership and our money is pretty much used for paying for
4 insurance and property taxes. We mainly rely on fundraising and a rate increase would mean
5 that we would have to do even more fundraising. This past year, we were unable to do any
6 fundraising. This is something we cannot afford.

7 **Q. As a community club in Florida, are you concerned about climate change?**

8 **A.** Yes

9 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
10 **upgraded methane gas power plants. Does your club believe this will have an impact on**
11 **the climate?**

12 **A.** Yes! Anything that puts out emissions like that has a negative impact on climate, leading
13 to a harmful impact on the environment.

14 **Q: In light of that, how does your club feel about contributing its own money to those**
15 **projects, through its FPL bill?**

16 **A.** It seems a little absurd. Building power plants that cause problems with the environment
17 is not something many would support and we do not support it.

18 **Q. What is the mission of your club?**

19 **A.** The mission of our community club is to preserve and protect the rural lifestyle.

20 **Q. How is the purpose of your club being served by ECOSWF participating in this**
21 **proceeding?**

22 **A.** This will not be an impact on just the club itself, but will have a negative impact on all of
23 the members of the community club. If this rate increase goes through, this will raise rates for
24 everyone involved and that is not good for our members. Our purpose cannot be served if we
25 are unable to pay our bills or our members have difficulty paying their own bills.

1 (Whereupon, prefiled direct testimony of Linda
2 Wilson was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Direct Testimony of Linda J. Wilson
ECOSWF
Florida PSC, Docket No. 20210015-EI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase)
 by Florida Power & Light) **DOCKET NO. 20210015-EI**
 Company)

DIRECT TESTIMONY
OF LINDA J. WILSON
ON BEHALF OF
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.

June 21, 2021

1 **Q. Please state your name.**

2 A. Linda J. Wilson.

3 **Q. Where do you live?**

4 A. I live at 6205 Marcum Street, Englewood, FL 34224.

5 **Q. What organization are you a member of?**

6 A. The Environmental Confederation of Southwest Florida.

7 **Q. How long have you been a member?**

8 A. I have been a member for about 25 years.

9 **Q. What is your source of income?**

10 A. I receive Social Security retirement benefits.

11 **Q. Are you a customer of FPL? If so, for how long?**

12 A. Yes. I have been a customer for 36 years.

13 **Q. What do you think of FPL?**

14 A. I understand that FPL is a business trying to make money, but it also provides a necessary
15 service. Therefore, FPL should not be charging its customers more for fossil-fuel generation
16 that is not necessary because this type of energy production significantly contributes to
17 climate change. FPL should be using cleaner forms of energy generation. It should be
18 installing solar on houses instead of building new gas plants.

19 **Q. How much does your FPL bill usually cost each month?**

20 A. My bill is about \$20 in the winter and \$50 in the summer.

21 **Q. Based on information provided by FPL, the base rate for electricity is projected to
22 increase by about 20%. How would this rate increase impact you?**

23 A. Because I receive a fixed and limited income, the rate increase would seriously impact my
24 financial situation by decreasing my disposable income, which I use to purchase other
25 necessities, such as groceries. Additionally, I just received notice that soon my water bill will

1 increase and my house insurance premium will double, meaning that I will have even less
2 disposable income in the near future than I do now. To keep my energy use and electricity
3 bill low, I do not turn on the air conditioning unless it is necessary. I also do not have a pool
4 or a clothes dryer. It would be a financial burden to pay 20% more for a good (electricity)
5 that I minimally consume.

6 **Q. As a Floridian, are you concerned about climate change?**

7 A. Yes. Climate change is negatively affecting things I care about. For example, the rising
8 sea level and warming of Gulf waters are impacting sea turtles, which I often monitor as a
9 member of an organization that protects such animals. Sea level rise is likely to wash away
10 the beaches where these turtles have laid eggs for thousands of years, further impacting their
11 ability to survive. Climate change also poses a threat to my own safety because I live in an
12 area at risk of wildfires, and hotter temperatures and increased droughts from climate change
13 will cause worse fires, more often.

14 **Q: Based on information provided by FPL, part of this rate increase will pay for new or**
15 **upgraded methane gas power plants. Do you believe this will have an impact on the**
16 **climate?**

17 A. Yes. FPL should no longer invest in fossil-fuel generation. It should focus
18 on using cleaner, renewable forms of energy to provide electricity.

19 **Q: In light of that, how do you feel about contributing your own money to those**
20 **projects, through your FPL bill?**

21 A. I don't want one cent of my money to go toward the construction of more gas plants that
22 will emit greenhouse gases and further contribute to climate change.

23 **Q. What is the mission of your organization?**

24 A. ECOSWF aims to protect Southwest Florida's natural resources, such as water and air,
25 and the quality of life of Floridians.

1 **Q. How is the purpose of your organization being served by participating in this**
2 **proceeding?**

3 A. ECOSWF is participating in this proceeding so that FPL does not invest in more
4 unnecessary fossil-fuel generation and increase our bills to make such investments.

5 Greenhouse gases produced from burning fossil fuels contribute to climate change, which is
6 already negatively affecting the environment of Southwest Florida.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Steve
2 W. Chriss was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida : DOCKET NO. 20210015-EI
Power & Light Company : :
: Filed: June 21, 2021

DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

Contents

Introduction	1
Purpose of Testimony and Summary of Recommendation.....	3
Return on Equity	7
Customer Impact.....	10
Future Test Year	10
Recent ROEs Approved by the Commission	11
National Utility Industry ROE and Weighted Equity Cost Trends.....	12
Figure 1. Companies' Proposed Total ROE of 11.50 Percent Versus Approved ROEs, Vertically Integrated Utilities, 2017 to Present.	14
Proposed Performance Adder	15
Conclusion.....	21
GSLDT-1 Rate Design.....	21
Table 1. GSLDT-1 Cost of Service Study vs. Proposed GSLDT-1 Revenue Requirement.	23
Table 2. Comparison of Companies' Proposed GSLDT-1 Rates and Walmart Proposed GSLDT-1 Rates.....	28
Table 3. GSLDT-1 Cost of Service Study vs. Companies' Proposed GSLDT-1 Revenue Requirement vs. Walmart Proposed GSLDT-1 Revenue Requirement.....	28
Transition Rider Rate Design.....	29
CDR Applicability to Legacy Gulf Customers.....	30

Exhibits

Exhibit SWC-1: Witness Qualifications Statements

Exhibit SWC-2: 2022 Revenue Requirement Impact of the Companies' Proposed Increase in Return on Equity

Exhibit SWC-3: 2023 Revenue Requirement Impact of the Companies' Proposed Increase in Return on Equity

Exhibit SWC-4: Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2018 to Present

Exhibit SWC-5: Calculation of 2022 Revenue Requirement Impact of the Companies' Proposed ROE vs. National Average ROE, Vertically Integrated Utilities, Proposed Capital Structure

Exhibit SWC-6: 2022 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-7: 2023 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-8: Revenue Requirement Impact of Gulf Power's Authorized Performance Bonus, Docket 20010949-EI

Exhibit SWC-9: Derivation of Walmart's Proposed GSLDT-1 Rate Design

1 **Introduction**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

3 A. My name is Steve W. Chriss. My business address is 2608 SE J Street, Bentonville,
4 AR 72716. I am employed by Walmart Inc. ("Walmart") as Director, Energy
5 Services.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

7 A. I am testifying on behalf of Walmart.

8 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

9 A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana
10 State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst
11 at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting
12 firm. My duties included research and analysis on domestic and international
13 energy and regulatory issues. From 2003 to 2007, I was an Economist and later a
14 Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon.
15 My duties included appearing as a witness for PUC Staff in electric, natural gas,
16 and telecommunications dockets. I joined the energy department at Walmart in
17 July 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager,
18 Energy Regulatory Analysis, in June 2011. I was promoted to my current position
19 in October 2016, and the position was re-titled in October 2018. My Witness
20 Qualifications Statement is attached as Exhibit SWC-1.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FLORIDA PUBLIC**
2 **SERVICE COMMISSION ("COMMISSION")?**

3 A. Yes. I testified in Docket Nos 20110138-EI, 20120015-EI, 20130040-EI, 20130140-
4 EI, 20140002-EG, 20160021-EI, 20160186-EI, 20190061-EI, 20200092-EI,¹ and
5 20200176-EI.

6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE**
7 **REGULATORY COMMISSIONS?**

8 A. Yes. I have submitted testimony in over 230 proceedings before 40 other utility
9 regulatory commissions. I have also submitted testimony before legislative
10 committees in Kansas, Missouri, North Carolina, and South Carolina. My
11 testimony has addressed topics including, but not limited to, cost of service and
12 rate design, return on equity ("ROE"), revenue requirements, ratemaking policy,
13 large customer renewable programs, qualifying facility rates, telecommunications
14 deregulation, resource certification, energy efficiency/demand side management,
15 fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings
16 on construction work in progress ("CWIP").

17 **Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?**

18 A. Yes. I am sponsoring the Exhibits in the Table of Contents.

¹ I filed testimony in Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, and 20200071-EI, but that testimony was withdrawn and the issues raised in my testimony were deferred to Docket No. 20200092-EI by Stipulation filed in those Dockets on July 20, 2020, and granted at the July 28, 2020, Prehearing Conference in those Dockets.

1 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN FLORIDA.**

2 A. As shown on Walmart's website, Walmart operates 386 retail units and eight
3 distribution centers and employs over 111,000 associates in Florida. In fiscal year
4 ending 2021, Walmart purchased \$8 billion worth of goods and services from
5 Florida-based suppliers, supporting over 82,000 jobs.²

6 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN FLORIDA POWER
7 AND LIGHT COMPANY'S ("FPL") AND GULF POWER COMPANY'S ("GULF")
8 (COLLECTIVELY, "COMPANIES") SERVICE TERRITORY.**

9 A. Walmart has 149 retail units, four distribution centers, and related facilities served
10 by FPL and 28 retail units and related facilities served by Gulf. Walmart purchases
11 more than 750 million kWh annually from the Companies, pursuant to FPL
12 Schedules General Service Large Demand – Time of Use ("GSLDT-1") and General
13 Service Demand - Time of Use ("GSDT") and Gulf Schedules Real Time Pricing
14 ("RTP") and General Service – Demand ("GSD").

15

16 **Purpose of Testimony and Summary of Recommendation**

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

² <https://corporate.walmart.com/our-story/locations/united-states/florida>

1 A. The purpose of my testimony is to respond to the Companies' rate case filing and
2 to provide recommendations to assist the Commission in its thorough and careful
3 consideration of the customer impact of the Companies' proposed rate increase.

4 **Q. IN SETTING THE REVENUE REQUIREMENT, ROE, ALLOCATION, AND RATE DESIGN**
5 **CHANGES FOR THE COMPANIES, SHOULD THE COMMISSION CONSIDER THE**
6 **IMPACT OF THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?**

7 A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When
8 electric rates increase, the increased cost to retailers can put pressure on
9 consumer prices and on the other expenses required by a business to operate.
10 The Commission should thoroughly and carefully consider the impact on
11 customers when examining the requested revenue requirement and ROE, in
12 addition to all other facets of this case, to ensure that any increase in the
13 Companies' rates is the minimum necessary to provide safe, adequate, and
14 reliable service, while also providing the Companies the opportunity to recover
15 their reasonable and prudent costs and earn a reasonable return on their
16 investment.

17 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.**

18 A. Walmart's recommendations to the Commission are as follows:
19 1) The Commission should thoroughly and carefully consider the impact on
20 customers in examining the requested revenue requirement and ROE, in
21 addition to all other facets of this case, to ensure that any increase in the

1 Companies' rates is only the minimum amount necessary to provide adequate
2 and reliable service, while also providing an opportunity to earn a reasonable
3 return.

4 2) The Commission should closely examine the Companies' proposed revenue
5 requirement increase and the associated proposed increase in ROE, especially
6 when viewed in light of:

- 7 a. The customer impact of the resulting revenue requirement increases;
8 b. The use of a future test year, which reduces regulatory lag by allowing the
9 utility to include projected costs in its rates at the time they will be in
10 effect;
11 c. Recent rate case ROEs approved by the Commission;
12 d. Recent rate case ROEs approved by other state regulatory commissions
13 nationwide; and
14 e. The Companies' proposed performance adder.

15 3) The Commission should reject the Companies' proposed performance adder.

16 4) If the Commission determines that the Companies' performance has
17 influenced its determination of the appropriate ROE within its existing
18 discretion and authority, the factors driving that determination should be
19 clearly delineated in the Commission's Final Order.

20 5) If the Commission is interested in performance-based ratemaking, a separate
21 docket should be initiated in which the Commission can determine the

1 performance factors that are important for every utility regulated in the state
2 and create universal reward/penalty structures that standardize the impacts
3 on customers and the financial implications across utilities.

4 6) Walmart does not oppose the Companies' proposal to change "customer
5 charge" to "base charge" for commercial and industrial ("C&I") base rate
6 schedules.

7 7) Walmart does not oppose the Companies' proposal to add a maximum
8 demand charge to the time-of-use C&I base rate schedules.

9 8) For the purposes of this Docket, the Commission should set the basic service
10 charge, maximum demand charge, and transformation credit for GSLDT-1 as
11 proposed by the Companies, increase the on-peak demand charge by 1.2 times
12 the percentage base revenue increase for the schedule, and apply the
13 remainder of the increase to the on-peak and off-peak non-fuel charges in a
14 manner that maintains the proposed 2.3X ratio between the charges.

15 9) If the Commission approves unified rates and the proposed transition rider,
16 the Commission should approve a symmetrical rate design for demand-
17 metered customer classes, where the charge and credit for both legacy utilities
18 are assessed on either a \$/kW or \$/kWh basis.

19 10) Even if the Commission determines that it will not approve unified rates for
20 FPL and Gulf, the Commission should approve FPL's Commercial/Industrial
21 Demand Reduction Rider ("CDR") for use by legacy Gulf customers.

1 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION**
2 **ADVOCATED BY THE COMPANIES INDICATE WALMART'S SUPPORT?**

3 A. No. The fact that an issue is not addressed herein or in related filings should not
4 be construed as an endorsement of, agreement with, or consent to any filed
5 position.

6

7 **Return on Equity**

8 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED REVENUE**
9 **REQUIREMENT INCREASE IN THIS DOCKET?**

10 A. My understanding is that the Companies are requesting a general base rate
11 increase for the 2022 test year of \$1.108 billion to be effective January 1, 2022,
12 and an additional 2023 test year increase of \$607 million to be effective January
13 1, 2023. *See* Direct Testimony of Liz Fuentes, page 7, lines 5-7. The Companies
14 are also seeking approval of an increase to Solar Base Rate Adjustments
15 ("SoBRAs") of approximately \$140 million for both 2024 and 2025. *See* Direct
16 Testimony of Tiffany C. Cohen, page 33, lines 14-15. In total, the Companies are
17 requesting a total increase over four years of \$1.995 billion.

18 Additionally, as a result of FPL's acquisition and merger of Gulf in
19 January 2021, the Companies are proposing to transition all Gulf retail customers
20 to FPL's rate structure, terms, and conditions. *See* Direct Testimony of Michael

1 Spoor, page 5, line 13 through page 6, line 2; *see also* Direct Testimony of Scott
2 Bores, page 7, line 18 through page 8, line 10.

3 My understanding is that these particular revenue requirement
4 increases are predicated upon the combination of rates for FPL and Gulf, and that
5 if the Commission does not approve the combination of rates, the Companies
6 propose a 2022 test year base revenue increase of \$1.155 billion and 2023 test
7 year base revenue increase of \$529 million for FPL, and a 2022 test year base
8 revenue increase of \$177 million and a 2023 test year base revenue increase of
9 \$78 million for Gulf. *See* Direct Testimony of Liz Fuentes, page 27, lines 8-15 and
10 page 28, lines 11-18.

11 **Q. WHAT IS THE COMPANIES' PROPOSED ROE IN THIS DOCKET?**

12 A. The Companies propose an ROE of 11.00 percent, based on a range of 10.5 percent
13 to 11.50 percent. *See* Direct Testimony of James M. Coyne, page 5, line 21 to page
14 6, line 2. The Companies also propose a 50 basis point performance adder, for a
15 total proposed ROE of 11.50 percent. *See* Direct Testimony of Robert E. Barrett,
16 page 12, lines 11-14.

1 **Q. IS THE COMPANIES' PROPOSED ROE HIGHER THAN FPL'S AND GULF'S LAST**
2 **APPROVED ROEs?**

3 A. Yes. The Companies' proposed ROE represents an increase of 95 basis points from
4 FPL's last approved ROE of 10.55 percent³ and an increase of 125 basis points from
5 Gulf's last approved ROE of 10.25 percent.⁴

6 **Q. IS WALMART CONCERNED ABOUT THE REASONABLENESS OF THE COMPANIES'**
7 **PROPOSED ROE?**

8 A. Yes, especially when viewed in light of:

- 9 1) The customer impact of the resulting revenue requirement increases;
- 10 2) The use of a future test year, which reduces regulatory lag by allowing the
11 utility to include projected costs in its rates at the time they will be in effect;
- 12 3) Recent rate case ROEs approved by the Commission;
- 13 4) Recent rate case ROEs approved by other state regulatory commissions
14 nationwide; and
- 15 5) The Companies' proposed performance adder.
- 16

³ *In re: Petition for rate increase by Florida Power & Light Company*, Docket No. 20160021-EI, Order No. PSC-16-0560-AS-EI, Order Approving Settlement Agreement (issued Dec. 15, 2016), page 2.

⁴ *In re: Petition for rate increase by Gulf Power Company*, Docket No. 20160186-EI, Order No. PSC-17-0178-S-EI, Final Order Approving Stipulation and Settlement Agreement and Approving Tariffs and Rate Schedules of Gulf Power Company (issued May 16, 2017), page 3.

1 ***Customer Impact***

2 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE 2022 TEST YEAR OF THE**
3 **COMPANIES' PROPOSED INCREASE IN ROE, INCLUSIVE OF THE PROPOSED**
4 **PERFORMANCE ADDER, FROM THE COMPANIES' LAST APPROVED ROEs?**

5 A. The proposed 2022 increase related to the Companies' proposed increase in ROE
6 has an annual revenue requirement impact on the Companies' rates of
7 approximately \$339 million for 2022. This constitutes about 31 percent of the
8 Companies' overall increase request for the 2022 test year. See Exhibit SWC-2.

9 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE CUMULATIVE**
10 **PROPOSED INCREASES FOR 2022 AND 2023?**

11 A. The proposed cumulative increase (2022 plus 2023) related to the Companies'
12 proposed increase in ROE has an annual revenue requirement impact on the
13 Companies' rates of approximately \$365 million for 2023. This constitutes about
14 21 percent of the Companies' cumulative increase request for the 2022 and 2023
15 test years. See Exhibit SWC-3.

16

17 ***Future Test Year***

18 **Q. HAS THE COMMISSION RECOGNIZED THAT THE USE OF A FUTURE TEST YEAR**
19 **IMPACTS THE COMPANIES' EXPOSURE TO REGULATORY LAG?**

20 A. Yes. The use of a projected test year reduces the risk due to regulatory lag
21 because, as the Commission has previously stated, "the main advantage of a

1 projected test year is that it includes all information related to rate base, NOI, and
2 capital structure for the time new rates will be in effect."⁵ As such, the
3 Commission should carefully consider the level of ROE justified by the Companies'
4 exposure to regulatory lag.

5

6 ***Recent ROEs Approved by the Commission***

7 **Q. IS THE COMPANIES' PROPOSED ROE SIGNIFICANTLY HIGHER THAN ROEs**
8 **RECENTLY APPROVED BY THE COMMISSION?**

9 A. Yes. Recently, the Commission approved Duke Energy Florida, LLC's ("DEF") 2021
10 Settlement Agreement for its base rate case in Docket 20210016-EI, which
11 included approval of an ROE of 9.85 percent.⁶ Additionally, for natural gas utilities,
12 the Commission approved an ROE of 9.90 percent for People's Gas System in
13 Docket 20200051-GU⁷ and an ROE of 10.19 percent for Pivotal Utility Holdings Inc.
14 in Docket 20170179-GU.⁸

⁵ *In re: Request for rate increase by Gulf Power Company*, Docket No. 20010949-EI, Order No. PSC-02-0787-FOF-EI, Order Granting in Part and Denying in Part Gulf Power Company's Petition for Rate Increase (issued June 10, 2002), page 9.

⁶ *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC*, Docket No. 20210016-EI, Order No. PSC-2021-0202-AS-EI, Final Order Approving 2021 Settlement Agreement (issued June 4, 2021), page 3.

⁷ *In re: Petition for rate increase by Peoples Gas System*, Docket No. 20200051-GU, Order No. PSC-2020-2020-0485-FOF-GU, Final Order (issued Dec. 10, 2020), page 3.

⁸ *In re: Petition for rate increase by Florida City Gas*, Docket No. 20170179-GU, Order No. PSC-2018-0190-FOF-GU, Final Order Approving Joint Motion to Approve Stipulation and Settlement Agreement (issued Apr. 20, 2018), page 3.

1 As such, the Companies' proposed 11.5 percent ROE is counter to recent
2 Commission actions regarding ROE.

3

4 ***National Utility Industry ROE and Weighted Equity Cost Trends***

5 **Q. IS THE COMPANIES' TOTAL PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE**
6 **ROEs APPROVED BY OTHER STATE REGULATORY COMMISSIONS IN 2018, 2019,**
7 **2020, AND SO FAR IN 2021?**

8 A. Yes. According to data from S&P Global Market Intelligence ("S&P Global"), a
9 financial news and reporting company, the average of the 119 reported electric
10 utility rate case ROEs authorized by state regulatory commissions to investor-
11 owned utilities in 2018, 2019, 2020, and so far in 2021, is 9.52 percent. The range
12 of reported authorized ROEs for the period is 8.20 percent to 10.50 percent, and
13 the median authorized ROE is 9.50 percent. The average and median values are
14 significantly – 198 basis points and 200 basis points, respectively – below the
15 Companies' proposed ROE of 11.50 percent. See Exhibit SWC-4. As such, the
16 Companies' total proposed ROE of 11.50 percent is counter to broader electric
17 industry trends.

1 **Q. SEVERAL OF THE REPORTED AUTHORIZED ROEs ARE FOR DISTRIBUTION-ONLY**
2 **UTILITIES OR FOR ONLY A UTILITY'S DISTRIBUTION SERVICE RATES. WHAT IS THE**
3 **AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY**
4 **INTEGRATED UTILITIES?**

5 A. In the group reported by S&P Global, the average ROE for vertically integrated
6 utilities authorized over the same time period is 9.64 percent. The average ROE
7 authorized for vertically integrated utilities in 2018 was 9.68 percent, in 2019 it
8 was 9.64 percent, in 2020 it was 9.39 percent, and so far in 2021 it is 9.52 percent.
9 *Id.* As such, the Companies' proposed total ROE of 11.50 percent is counter to
10 broader electric industry trends and, in fact, as shown in Figure 1, if approved,
11 would be the highest approved ROE for a vertically integrated utility at any time
12 from 2018 to present – by 100 basis points. Even the Companies' proposed
13 midpoint of 11.00 percent would be the highest approved ROE since 2018 by 50
14 basis points.

1 **Q. IS WALMART RECOMMENDING THAT THE COMMISSION BE BOUND BY ROEs**
2 **AUTHORIZED BY OTHER STATE REGULATORY COMMISSIONS?**

3 A. No. Decisions of other state regulatory commissions are not binding on this
4 Commission. Each commission considers the specific circumstances in each case
5 in its determination of the proper ROE and capital structure. Walmart is providing
6 this information on industry trends on ROE from its perspective as a customer with
7 operations that are nationwide as it believes that recently authorized ROEs in
8 other jurisdiction provide a general gauge of reasonableness for the various cost
9 of equity analyses presented in this case. Moreover, Walmart believes that it is
10 appropriate for the Commission to consider how any ROE authorized in this case
11 impacts existing and prospective customers relative to other jurisdictions.

12

13 ***Proposed Performance Adder***

14 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED**
15 **PERFORMANCE ADDER?**

16 A. My understanding is that the Companies are requesting an adder of 50 basis
17 points to their ROE to "reflect FPL's superior value proposition for its customers
18 and as an incentive to promote further efforts to improve the customer value
19 proposition." See Direct Testimony of Robert E. Barrett, page 49, lines 4-7.

1 **Q. WHAT WOULD BE THE COST TO CUSTOMERS IN 2022 IF THE COMMISSION WERE**
2 **TO APPROVE THE ADDER, AS WELL AS THE COMPANIES' PROPOSED CAPITAL**
3 **STRUCTURE AND RATE BASE?**

4 A. The cost to customers in 2022 would be approximately \$178 million, or 2.2
5 percent of base rate revenues.⁹ See Direct Testimony of John J. Reed, page 96,
6 line 23 and Exhibit SWC-6. I have estimated the cost to customers for 2023 as
7 approximately \$191 million. See Exhibit SWC-7. In total, assuming the incentive
8 would have similar costs in 2024 and 2025, it appears that if the Commission were
9 to award the proposed incentive, as well as the Companies' capital structure and
10 rate base, customers would pay FPL approximately \$750 million over the course
11 of the proposed four-year rate plan just in performance incentive bonus, which is
12 not tied to any specific costs to be recovered.

13 **Q. DOES WALMART HAVE CONCERNS WITH THE COMPANIES' PROPOSAL?**

14 A. Yes. The proposed stand-alone performance adder has no cost basis or formal
15 supporting structural parameters, and as such its inclusion in a cost of service-
16 based consideration of just and reasonable rates is questionable. While I am not
17 an attorney, my understanding of Florida Statute 366.041(1) is that the
18 Commission is authorized, but not obligated, to consider non-cost factors in
19 setting rates, and in my experience, state regulatory commissions generally have

⁹ \$178,000,000 / \$7,038,744,000 = 2.2 percent. See Schedule C-1 (with RSAM).

1 broad discretion to consider performance factors in their determination of
2 appropriate ROEs for regulated utilities. However, this authorization does not
3 address issues raised by how the Companies' proposal would be implemented.

4 **Q. PLEASE EXPLAIN.**

5 A. While the Companies present the benchmarking study of witness Reed, Walmart
6 is concerned that it does not appear that the Companies are actually proposing
7 metrics and standards that they would be expected to achieve in order to realize
8 the bonus or any mechanism to reduce or claw-back incentive revenues if the
9 Companies fail to meet Commission-approved metrics or standards. This is also
10 concerning because while the Companies' accomplishments for FPL's operations
11 are certainly laudable, it appears that Gulf's operations have improved since the
12 merger but Gulf may not be performing at the same level as FPL yet. See Direct
13 Testimony of John J. Reed, page 88, line 5 to page 89, line 2. Were a formal
14 structure in place with Commission-approved metrics and standards, Gulf
15 ostensibly would not receive the same level of reward as FPL.

16 **Q. ARE THERE ADDITIONAL IMPLEMENTATION CONCERNS?**

17 A. Yes. In addition to the cost of the Companies' proposed 50 basis point adder over
18 the proposed four-year rate plan, that adder appears to be arbitrary in its
19 derivation and much higher than the comparable adders cited by the Companies
20 in testimony.

1 **Q. HAVE THE COMPANIES PROVIDED EXAMPLES OF OTHER CASES IN WHICH**
2 **PERFORMANCE ADDERS WERE INCLUDED IN AN ROE DETERMINATION?**

3 A. Yes. The Companies point to the Commission's 25 basis point adder granted to
4 Gulf in its 2002 general rate case. See Direct Testimony of Robert W. Barrett, page
5 49, lines 9-12. Additionally, the Companies highlight the decision of the
6 Pennsylvania Public Utility Commission in awarding PPL Electric Utilities
7 Corporation a 12 basis point adder in their 2012 general rate case. See Direct
8 Testimony of John J. Reed, pages 94-95.

9 **Q. IS THERE A SIGNIFICANT DIFFERENCE BETWEEN THE REVENUES GENERATED BY**
10 **THE COMPANIES' PROPOSED 50 BASIS POINT ADDER AND THE ADDERS**
11 **APPROVED IN THE HIGHLIGHTED COMPARISONS?**

12 A. Yes. As stated above, the Companies' proposed 50 basis point adder would
13 increase customer rates by approximately \$178 million in 2022, or 2.2 percent of
14 base revenues, and \$191 million in the years thereafter. In comparison, the 25
15 basis point adder awarded by the Commission to Gulf in 2002 was worth
16 approximately \$2 million, or 0.56 percent of base rate revenues. See Exhibit SWC-
17 8. According to evidence cited by the PA PUC in its PPL Order, the 12 basis point
18 adder translated to \$3 million in revenue.¹⁰ While the scale of Gulf (circa 2002)
19 and PPL, which is a distribution-only utility in a deregulated state, may

¹⁰ *Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation*, Docket Nos. R-2012-2290597, et al., Opinion and Order (issued Dec. 28, 2012) ("PPL Order"), page 94.

1 independently be similar, they are much different in size than FPL and Gulf
2 combined, the Companies' proposal results in a dollar award that is orders of
3 magnitude larger than the comparators presented.

4 **Q. IS THE COMPANIES' PROPOSED PERFORMANCE ADDER ALSO LARGER THAN THE**
5 **ADDER THEY PROPOSED IN DOCKET NO. 20120015-EI?**

6 A. Yes. In that docket, FPL, as a standalone utility, proposed a performance adder of
7 25 basis points. At that time, the cost to customers was estimated to be
8 approximately \$39.5 million. See Docket 20120015-EI, Direct Testimony of Steve
9 W. Chriss on behalf of the Florida Retail Federation, Exhibit SWC-2. That docket
10 ultimately settled and the settlement did not include the performance adder.¹¹

11 **Q. IS THERE A POLICY CONCERN WITH APPROVAL OF THE COMPANIES'**
12 **PERFORMANCE ADDER PROPOSAL?**

13 A. Yes. Walmart has concerns with creating a performance-based ratemaking
14 structure in the context of the general rate case for a single utility. The process
15 allows the filing utility to cherry pick the areas in which it has an *ex ante* known
16 advantage to other Florida or regional utilities and could result in a framework
17 that is too specific to apply to other utilities but because of Commission precedent
18 is difficult to change in future rate cases. The instant request increases the
19 potential for complications, as there have been no specific metrics or standards

¹¹ *In re: Petition for increase in rates by Florida Power & Light Company*, Docket No. 20150015-EI, Order No. PSC-13-0023-S-EI, Order Approving Revised Stipulation and Settlement (issued Jan. 14, 2013).

1 proposed to be applied, no way to adjust for performance during the rate plan,
2 and the legacy FPL and Gulf operating companies appear to have achieved
3 different levels of performance. If the Commission is interested in performance-
4 based ratemaking, a separate investigation should be initiated where the
5 Commission can make a determination of the performance factors that are
6 important for every utility regulated in the state and create universal
7 reward/penalty structures that standardize the impacts on customers and the
8 financial implications across utilities.

9 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS**
10 **ISSUE?**

11 A. The Commission should reject the Companies' proposed performance adder. If
12 the Commission determines that the Companies' performance has influenced its
13 determination of the appropriate ROE within its existing discretion and authority,
14 the factors driving that determination should be clearly delineated in the Final
15 Order.

16

1 **Conclusion**

2 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING THE**
3 **COMPANIES' PROPOSED ROE?**

4 A. The Commission should closely examine the Companies' proposed revenue
5 requirement increase and the associated proposed increase in ROE, especially
6 when viewed in light of:

- 7 1) The customer impact of the resulting revenue requirement increases;
8 2) The use of a future test year, which reduces regulatory lag by allowing the
9 utility to include projected costs in its rates at the time they will be in effect;
10 3) Recent rate case ROEs approved by the Commission;
11 4) Recent rate case ROEs approved by other state regulatory commissions
12 nationwide; and
13 5) The Companies' proposed performance adder.

14
15 **GSLDT-1 Rate Design**

16 **Q. WHAT IS YOUR UNDERSTANDING OF THE CURRENT GSLDT-1 BASE RATE DESIGN?**

17 A. My understanding is that the current GLSDT-1 base rate design is comprised of the
18 following main charges:

- 19 1) A \$/customer-month customer charge;
20 2) On-peak and off-peak \$/kWh non-fuel energy charges; and
21 3) An on-peak \$/kW demand charge.

1 **Q. DO THE COMPANIES PROPOSE ANY CHANGES TO THE GSLDT-1 BASE RATE**
2 **DESIGN?**

3 A. Yes. The Companies propose the following for GSLDT-1, in addition to the other
4 time-of-use commercial and industrial base rates:

5 1) To change the term "customer charge" to "base charge;" and

6 2) To add a maximum demand charge, which is intended to act as a
7 distribution demand charge and ensure cost recovery for distribution costs
8 incurred to serve a customer's kW load in excess of their on-peak kW
9 demand. See Direct Testimony of Tiffany C. Cohen, page 21, line 16 to page
10 22, line 15.

11 **Q. DOES WALMART OPPOSE THESE CHANGES?**

12 A. No.

13 **Q. DO THE COMPANIES MAKE ANY STATEMENTS ABOUT THE COSTS RECOVERED**
14 **THROUGH BASE RATES?**

15 A. Yes. The Companies state that "most" costs recovered in base rates are fixed costs
16 that do not vary with energy usage, and as such are classified as either demand-
17 related or customer-related. Generally, more than 85 percent of costs recovered
18 through base rates are fixed costs. See Direct Testimony of Tara B. Dubose, page
19 32, line 13-19.

1 **Q. DOES THIS STATEMENT HOLD TRUE FOR GSLDT-1 RATES?**

2 A. Yes. As shown in Table 1, approximately 86 percent of the costs to be recovered
3 through GSLDT-1 base rates are demand-related, and an additional 0.1 percent
4 are customer-related.

Table 1. GSLDT-1 Cost of Service Study vs. Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results ¹²		Proposed Revenue Requirement	
	(\$000)	(% of Total)	(\$000)	(% of Total)
Demand	\$554,583	86.2	\$115,841	57.3
Customer	\$676	0.1	\$1,160	0.6
Energy	\$88,185	13.7	\$85,219	42.1
Total	\$643,444	100	\$202,220	100

Sources: MFR E-6b, page 1 to page 3, Schedule E-13C, page 42

5

6 **Q. HOW DO THE COMPANIES PROPOSE TO COLLECT GSLDT-1 BASE REVENUE**
7 **REQUIREMENT THROUGH THE PROPOSED RATE DESIGN?**

8 A. Contrary to the results of the cost of service study, the Companies propose to
9 collect a significant portion of the GSLDT-1 base revenue requirement through the
10 energy charges. As shown in Table 2 below, the proposed GSLDT-1 rate design
11 would collect approximately 42 percent of the schedule's revenue through the
12 energy charges, even though only approximately 14 percent of the costs to be
13 recovered are energy-related.

¹² My understanding is that this also includes costs allocated to the standard GSLD-1 tariff.

1 **Q. IS THE COLLECTION OF DEMAND-RELATED COSTS THROUGH ENERGY CHARGES**
2 **APPROPRIATE?**

3 A. No. The collection of demand-related costs through energy charges is
4 inappropriate and violates cost causation principles.

5 **Q. PLEASE EXPLAIN.**

6 A. The shift in demand-related costs from per kW demand charges to per kWh energy
7 charges results in a shift in demand cost responsibility from lower load factor
8 customers to higher load factor customers. Two customers can have the same
9 level of demand and cause the utility to incur the same amount of fixed costs, but
10 because one customer uses more kWh than the other, that customer will pay
11 more of the demand cost than the customer that uses fewer kWh. This results in
12 a misallocation of cost responsibility as higher load factor customers overpay for
13 the demand-related costs incurred by the Companies to serve them. In other
14 words, higher load factor customers are subsidizing a portion of the demand-
15 related costs that are incurred to serve lower load factor customers simply
16 because of the manner in which the Companies collect those costs in rates.

17 **Q. CAN YOU PROVIDE A GENERAL ILLUSTRATION OF THIS SHIFT IN DEMAND COST**
18 **RESPONSIBILITY?**

19 A. Yes. Assume the following:

20 1) A utility has only two customers (Customer 1 and Customer 2), with individual
21 peak demands of 20 kW for a total system load of 40 kW.

1 2) The annual revenue requirement or cost to the utility associated with the
2 investment to serve these customers is \$2,000, which will be collected each
3 year. Each customer is responsible for one-half of the cost, or \$1,000 of
4 demand-related or fixed costs per customer.

5 3) Customer 1 has a monthly demand of 20 kW and a load factor of 60 percent
6 and consumes 105,120 kWh/year (20 kW * 60% * 8760 hours).

7 4) Customer 2 has a monthly demand of 20 kW and a load factor of 30 percent
8 and consumes 52,560 kWh/year (20 kW * 30% * 8760 hours).

9 **Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED THROUGH A DEMAND**
10 **CHARGE ON A PER KW BASIS, WHAT WOULD THE PER KW CHARGE BE?**

11 A. The charge would be \$4.17 per kW-month ($\$2,000 / 40 \text{ kW} / 12 \text{ months}$). Each
12 customer would then pay \$1,000 for the demand-related cost they impose on the
13 system ($20 \text{ kW} * \$4.17/\text{kW} * 12$).

14 **Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED ON AN ENERGY BASIS, WHAT**
15 **WOULD THE PER KWH CHARGE BE?**

16 A. If customers were charged on a per kWh basis, the energy charge would be 1.27
17 cents per kWh ($\$2,000 / 157,860 \text{ kWh}$), where the \$2,000 is the total cost and
18 157,860 kWh represents the total annual energy sales.

1 **Q. WHAT WOULD EACH CUSTOMER PAY UNDER THE PER KWH CHARGE OF 1.27**
2 **CENTS PER KWH?**

3 A. Customer 1, the customer with the higher load factor of 60 percent, would pay
4 \$1,333 ($\$0.0127/\text{kWh} * 105,120 \text{ kWh}$). Customer 2, the customer that has the
5 lower load factor would pay \$667 ($\$0.0127/\text{kWh} * 52,560 \text{ kWh}$).

6 **Q. ARE THE RESULTING ENERGY-BASED CHARGES REPRESENTATIVE OF THE**
7 **UNDERLYING COSTS?**

8 A. No. As the example makes clear, if the Companies collect their demand-related
9 costs through energy-based charges, they will over-collect from one customer and
10 under-collect from the other. The fixed costs are equally incurred by Customer 1
11 and Customer 2; however, under the per kWh scenario, the utility would recover
12 \$333 more from Customer 1 (a higher load factor customer) than its cost
13 responsibility and \$333 less from Customer 2 (a lower load factor customer) than
14 its cost responsibility. In other words, Customer 1 would be subsidizing one-third
15 of Customer 2's cost responsibility.

16 **Q. WOULD THE COLLECTION OF A GREATER PERCENTAGE OF THE GSLDT-1 REVENUE**
17 **REQUIREMENT THROUGH THE DEMAND CHARGE BE BENEFICIAL TO THE**
18 **COMPANIES?**

19 A. Yes. By collecting a large percentage of revenue requirement through energy
20 charges, the Companies subject themselves to under and overcollection of its
21 revenue requirement due to fluctuations in customer usage. As such, issues such

1 as weather and the economy will have a greater impact on the utility versus a rate
2 design in which an appropriate amount of revenue requirement is collected
3 through the demand charge.

4 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION IN REGARD TO**
5 **GSLDT-1 RATE DESIGN?**

6 A. For the purposes of this docket, the Commission should set the basic service
7 charge, maximum demand charge, and transformation credit for GSLDT-1 as
8 proposed by the Companies, increase the on-peak demand charge by 1.2 times
9 the percentage base revenue increase for the schedule, and apply the remainder
10 of the increase to the on-peak and off-peak non-fuel charges in a manner that
11 maintains the proposed 2.3X ratio between the charges.

12 **Q. HAVE YOU CALCULATED ILLUSTRATIVE RATES AT THE COMPANIES' PROPOSED**
13 **2022 REVENUE REQUIREMENT?**

14 A. Yes. Table 2 shows the comparison of the Companies' proposed GSLDT-1 rates
15 and Walmart's proposed GSLDT-1 rates. The full derivation is provided in Exhibit
16 SWC-9, and the base charge, non-fuel energy charges, and the demand charges all
17 receive increases versus present rates.

Table 2. Comparison of Companies' Proposed GSLDT-1 Rates and Walmart Proposed GSLDT-1 Rates.

Charge	Companies' Proposed Rates	Walmart Proposed Rates
Base Charge	\$95.62/customer-month	\$95.62/customer-month
Non-Fuel Energy Charges		
On-Peak	\$0.03513/kWh	\$0.02953/kWh
Off-Peak	\$0.01523/kWh	\$0.01280/kWh
Demand Charges		
On-Peak	\$13.56/kW	\$15.29/kW
Maximum Demand	\$1.11/kW	\$1.11/kW
Transformation Credit	(\$0.34)	(\$0.34)

Source: Exhibit SWC-9

1

2 **Q. DO WALMART'S PROPOSED CHANGES MOVE GSLDT-1 TOWARDS COST-BASED**
3 **RATES?**

4 A. Yes. As shown in Table 3, the proposed changes move GSLDT-1 towards cost-
5 based rates while maintaining the price signals provided by the on-peak and off-
6 peak energy charges.

Table 3. GSLDT-1 Cost of Service Study vs. Companies' Proposed GSLDT-1 Revenue Requirement vs. Walmart Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results		Companies' Proposed Revenue Requirement		Walmart Proposed Revenue Requirement	
	(\$000)	(% of Total)	(\$000)	(% of Total)	(\$000)	(% of Total)
Demand	\$554,583	86.2	\$115,841	57.3	\$129,431	64.0
Customer	\$676	0.1	\$1,160	0.6	\$1,160	0.6
Energy	\$88,185	13.7	\$85,219	42.1	\$71,629	35.4
Total	\$643,444	100	\$202,220	100	\$202,220	

Sources: Exhibit SWC-9

7

8

1 **Transition Rider Rate Design**

2 **Q. WHAT IS YOUR UNDERSTANDING OF HOW THE COMPANIES SET THE REVENUE**
3 **REQUIREMENT FOR THE TRANSITION RIDER?**

4 A. My understanding is that the Companies set the transition rider revenue
5 requirement to represent the difference in overall system average costs between
6 FPL and Gulf for 2021 base rates and all clauses including fuel, capacity,
7 environmental, conservation, and storm protection. See Direct Testimony of
8 Tiffany C. Cohen, page 28, line 23 to page 29, line 3.

9 **Q. WHAT IS YOUR UNDERSTANDING OF THE RATE DESIGN TO BE USED FOR THE**
10 **LEGACY FPL CREDIT AND LEGACY FPL CHARGE FOR DEMAND-METERED**
11 **CUSTOMERS?**

12 A. My understanding is that the Companies propose to credit legacy FPL demand-
13 metered customers on a \$/kW basis and charge legacy Gulf demand-metered
14 customers on a \$/kWh basis. See Direct Testimony of Tiffany C. Cohen, Exhibit
15 TCC-8, page 2. The reason for the difference in structure is not clear from the
16 Companies' testimony, and it does not appear that the rate design is based on
17 some form of underlying cost of service structure.

18 **Q. WHY IS THIS DIFFERENCE A CONCERN?**

19 A. The difference is a concern because the transition rider rate designs are
20 asymmetrical and treat legacy demand-metered customers differently on each
21 system. For example, high load factor customers on GSLDT-1 under Gulf will pay

1 the highest relative costs on the rate schedule because the charge is on a \$/kWh
2 energy basis, while high load factor customers on GSLDT-1 under FPL will receive
3 the lowest realized benefit per kWh because the credit is on a \$/kW basis and is
4 spread over more kWh per billing period.

5 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS**
6 **ISSUE?**

7 A. If the Commission approves unified rates and the proposed transition rider, the
8 Commission should approve a symmetrical rate design for demand-metered
9 customer classes, where the charge and credit for both legacy utilities are
10 assessed on either a \$/kW or \$/kWh basis.

11

12 **CDR Applicability to Legacy Gulf Customers**

13 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED**
14 **APPLICABILITY OF CDR?**

15 A. My understanding from a review of the Companies' proposed unified tariffs is that
16 the Companies, as part of the unification of rates for the two legacy operating
17 companies, propose to make CDR available to all customers, including legacy Gulf
18 customers. See MFR No. E-14, Attachment 1, page 166. However, from my review
19 of the Companies' proposed standalone tariffs for Gulf, it appears that the
20 Companies do not propose to make CDR available to legacy Gulf customers if the

1 Commission does not approve tariff unification. See MFR No. E-14 (Gulf
2 Standalone Information), Attachment 1, page 2.

3 **Q. DOES WALMART SUPPORT THE AVAILABILITY OF CDR TO LEGACY GULF**
4 **CUSTOMERS?**

5 A. Yes. In FPL's legacy territory, CDR has been an effective tool to drive the
6 deployment of distributed generation that provides support for grid operations
7 and enables retail customers like Walmart to continue operations and serve their
8 communities during severe weather events and other prolonged grid outages.

9 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS**
10 **ISSUE?**

11 A. Even if the Commission determines that it will not approve unified rates for FPL
12 and Gulf, the Commission should approve FPL's CDR for use by legacy Gulf
13 customers.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.

1 (Whereupon, prefiled direct testimony of
2 Rhonda Hicks was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20210015-EI

Petition for rate increase by Florida Power & Light Company.

WITNESS: Direct Testimony of Rhonda L. Hicks

Appearing on behalf of the Staff of the Florida Public Service Commission

DATE FILED: July 6, 2021

1 DIRECT TESTIMONY OF RHONDA L. HICKS

2 Q. Please state your name and address.

3 A. My name is Rhonda L. Hicks. My address is 2540 Shumard Oak Boulevard;
4 Tallahassee, Florida; 32399-0850.

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

6 A. I am employed by the Florida Public Service Commission (PSC or Commission) as
7 Chief of the Bureau of Consumer Assistance in the Office of Consumer Assistance &
8 Outreach.

9 Q. Please give a brief description of your educational background and professional
10 experience.

11 A. I graduated from Florida A&M University in 1986 with a Bachelor of Science degree
12 in Accounting. I have worked for the Commission for 35 years, and I have varied
13 experience in the electric, gas, telephone, and water and wastewater industries. My
14 work experience includes rate cases, cost recovery clauses, depreciation studies, tax,
15 audit, consumer outreach, and consumer complaints. During the course of my career
16 at the Commission, I have testified in numerous dockets involving varied industries
17 regulated by the Commission. I currently work in the Bureau of Consumer Assistance
18 within the Office of Consumer Assistance & Outreach where I manage consumer
19 complaints and inquiries.

20 Q. What is the function of the Bureau of Consumer Assistance?

21 A. The bureau's function is to resolve disputes between regulated companies and their
22 customers as quickly, effectively, and inexpensively as possible.

23 Q. Do all consumers, who have disputes with their regulated company, contact the Bureau
24 of Consumer Assistance?

25 A. No. Consumers may initially file their complaint with the regulated company and

1 reach resolution without the bureau's intervention. In fact, consumers are encouraged
2 to allow the regulated company the opportunity to resolve the dispute prior to any
3 Commission involvement.

4 Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to advise the Commission of the number of consumer
6 complaints logged against Florida Power & Light Company (FP&L) and Gulf Power
7 Company (Gulf Power) under Rule 25-22.032, Florida Administrative Code,
8 Consumer Complaints, from June 15, 2016, through June 15, 2021. My testimony will
9 also provide information on the type of complaints logged and those complaints that
10 appear to be rule violations.

11 Q. What do your records indicate concerning the number of complaints logged against
12 FP&L and Gulf Power?

13 A. From June 15, 2016, through June 15, 2021, the PSC logged 4,111 complaints (2,852
14 Service and 1,259 Billing) against FP&L and 440 complaints (115 Service and 325
15 Billing) against Gulf Power.

16 Q. What have been the most common types of complaints logged against FP&L and Gulf
17 Power?

18 A. During the specified time period, approximately sixty-nine (69%) percent of the
19 complaints logged against FP&L involved quality of service issues while
20 approximately thirty-one (31%) of the complaints involved billing concerns.
21 Conversely, the PSC logged more complaints against Gulf regarding billing (74%)
22 than quality of service (26%.)

23 Q. Do you have any exhibits attached to your testimony?

24 A. Yes. I am sponsoring Exhibits RLH-1, RLH-2, RLH-3, and RLH-4.

25 Q. Would you explain Exhibits RLH-1 and RLH-3?

1 A. Yes. Exhibits RLH-1 and RLH-3 are listings of billing complaints logged against
2 FP&L and Gulf Power under Rule 25-22.032, Florida Administrative Code. The
3 complaints, received June 15, 2016 through June 15, 2021, were captured in the
4 Commission's Consumer Activity Tracking System (CATS).

5 Q. Would you explain Exhibits RLH-2 and RLH-4?

6 A. Yes. Exhibits RLH-2 and RLH-4 are listings of service complaints logged against
7 FP&L and Gulf Power under Rule 25-22.032, Florida Administrative Code. The
8 complaints, received June 15, 2016 through June 15, 2021, were also captured in the
9 Commission's Consumer Activity Tracking System (CATS).

10 Q. What is a Close Code and/or a Close Type?

11 A. A Close Code is an internal categorization code. It is assigned to each complaint once
12 staff completes its investigation and a proposed resolution is provided to the consumer.
13 If a complaint is not assigned a Close-Out Code, the complaint remains under
14 investigation. A Close Type is a brief description of the Close Code.

15 Q. How were most FP&L and Gulf Power complaints received during June 15, 2016,
16 through June 15, 2021, resolved or closed?

17 A. A review of the exhibits indicate that Commission staff closed the majority of the
18 logged complaints as GI-72/72 Hour Close Outs.

19 Q. Can you explain the Close-Type GI-72?

20 A. Yes. FP&L and Gulf Power participate in the Commission's Transfer-Connect (Warm
21 Transfer) System. This system allows the Commission to directly transfer a customer
22 to the company's customer service personnel. Once the call is transferred, the utility
23 provides the customer with a proposed resolution. Customers who are not satisfied
24 with the company's proposed resolution have the option of recontacting the
25 Commission. One of the benefits of a utility participating in the Warm Transfer

1 System is that *any* complaint can be resolved within 72 hours as long as the customer
2 is satisfied with the proposed resolution. If the customer accepts the company's
3 resolution to the complaint, the complaint will not be reported in the number of
4 complaints shown for that company in the PSC's Complaint Activity Report, which is
5 published on the PSC's website. However, all of the information is retained for the
6 PSC to perform its regulatory obligations.

7 Q. How many complaints logged against FP&L and Gulf Power were resolved within 72
8 hours?

9 A. FP&L and Gulf Power resolved 3,381 (82%) and 281 (64%) complaints within 72
10 hours, respectively.

11 Q. Exhibits RLH-1 and RLH-3 indicate that Commission staff closed a vast amount of
12 complaints as GI-25/Improper Billing. Does this Close-Out Code of GI-25/Improper
13 Billing indicate that FP&L and Gulf Power improperly billed customers?

14 A. No. The Close-Out Code of GI-25/Improper Billing, is a general code that
15 encompasses all billing issues that don't involve a High Bill concern. It would involve
16 issues such as, late fees, disconnect charges, meter reading charges, or any other
17 billing concern except High Bills. Complaints that may be potential violations of
18 Commission rules have Close-Out Codes that begin with EB- or ES-.

19 Q. What are some of the complaints logged against FP&L and Gulf Power.

20 A. Commission staff logged complaints about repairs, outages, tree trimming, and delays
21 in connection, high bills, deposits, and tariffs.

22 Q. How many of the complaints listed on your exhibits has staff determined may be a
23 possible violation of Commission rules?

24 A. Of the 4,111 complaints logged against FP&L, staff determined that seven appeared to
25 be violations of Commission rules, while nine of Gulf Power's 440 logged complaints

1 appeared to be violations of Commission rules.

2 Q. What was the nature of the apparent rule violations?

3 A. The apparent rule violations were related to matters such as meter issues, billing the
4 wrong customer, disconnections during the complaint process, and payments not being
5 posted.

6 Q. How are apparent rule violations addressed by Commission staff?

7 A. The complaint is noted with the apparent violation Close Code and any trends are
8 shared with the appropriate Commission staff to determine if immediate action is
9 needed. In addition, complaint activity is always reviewed during any rate proceeding.

10 Q. Does this conclude your testimony?

11 A. Yes, it does.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 (Whereupon, prefiled direct testimony of Debra
2 Dobiac was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 20210015-EI
Petition for rate increase by Florida Power & Light Company

Witness: Direct Testimony of DEBRA DOBIAC
Appearing on Behalf of the Staff of the Florida Public Service Commission

DATE FILED: July 6, 2021

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA DOBIAC**

4 **DOCKET NO. 20210015-EI**

5 **JULY 6, 2021**

6

7 **Q. Please state your name and business address.**

8 A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard,
9 Tallahassee, Florida, 32399.

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

11 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a
12 Public Utility Analyst in the Office of Auditing and Performance Analysis. I have been
13 employed by the Commission since January 2008.

14 **Q. Briefly review your educational and professional background.**

15 A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts
16 degree in accounting. Prior to my work at the Commission, I worked for six years in internal
17 auditing at the Kohler Company and First American Title Insurance Company. I also have
18 approximately 12 years of experience as an accounting manager and controller.

19 **Q. Please describe your current responsibilities.**

20 A. My responsibilities consist of planning and conducting utility audits of manual and
21 automated accounting systems for historical and forecasted data.

22 **Q. Have you previously presented testimony before this Commission?**

23 A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 20080121-
24 WS, the Water Management Services, Inc. Rate Case, Docket No. 20110200-WU, and the
25 Utilities, Inc. of Florida Rate Case, Docket No. 20160101-WS. I also prefiled testimony for

1 the Water Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power
2 Company Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, the Fuel and Purchased
3 Power Recovery Clause (Hedging Activities) for Gulf Power Company, Docket Nos.
4 20130001-EI, 20140001-EI, 20190001-EI, and 20200001-EI, the Fuel and Purchased Power
5 Recovery Clause (Hedging Activities) for Florida Power & Light Company, Docket No.
6 20180001-EI, Florida Public Utilities Company's Limited Proceeding to recover incremental
7 Storm Restoration Costs, Docket No. 20180061-EI, the Gulf Power Company Limited
8 Proceeding to recover incremental Storm Restoration Costs, Docket No. 20190038-EI, the
9 Florida Public Utilities Company's Petition for a Limited Proceeding to recover incremental
10 Storm Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers,
11 and Regulatory Assets Related to Hurricane Michael in Docket No. 20190156-EI, and
12 Utilities, Inc. of Florida Rate Case in Docket No. 20200139-WS.

13 **Q. What is the purpose of your testimony today?**

14 A. The purpose of my testimony is to sponsor the staff auditor's report of Florida Power
15 & Light Company (FPL or Utility) which addresses the Utility's filing in Docket No.
16 20210015-EI We issued an auditor's report in this docket on June 10, 2021. This report is
17 filed with my testimony and is identified as Exhibit DMD-1.

18 **Q. Was this audit prepared by you or under your direction?**

19 A. Yes, it was prepared under my direction.

20 **Q. Please describe the work you performed in this audit.**

21 A. The procedures that we performed in this audit are listed in the Objectives and
22 Procedures section of the attached Exhibit DMD-1, pages 4 of 14 through 8 of 14.

23 **Q. Were there any audit findings associated with Florida Power & Light**
24 **Company's and Gulf Power Company's 2020 historic test year schedule amounts in the**
25 **auditor's report, Exhibit DMD-1?**

1 | A. No.

2 | **Q. Does that conclude your testimony?**

3 | A. Yes.

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 MS. BROWNLESS: James Coyne and Robert Barrett
2 will be testifying in person in the rate case for
3 FPL. Breandan Mac Mathuna and Tim Devlin will also
4 be testifying in person in the rate case for
5 FAIR/Florida Rising. Their direct and rebuttal
6 rate case testimony will be tendered for admission
7 at the time of their testimony.

8 And that's all we have for the witnesses, sir.

9 CHAIRMAN CLARK: All right. Let's move on to
10 exhibits.

11 MS. BROWNLESS: Staff has compiled a
12 Stipulated Comprehensive Exhibit List which
13 includes the rate case MFRs, those are Exhibits 2
14 through 52; the prefiled testimony exhibits
15 attached to the excused witnesses' rate case
16 testimony. Those are Exhibits 53 through 57, 70
17 through 89, 102 through 263, 281 through 290, 291
18 through 362, 365 through 372, 380 through 390.

19 The third set of exhibits are Staff's rate
20 case and settlement exhibits. Those are exhibits
21 391 through 465; Staff's settlement case exhibits,
22 exhibits 466 through 477; and Florida Rising, LULAC
23 and ECOSWF rate case cross-examination exhibit, and
24 those are 498 through 516 and 518 through 606.

25 This list has been provided to the parties, the

1 commissioners and the court reporter.

2 At this time, staff requests that the
3 Comprehensive Exhibit List be marked for
4 identification purposes as Exhibit No. 1, and that
5 the other exhibits be marked for identification as
6 set forth in the comprehensive exhibit list.

7 CHAIRMAN CLARK: All right. Exhibit No. 1 is
8 entered.

9 (Whereupon, Exhibit Nos. 1-606 were marked for
10 identification.)

11 (Whereupon, Exhibit No. 1 was received into
12 evidence.)

13 MS. BROWNLESS: At this time, we would request
14 that the stipulated Exhibits 3 through 52, 53
15 through 57, 70 through 89, 102 through 263, 281
16 through 290, 291 through 362, 365 through 372, 380
17 through 477 be admitted into evidence.

18 We would add at this time Exhibits 607 through
19 615, and those are the Gulf Power ESRs for the
20 years 2017 through 2009. Those were inadvertently
21 omitted from the exhibit list but they are
22 contained in the materials that have been provided
23 to you today.

24 With that correction, we would ask that those
25 be admitted as well.

1 CHAIRMAN CLARK: All right. All the parties
2 had the opportunity to review the exhibit list.
3 Any objections to the entry of the exhibits into
4 the record as qualified?

5 All right. So ordered.

6 MS. BROWNLESS: Thank you.

7 (Whereupon, Exhibit Nos. 607-615 were marked
8 for identification.)

9 (Whereupon, Exhibit Nos. 3-52, 53-57, 70-89,
10 102-263, 281-290, 291-362, 365-372, 380-477 were
11 received into evidence.)

12 MS. BROWNLESS: Exhibit Nos. 58 through 69, 90
13 through 101, 363 through 364 and 373 through 379
14 are sponsored by FPL witnesses Mr. Barrett and Mr.
15 Coyne, and those will be taken up at the time of
16 their testimony.

17 Likewise, Exhibit Nos. 264 through 280,
18 sponsored by FAIR/Florida Rising witnesses Mac
19 Mathuna and Timothy Devlin will be taken up at the
20 time of their rate case testimony.

21 CHAIRMAN CLARK: All right. We are at the
22 point of opening statements. I am going to ask all
23 the parties if they would like to make an opening
24 statement, I am assuming I am going to get a yes
25 there. The order is going to be FPL for 15

1 minutes, OPC, CLEO, FAIR, FEA, FIPUG, FIT, FRF,
2 Florida Rising, Larsons, SACE, Vote Solar and then
3 Walmart. I remind you also that you may reserve
4 the balance of your time to be applied to the
5 settlement case.

6 We will begin with FPL.

7 MR. LITCHFIELD: Thank you, Mr. Chairman.

8 And I would refer to you -- and by the way, I
9 am only taking a portion of my allotted time on the
10 front end and reserve probably the substantial
11 portion when we get to the settlement discussion a
12 little bit later today.

13 You have, it should be on the very top of this
14 very impressive stack of materials, a stapled sheet
15 of a collection of prefiled exhibits in our direct
16 case, and I am going to spend a little bit of time
17 walking us through.

18 Now, we've added page numbers at the bottom of
19 each of these for ease of reference, so that's the
20 page number when I am referring to page numbers to
21 which I will be referring. And then I have added
22 some circles around the things that we may want to
23 focus our attention on.

24 So again, I am not going to spend time looking
25 at all of these, but I am going to start with page

1 one, and you will see two tables on page one that
2 looks something like this. And I want to focus you
3 first to the bottom table.

4 And that -- this is an exhibit from Mr. Reed's
5 testimony. And what he has done is he has grouped
6 electric utilities into three categories, and he
7 has determined where they rank in terms of their
8 cost-efficiency. And you will see that FPL's
9 overall rank in each of those three categories,
10 including the large utility group, which -- which
11 disabuses one of the notion of scale advantages,
12 FPL ranks first and first and first in each of the
13 three groups.

14 Now, the top table is very interesting, and I
15 guess the best way to explain this is to maybe
16 refer you back. If you watched any of the summer
17 of Olympics and some of the diving competitions,
18 you will hear the judges talk about degree of
19 difficulty. That's what this table is, it's the
20 degree of difficulty.

21 So he basically has ranked the same groups of
22 electric utilities relative to situational
23 challenges. And he rank ordered them, and you can
24 see that the most disadvantaged, or the most
25 challenged, is FPL in two of the three groups, and

1 it's second most challenged in the first group.
2 So, again, highest degree of difficulty and yet
3 best performer.

4 Let's turn to page three.

5 This is a summary table from Mr. Barrett's
6 testimony, and you will see that top line that I
7 have circled really provides the summary of the
8 results here, but these are key performance metrics
9 among 15 electric utilities providing service in
10 the southeast part of the country. And you will
11 see there that FPL ranks first, first, first,
12 fourth and first in those four categories.

13 And I want you to turn the page. You will see
14 the map on the next page, and that's going to take
15 us through each of the individual metrics that are
16 summarized on that top sheet. So you will see on
17 residential bill comparison, FPL among these 15,
18 the absolute lowest in the region.

19 Turn the page to what is now page five. In
20 operating efficiencies, you will see FPL is the
21 most efficient at 15th. And look at the average of
22 other utilities at 23.43, FPL is less than half of
23 that.

24 Flip the page again, and you will look at
25 regional comparison on reliability using SADI as

1 the core metric. Again best of the 15 where the
2 average of the other utilities is about 157, you
3 will see that Florida Power & Light Company shows
4 here at 51.5. About a third what the average is
5 among the other 15 companies operating in the
6 southeast.

7 Next page seven, carbon emissions, fourth out
8 of 15th. That's still top tier performance. And I
9 would note that the more solar that FPL puts on its
10 system, a large portion of which is involved in
11 this case, that ranking will improve even further.

12 So the last page of this set of exhibits for
13 Mr. Barrett is customer satisfaction. I say last
14 but certainly not least. Again, first out of 15
15 here within the region Florida Power & Light
16 Company ranks. These are phenomenal results I
17 would submit to you, Commissioners.

18 Now, skip page nine and move to page 10. This
19 is from Mr. Broad's testimony, and it is -- it
20 catalogs the FPL fleet performance improvements
21 over the 30-year period '90 through 2020. And you
22 can see that across all major metrics of
23 performance for generating fleets, FPL has realized
24 substantial improvements over this 30-year period.

25 Let's talk about just a couple of them

1 specifically, flipping to page, again, to page 11
2 where you see the comparisons of non-fuel O&M per
3 kilowatt both with respect to combined cycle
4 operations and solar. You see the industry
5 averages there, and then you see the FPL and the
6 FPL/Gulf Power performances. So 67 and 76 percent
7 better than the industry average.

8 Usually when we think about comparing
9 ourselves to industry averages, right, we think,
10 gosh, if I can be five percent, 10 percent, 15
11 percent better, that's a home run. 67 and 76
12 percent better than the industry average.

13 All right. Let's keep flipping. Let's look
14 at page 12. And this is heat rate. Now, heat
15 rate, as you know, is a very, very big deal in
16 terms of it fuel costs.

17 So you will see the top line of that graph,
18 the gray bar, represents improvements in the heat
19 rate across the industry, and certainly the
20 industry has made improvements. But I think what's
21 particularly significant is look at the blue line,
22 and you can see that even as the industry improves,
23 FPL has lowered its heat rate even further. In
24 other words, the performance gap has widened over
25 this period of time.

1 So let's flip to the next slide there, page,
2 excuse me, 13, and ask the question, so how do some
3 of these performance achievements translate into
4 benefits for customers? This graphic does a nice
5 job of it, and it shows that in the last 20 years,
6 right, it has resulted in 11 billion in fuel cost
7 savings for customers, 600 million of oil barrels
8 avoided, and 165 million tons of carbon emissions
9 avoided. So these things really do matter.

10 Let's flip two pages to No. 15. I am going to
11 close out with a short discussion on the SADI
12 metric, which, again, is a core reliability
13 indicator. And what we say on this chart here is,
14 first in the blue, FPL over the last 15 years or
15 so, roughly a 40-percent improvement since 2006.
16 40 percent improvement in reliability.

17 Now look at Gulf. And note that we acquired
18 Gulf in -- closed on Gulf January 1st of 2019. A
19 50-percent improvement in Gulf's reliability
20 indicator in the short two years since the
21 acquisition. 50 percent, Commissioners.

22 Last page. This benchmarks both FPL and Gulf
23 over the last five years against both the southeast
24 region as well as the national average. And you
25 can see first with respect to the distribution

1 national average that FPL is significantly lower.
2 And Gulf, again, you see the marked improvement
3 since the acquisition that is taking Gulf 40
4 percent now better than the national average, and
5 then you see where both of those data points wind
6 up relative to the gray bar on top representing the
7 southeast region.

8 Again, remarkable accomplishments, and the
9 kind of achievements, Commissioners, that have led
10 to FPL receiving a series of awards routinely,
11 year-over-year. Most recently, Utility Dive, the
12 major industry trade publication, recognized
13 NextEra as the 2020 of the year. And in an
14 article announcing the award, a Morgan Stanley
15 analyst says: FPL really is best-in-class.
16 They've kept bills low and reliability is high.

17 Another analyst -- excuse me, another analyst last
18 week, last fall said: We keep hearing that
19 practically all electric utilities in the U.S.
20 benchmark their operational and financial
21 performance to that of FPL. FPL's operational gold
22 standard is increasingly hard to reach if only
23 because the utility keeps cutting its operating
24 costs and boosting electric service reliability.
25 And we saw visuals of some of that in the materials

1 that we just covered.

2 Here's the point of all of this, and really
3 all I want to cover for purposes of the direct
4 portion of this proceeding this morning. Our
5 direct case filed a proposal a multiyear plan with
6 the right components, components that have -- as
7 existed in prior multiyear settlement agreements
8 that really are the core, the platform, the crux of
9 the performance achievements that we just have
10 walked through, among others.

11 That's the heart of the case. That's what we
12 filed. And that's really all I wanted to cover
13 this morning first with you, Commissioners, and I
14 look forward to spending a few more minutes with
15 you regarding the settlement.

16 Thank you.

17 CHAIRMAN CLARK: All right. Thank you, Mr.
18 Litchfield.

19 OPC, Ms. Christensen.

20 MS. CHRISTENSEN: Good morning, Commissioners.
21 Patty Christensen for the Office of Public Counsel,
22 representing the ratepayers of Florida Power &
23 Light and Gulf Power, along with Richard Gentry,
24 the Public Counsel. I am the going go to reserve
25 the majority of my time for the settlement

1 discussions.

2 As you know, the prefiled testimonies and
3 exhibits of all OPC witnesses have been admitted
4 into the record. These testimonies and exhibits
5 embody OPC's litigated position in the rate case.
6 However, as the Commission is aware, OPC, FPL,
7 along with multiple other settling intervenors,
8 have reached an agreement that resolves all the
9 issues in the pending rate case.

10 The Public Counsel has entered into this
11 agreement after being highly informed by a complete
12 record of the prefiled testimonies and the
13 extensive array of discovery, including depositions
14 of key witnesses in the case.

15 Given the Public Counsel's statutory
16 determination that the settlement resolves the case
17 which is in the public interest, OPC will not be
18 addressing our litigated position today. I will
19 address the merits of the settlement at the
20 appropriate time.

21 Thank you.

22 CHAIRMAN CLARK: Thank you, Ms. Christensen.

23 All right. Next up, CLEO.

24 MS. OTTENWELLER: Mr. Chairman, CLEO and Vote
25 Solar will reserve their time. Thank you.

1 CHAIRMAN CLARK: Thank you.

2 FAIR.

3 MR. WRIGHT: Thank you, Mr. Chairman. Good
4 morning, Commissioners. Good morning, members of
5 the public watching this proceeding.

6 My name is Schef Wright, and today I have the
7 privilege of representing Floridians Against
8 Increased Rates, Incorporated, a Florida
9 not-for-profit corporation, and the more than 600
10 FPL customers who are members of FAIR, and who
11 asked and authorized FAIR to advocate for the
12 lowest possible electric rates that are consistent
13 with their utility providing safe and reliable
14 service.

15 Regarding the substance of FPL's request made
16 in its petition, testimony and exhibits filed in
17 March, I will simply say this: We are back. We
18 are back yet again with yet another overreaching
19 request by FPL for way more of its customers money
20 than it needs to do its job. In the Commission's
21 records, you can go back to 1960 and readily see
22 that this commission has never awarded FPL the
23 amount that it has asked for in a general rate
24 case.

25 In 2012, FPL petitioned for a rate increase of

1 528 million, but wound up with 350 million a year
2 under a settlement. In 2016, FPL petitioned for
3 increases that would have totaled up to more than
4 \$1.3 billion a year in three chunks, including a
5 subsequent increase for its Okeechobee power plant.
6 That case was eventually settled for increases
7 totaling only \$811 million a year, including
8 Okeechobee.

9 Here we are in 2021. FPL's customers, more
10 than half of Florida's citizens and businesses, are
11 still struggling with the COVID-19 pandemic.
12 Florida's COVID death rate is devastating, and FPL
13 has asked you to approve the largest rate increases
14 in the history of Florida utility regulation, a
15 total of about \$6.6 billion over four years, with
16 annual rate increases totaling nearly \$2 billion a
17 year by the time we get to 2025.

18 FPL has also asked you to approve profits
19 based on an ROE of 11-and-a-half percent, which is
20 far above the national averages of about
21 nine-and-a-half percent for 2020 and 2021, and
22 significantly higher than the highest ROE approved
23 by any state commission in 2021, which is the 9.85
24 percent that this commission approved for Duke
25 Energy Florida in June.

1 FPL does not need anything like these amounts
2 to do its job of providing safe and reliable
3 service at the lowest possible cost. The evidence
4 shows that FPL can do its job, make all of its
5 planned investments, and cover all of its O&M
6 costs, interest, depreciation costs and still earn
7 a reasonable return on a reasonable amount of
8 equity capital with no rate increase at all in
9 2022.

10 Public Counsel's experts recommend a rate
11 decrease of about \$70 million a year. And FAIR
12 recommends a similar decrease of about \$121 million
13 a year.

14 We also agree with the Public Counsel's
15 experts that no increase is appropriate for 2023.

16 FPL's RSAM proposal is contrary to the public
17 interest because it will result in FPL's rates
18 being unfair, unjust and unreasonable, and because
19 it will likely take over \$1 billion of value paid
20 for by customers through their rates and transfer
21 that purchasing power and wealth to FPL and NextEra
22 Energy.

23 The RSAM should be rejected, or at most, its
24 use should be capped at the fair and reasonable mid
25 point ROE as determined by the Commission.

1 I will conclude with one more historical note.
2 The last time that this commission voted to decide
3 an FPL rate case by its votes in January of 2010,
4 FPL had asked for rate increases totaling just
5 under \$1.3 billion a year in two chunks. The
6 Commission voted to approve just 75-and-a-half
7 million dollars a year in the first year, with no
8 subsequent year increase. FPL did just fine. They
9 earned ROEs well above the established mid point
10 ROE of 10 percent for the rest of 2010. And, in
11 fact, earned above 11 percent for six months in
12 that year, and continued to grow its rate base.

13 We implore you to follow your predecessors'
14 examples. Let's say no to FPL's overreaching
15 requests. No increase. No RSAM. FPL doesn't need
16 anymore of its customers' money to do its job.

17 Thank you.

18 CHAIRMAN CLARK: Thank you, Mr. Wright.

19 Next up FEA.

20 MAJOR KIRK: Good morning, Commissioners.

21 Major Scott Kirk with the U.S. Air Force on behalf
22 of the Federal Executive Agencies.

23 I appreciate the opportunity to address the
24 Commission in one of the largest rate cases in
25 Florida history. And as a unique customer of

1 Florida Power & Light and the former Gulf Power
2 system, we hope that our interests are important to
3 the Commission to consider. And some of our unique
4 interest is not only are we one of the largest
5 industrial customers on both of those systems, we
6 also represent the federal taxpayers of this
7 nation. We also represent the interest of all
8 federal executive agencies that do business in the
9 state of Florida. And we also have concerns beyond
10 just the tax dollars. And as you see here in
11 uniform today, those are particularly national
12 security interests and how the system and the rate
13 structure can support those interests.

14 And so these interests drive us to request a
15 fair and just rate structure. As a customer, we
16 want to see the utility thrive and do well in this
17 state. We want to have a reliable system that we
18 can turn for our electricity needs, however, we
19 also have to balance that with the need to pay a
20 fair rate, and we believe that the issues that we
21 have raised in this case, in the case as filed,
22 fairly balance all of those.

23 Some of the concerns that we raised with the
24 case as filed is simply that the Commission should
25 not approve a number of the issues that were

1 raised, and the request in itself is too large as
2 filed.

3 I won't get into all of those individual
4 issues because we have under consideration of the
5 stipulation agreed to enter into that, we do
6 believe it strikes a fair balance, and I will
7 reserve some time to address that at the
8 appropriate time.

9 However, should the settlement not be
10 approved, we would ask that you would consider the
11 issues raised by Mr. Gorman and Mr. Collins, and
12 particularly how our cost of service and how the
13 rate structure is set up, and I will leave it at
14 that.

15 I appreciate your time. Thank you.

16 CHAIRMAN CLARK: All right. Thank you, sir.
17 FIPUG.

18 MR. MOYLE: Thank you, Mr. Chairman.

19 FIPUG supports the settlement agreement. We
20 have signed the settlement agreement, and we will
21 reserve the balance of our remarks for that portion
22 of the hearing, but I did want to just take the
23 opportunity to talk about two quick points. One is
24 the nature of settlement agreements, and the other
25 is the nature of change.

1 The first one, the settlement agreements, I
2 have had the privilege of representing the Florida
3 Industrial Power Users Group for many years. We've
4 litigated cases and we have settled cases.

5 I have been in front of this commission many
6 times with a settlement agreement, and received
7 words of encouragement from the Commission. And I
8 think this is beyond the Commission, but in courts
9 and other places that if the parties can talk to
10 one another and work through their differences and
11 reach a settlement, that's typically viewed as a
12 good thing. And in this case, it was very -- a lot
13 of documents.

14 FIPUG has witnesses, we filed testimony. We
15 are not going to actively participate in that
16 portion of the case because we sat down in good
17 faith for give and take. We reached a settlement
18 agreement, and we are going to support the
19 settlement agreement. And at the -- at the right
20 time, I would encourage the Commission to,
21 likewise, support the settlement agreement.

22 There are a number of reasons why it should be
23 supported. A lot of those will be discussed later,
24 but the nature of change is one that I just wanted
25 to bring up to the Commission briefly.

1 I have been practicing before the Commission
2 for many years, and recall, Mr. Chair, as you being
3 in this industry, that there was a time when coal
4 was much more prevalent. Natural gas became the
5 thing and more people were doing natural gas. And
6 renewables weren't, you know, they were like an
7 asterisk in the ten-year site plan. They
8 weren't -- they weren't doing much. A lot is
9 changing in our state, in our country and in the
10 world, and renewables are playing a more important
11 role.

12 My client, the Industrial Power Users Group,
13 supports renewable energy if it's needed, and if
14 it's reasonably cost -- costed. And I think that
15 you will see now, with the advancement of solar and
16 some of the battery options there, that solar is
17 playing a more and more important role.

18 FPL's case, as Mr. Litchfield said, recognizes
19 this, and the settlement agreement, I think,
20 recognizes that and goes further. And it really
21 moves the needle on the advancement of solar, which
22 many will argue is a good thing for our state and
23 going in the right direction.

24 So those were two points that I just wanted to
25 make at the outset, and I will look forward to

1 presenting further comments about the settlement
2 when we get to that portion of the hearing.

3 Thank you.

4 CHAIRMAN CLARK: Thank you, Mr. Moyle.

5 FIT.

6 MR. SELF: Mr. Chairman, we have no opening
7 statement this morning. Thank you.

8 CHAIRMAN CLARK: Thank you very much.

9 FRF.

10 MR. BREW: Good morning, Commissioners. I am
11 James Brew again.

12 The Florida Retail Federation has been an
13 active participant this in case, as in many prior
14 FPL cases. It filed testimony regarding several
15 issues in the case, and it is a signatory and
16 strongly supports the settlement agreement. And
17 because we are a signatory, I am not going to
18 rehash the issues raised in our prefiled testimony
19 in June except to note that Tony Georgis, our rate
20 consultant, took wish a number of cost of service
21 and revenue allocation issues presented in the FPL
22 case. Retail Federation was not alone in that
23 regard. FIPUG and FEA similarly raised issues
24 concerning how FPL performed its cost of service
25 study, particularly with respect to whether it

1 should apply a minimum distribution approach to
2 allocating distribution costs.

3 Now, FPL knew that was going to be an issue
4 because they agreed in their 2016 rate settlement
5 that they would provide an analysis on the MDS
6 approach, which they did, and you can see that in
7 Ms. DuBose's Exhibits 196 and 197.

8 So this is a long way around to saying that
9 FPL and the intervenors knew very well that there
10 were going to be significant cost of service issues
11 in this case. Those are addressed in testimony and
12 in rebuttal, and they were very much in dispute.
13 The fact that we knew when we sat down to talk
14 about settlement that there would be no settlement
15 unless we confronted those issues, which is exactly
16 what we did in the settlement, and I will be happy
17 to address those later.

18 Thank you.

19 CHAIRMAN CLARK: Thank you, sir.

20 Florida Rising.

21 MR. MARSHALL: Good morning. We represent
22 Florida Rising, LULAC and ECOSWF.

23 Through the stipulated testimony of just some
24 of their members, you will hear how every dollar
25 increase on their electric bill matters and can

1 impact critical decisions on spending on medicine,
2 food, rent or keeping the air conditioning on at a
3 comfortable temperature.

4 We agree with the compelling evidence being
5 put forth by the Office of Public Counsel that
6 absolutely no rate increase is justified. Through
7 the stipulated testimony of Karl Rábago, you will
8 see just some of the major ways that FPL's original
9 proposal was unlawful, distractive and just plain
10 wrong. Just when we thought we had seen the worst
11 of FPL's indefensible proposal that ratchet up
12 rates to pay for expensive, unneeded projects and
13 gratuitous increases of the company's already
14 excessive profits the settlement agreement was
15 announced.

16 Because the contents of that settlement are
17 somehow worse than FPL's original proposal, I want
18 to reserve the balance of my opening time to
19 address the settlement at that time.

20 Thank you.

21 CHAIRMAN CLARK: Mr. Skop.

22 MR. SKOP: Yes. Good morning, Mr. Chairman.
23 Nathan Skop.

24 As attorney and former PSC Commissioner, it's
25 my privilege to represent the Larsons in the FPL

1 rate case. The Larsons are FPL residential
2 customers living in Palm Beach County.

3 The FPL rate request represents the largest
4 electric rate increase in Florida's history. FPL
5 has the burden to demonstrate that the request is
6 fair, just and reasonable. FPL should be allowed
7 to recover prudent additions made to rate base
8 since the last rate request and settlement, whether
9 that requires a rate increase, however, is another
10 matter to be determined in this proceeding.

11 The fact that FPL claims to have lower rates
12 than other electric utilities does not in and of
13 itself provide the legal basis for the Florida
14 Public Service Commission to increase FPL's base
15 rates.

16 The Larsons oppose the FPL request because the
17 evidence, particularly that presented by Public
18 Counsel, the evidence will show and demonstrate
19 that the FPL request is well in excess of what FPL
20 needs to continue to provide reliable service to
21 FPL customers while retaining a financially healthy
22 utility.

23 The last time that this commission fully
24 decided an FPL rate case was over a decade ago, in
25 2010. At that time, the Commission denied the

1 majority of what was at the time the largest
2 unjustified electric rate increase in Florida's
3 history. FPL made the same claims then as it
4 continues to make now. We need a high ROE to
5 attract investment. We need this. We need that.
6 History has proven, however, those claims are
7 unfounded.

8 A mid point ROE of 10 percent that was awarded
9 was sufficient to attract investment in the midst
10 of a recession, where treasury rates were much
11 higher than they are now. There is not many places
12 on earth you can earn 11 percent risk-free return
13 on equity. They did just fine. They've continued
14 to do just fine.

15 They claim that they couldn't attract
16 investment. Less than three months later, they
17 raised over \$1 billion in attractive rates. Less
18 than three months later, they raised their
19 corporate dividend. A company in financial
20 distress would never do that.

21 So again, it's important to take a sharp
22 pencil to what they are requesting. They have an
23 obligation to serve as part of the regulatory
24 compact and they should be given what's necessary.
25 No more than that.

1 Given the magnitude of the request, the
2 Larsons believe that the Commission should take a
3 sharp pencil to the request to ensure that FPL
4 rates are fair, just and reasonable.

5 Finally, I would like to emphasize for the
6 record that not all parties were included in FPL
7 settlement discussions, which substantially
8 undermines the point made by FIPUG in their opening
9 statements.

10 And, Mr. Chairman, I will reserve the balance
11 of my time. Thank you.

12 CHAIRMAN CLARK: All right. Thank you, Mr.
13 Skop.

14 SACE, Mr. Cavros.

15 MR. CAVROS: Mr. Chair, SACE is going to
16 reserve its time.

17 CHAIRMAN CLARK: Thank you, sir.

18 Ms. Ottenweller.

19 MS. OTTENWELLER: Same. Thank you, Chair.

20 CHAIRMAN CLARK: And Walmart, Ms. Eaton.

21 MS. EATON: Good morning, Commissioners. My
22 name is Stephanie Eaton, and I am appearing on
23 behalf of Walmart, Inc.

24 Walmart operates 386 retail units and eight
25 distribution centers, and employs over 110,000

1 associates in Florida.

2 In fiscal year ending 2021, Walmart purchased
3 \$8 billion worth of goods and services from Florida
4 based suppliers supporting over 82,000 jobs here.

5 Walmart has 149 retail units and four
6 distribution centers and related facilities served
7 by FPL, and 28 retail units and related facilities
8 served by Gulf. Therefore, electricity is a
9 significant operating cost for retailers such as
10 Walmart, who purchases more than 750 million
11 kilowatt hours annually from FPL and Gulf combined.

12 When electric rates increase, the increased
13 cost to retailers can put pressure on consumer
14 prices, and on the other expenses required by a
15 business to operate. As a result, Walmart filed
16 its petition to intervene in this case on May 11th,
17 2021.

18 In connection with this hearing, you will have
19 a chance to review the direct testimony and
20 exhibits of Walmart's Director of Energy Services,
21 Steve Chriss, which were filed on June 21st, 2021,
22 and subsequently stipulated into the record.

23 Mr. Chriss' testimony focused on several
24 aspects of the company's March 12th, '21 -- 2021
25 petition. Walmart, through Mr. Chriss, first

1 addressed the company's original requested revenue
2 requirement increase and return on equity.

3 On this issue, Walmart recommended that the
4 Commission closely examine the company's proposed
5 revenue requirement increase and the associated
6 proposed increase in ROE, especially when viewed in
7 light of the customer impact of the resulting
8 revenue requirement increases; the use of the
9 future test year, which reduces regulatory lag by
10 allowing the utility to include projected costs in
11 its rates at the time they will be in effect;
12 recent rate case ROEs approved by this commission;
13 recent rate case ROEs approved by other state
14 regulatory commissions nationwide; and the
15 company's proposed performance adder which Walmart
16 did not support.

17 In its direct testimony, Walmart also
18 addressed specific aspects of the company's
19 proposed rate schedules. Walmart did not oppose
20 the company's proposed -- proposal to change
21 customer charge to base charge for commercial and
22 industrial base rate schedules, and Walmart did not
23 oppose the company's proposal to add a maximum
24 demand charge to the time of use C&I base rate
25 schedules.

1 Further, Walmart did not oppose a transition
2 of Gulf retail customers to FPL's rate structure
3 terms and conditions. However, Mr. Chriss
4 testified that if the Commission approves uni--
5 excuse me -- unified rates and the proposed
6 transition rider, the Commission should approve a
7 symmetrical rate design for demand meter customer
8 classes, where the charge and credit for both
9 legacy utilities are assessed on in either a dollar
10 per kilowatt or dollar per kilowatt hour basis.
11 And even if the Commission determines that it will
12 not approve unified rates for FPL and Gulf, the
13 Commission should approve FPL's
14 commercial/industrial demand reduction rider for
15 use by legacy Gulf customers.

16 On August 10th, 2021, FPL filed a joint motion
17 for approval of settlement agreement among FPL,
18 OPC, FRF, FIPUG and SACE. Since its filing,
19 Walmart reviewed the settlement agreement. In
20 particular, the settlement agreement addressed many
21 of the issues raised in Walmart's direct testimony.

22 For example, in paragraph two and four of the
23 settlement agreement and accompanying MFRs include
24 a reduction in FPL's original revenue request.

25 Paragraph three of the settlements agreement

1 includes a reduction in FPL's original ROE request.

2 Paragraph 4 of the settlement agreement
3 address the unification of FPL and Gulf rates. And
4 paragraph 4E of the settlement agreement confirms
5 that the level of utility controlled demand credits
6 for customers receiving service pursuant to FPL's
7 commercial/industrial demand reduction rider shall
8 be the same as those currently in effect.

9 While Walmart -- while not raised in Walmart
10 direct testimony, Walmart acknowledges that
11 paragraph 20 of the settlement agreement also
12 contains an expansion of FPL's SolarTogether tariff
13 and program. Walmart was a signatory to the
14 October 9th, 2019, settlement agreement in favor of
15 the solar tariff -- SolarTogether of tariff and
16 program, which this commission approved in Order
17 No. PSC-2020-0084-S-EI. Walmart remains supportive
18 of the SolarTogether program and its expansion as
19 outlined in the settlement agreement before the
20 Commission in this docket. As a result, Walmart
21 states that while not a signatory, Walmart does not
22 oppose the settlement agreement as presented to
23 this commission.

24 Walmart appreciates the opportunity to
25 participate in this docket, and the time and

1 attention of the Commission and parties.

2 Thank you.

3 CHAIRMAN CLARK: Thank you, Ms. Eaton.

4 All right. Did we get everyone? Very good.

5 Let's move into witness testimony.

6 Before we begin, I would like to -- Ms.

7 Moncada? I am sorry. You reached for your button.

8 I would like to swear in the witnesses before
9 we begin. Mr. Coyne, Barrett, Mac Mathuna and
10 Devlin, would you please stand to be sworn in?

11 (Whereupon, witnesses James M. Coyne, Robert
12 E. Barrett, Breandan Mac Mathuna and Timothy J. Devlin
13 were sworn in by the Chairman.)

14 CHAIRMAN CLARK: All right. As a reminder,
15 the witness summaries are going to be limited to
16 five minutes.

17 The first witness is going to be Mr. Coyne.

18 FPL.

19 MS. MONCADA: Thank you. We call Mr. Coyne to
20 the stand.

21 Whereupon,

22 JAMES M. COYNE

23 was called as a witness, having been previously duly
24 sworn to speak the truth, the whole truth, and nothing
25 but the truth, was examined and testified as follows:

1 EXAMINATION

2 BY MS. MONCADA:

3 Q Good, Mr. Coyne. You have just been sworn,
4 yes?

5 A Yes, I was.

6 Q Can you please state your full name and your
7 business address for the record?

8 A My name is James M. Coyne, and my business
9 address is 293 Boston Post Road West, Marlborough,
10 Massachusetts.

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

12 A I am a Senior Vice-President with Concentric
13 Energy Advisors.

14 Q Have you prepared and caused to be filed 87
15 pages of direct testimony in this proceeding?

16 A I have.

17 Q Do you have any changes to make to that
18 testimony?

19 A I do not.

20 Q If I asked you the questions contained in your
21 direct testimony today, would your answers be the same?

22 A They would.

23 Q Thank you.

24 MS. MONCADA: Mr. Chairman, I would ask that
25 Mr. Coyne's direct testimony be entered into the

1 record as though read.

2 CHAIRMAN CLARK: So ordered.

3 (Whereupon, prefiled direct testimony of James
4 M. Coyne was inserted.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF JAMES M. COYNE

DOCKET NO. 20210015-EI

MARCH 12, 2021

1	TABLE OF CONTENTS	
2		
3	I. INTRODUCTION AND SUMMARY	3
4	II. OVERVIEW AND SUMMARY	5
5	III. REGULATORY PRINCIPLES.....	10
6	IV. ECONOMIC AND CAPITAL MARKET CONDITIONS	14
7	A. UNCERTAINTY AND VOLATILITY IN CAPITAL MARKETS	15
8	B. UTILITY VALUATIONS AND DIVIDEND YIELDS	26
9	C. UTILITIES HAVE NOT BEEN A SAFE-HAVEN FOR INVESTORS.....	31
10	D. STEEPENING YIELD CURVE AND INFLATION RISK.....	34
11	V. PROXY GROUP SELECTION.....	40
12	VI. DETERMINATION OF THE APPROPRIATE COST OF EQUITY	46
13	A. CONSTANT GROWTH DCF MODEL	46
14	B. CAPM ANALYSIS	55
15	C. RISK PREMIUM ANALYSIS.....	60
16	D. EXPECTED EARNINGS ANALYSIS	63
17	E. EVALUATING THE MODEL RESULTS.....	64
18	VII. BUSINESS RISKS, FLOTATION COSTS, AND MANAGEMENT	
19	PERFORMANCE.....	66
20	A. CAPITAL EXPENDITURE PROGRAM.....	66
21	B. NUCLEAR GENERATION OWNERSHIP	70
22	C. SEVERE WEATHER RISK	74
23	D. REGULATORY RISK	79
24	E. MULTI-YEAR RATE PLAN	80
25	F. FLOTATION COSTS	82
26	G. MANAGEMENT PERFORMANCE	83
27	VIII. CAPITAL STRUCTURE.....	84
28	IX. CONCLUSIONS AND RECOMMENDATION.....	86
29		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is James M. Coyne, and I am employed by Concentric Energy Advisors, Inc. (“Concentric”) as a Senior Vice President. Concentric is a management consulting and economic advisory firm, focused on the North American energy and water industries. Based in Marlborough, Massachusetts and Washington, D.C., Concentric specializes in regulatory and litigation support, financial advisory services, energy market strategies, market assessments, energy commodity contracting and procurement, economic feasibility studies, and capital market analyses. My business address is 293 Boston Post Road West, Suite 500, Marlborough, MA 01752.

Q. On whose behalf are you testifying?

A. I am submitting this testimony to the Florida Public Service Commission (the “Commission”) on behalf of Florida Power & Light Company (“FPL” or the “Company”), which is a wholly-owned subsidiary of NextEra Energy, Inc.

Q. Please describe your experience in the energy and utility industries and your educational and professional qualifications.

A. I am among Concentric’s professionals who provide expert testimony before federal, state, and Canadian provincial agencies on matters pertaining to economics, finance, and public policy in the energy industry. I regularly advise regulatory agencies, utilities, generating companies, and private equity investors on business issues pertaining to the utility industry. This work includes calculating the cost of capital for the purpose of ratemaking and

1 providing expert testimony and studies on matters pertaining to rate policy,
2 valuation, capital costs, and performance-based regulation. I have authored
3 numerous articles on the energy industry, lectured on utility regulation for
4 regulatory commission staff, and provided testimony before the Federal Energy
5 Regulatory Commission (“FERC”) as well as state and provincial jurisdictions
6 in the U.S. and Canada. I hold a B.S. in Business Administration from
7 Georgetown University and an M.S. in Resource Economics from the
8 University of New Hampshire. My educational and professional background is
9 summarized more fully in Exhibit JMC-1.

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

11 A. Yes. My analyses and recommendations are supported by the data presented in
12 Exhibits JMC-2 through JMC-11, which have been prepared by me or under
13 my direction. I am sponsoring the following exhibits:

- 14 • JMC 2 – Comprehensive Summary of ROE Results
- 15 • JMC-3 – Proxy Group Screening Analysis
- 16 • JMC-4 – Constant Growth DCF Analysis
- 17 • JMC-5.1 – Market Risk Premium
- 18 • JMC-5.2 – CAPM Analysis
- 19 • JMC-6 – Risk Premium Analysis
- 20 • JMC-7 – Expected Earnings Analysis
- 21 • JMC-8 – Capital Expenditures Analysis
- 22 • JMC-9 – Regulatory Risk Assessment
- 23 • JMC-10 – Flotation Cost Analysis

- 1 • JMC-11 – Capital Structure Analysis

2 I am co-sponsoring the following exhibit:

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

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my direct testimony is to present evidence and provide a
7 recommendation for FPL’s return on equity (“ROE”). My direct testimony also
8 discusses the Company’s capital structure in comparison to the proxy group
9 companies supporting my analysis. My analysis reflects that FPL and Gulf
10 Power Company (“Gulf”) were legally merged into one company effective
11 January 1, 2021.

12

13 **II. OVERVIEW AND SUMMARY**

14

15 **Q. What is your conclusion regarding the appropriate cost of equity for FPL?**

16 A. I estimate four ROE models that produce average or median results spanning a
17 broad range. These models include the Discounted Cash Flow (“DCF”) model,
18 the Capital Asset Pricing Model (“CAPM”), the Bond Yield Plus Risk Premium
19 model, and the Expected Earnings model. As shown in Exhibit JMC-2, the
20 range of average results produced by these four models is 9.23 percent to 14.17
21 percent, with an average of 10.89 percent. Based on this analysis, and
22 considering 11 basis points for flotation costs, I consider an ROE in the range
23 of 10.5 percent to 11.5 percent to be reasonable. From within that range, I

1 recommend an ROE of 11.0 percent as just and reasonable for FPL for the 2022-
2 2025 rate period.

3 **Q. Please provide a brief overview of the analyses that you conducted to**
4 **support your ROE recommendation.**

5 A. My ROE recommendation is based on the range of results produced from four
6 modeling methodologies, the DCF model, the CAPM, the Risk Premium
7 approach, and the Expected Earnings analysis. Analysts and academics
8 understand that ROE models are tools to be used in the ROE estimation process,
9 and that strict adherence to any single approach, or the specific results of any
10 single approach, can lead to flawed conclusions. No model can exactly pinpoint
11 the correct cost of equity, but rather each model brings its own perspective and
12 set of inputs that inform the estimate of the ROE. This has been particularly
13 evident in recent market conditions where the market inputs have rendered
14 some models more reliable than others. Therefore, my analysis appropriately
15 considers the range of results produced by these four different models. From
16 within that range, regulators use informed judgment to select an authorized
17 ROE that takes into consideration the relevant risk factors, as well as capital
18 market conditions and the management performance of the utility, in order to
19 send appropriate market signals. The DCF analysis estimates the cost of equity
20 based on market data on dividend yields and analysts' projected earnings per
21 share growth rates from reputable third-party sources. The CAPM analysis is
22 based on both current and forecasted interest rates and a forward-looking
23 market risk premium. The Risk Premium approach calculates the risk premium

1 as the spread between authorized ROEs for integrated electric utilities and
2 Treasury bond yields to estimate the ROE. The Expected Earnings approach
3 estimates the cost of equity based on projected returns on book equity that
4 investors expect to receive over the next three to five years. My ROE
5 recommendation is based on the results produced by these four methodologies
6 to provide a robust analytical framework for determining FPL's ROE without
7 the undue influence of any single approach or set of assumptions.

8
9 My recommendation also considers the general economic and capital market
10 environment and the influence capital market conditions exert over the results
11 of the DCF, CAPM and Risk Premium models. In addition, I consider the
12 Company's business and regulatory risks in relation to a set of proxy companies
13 to assist in the determination of the appropriate ROE and capital structure from
14 within the range of my analytical results. I identify risk factors that indicate
15 FPL is above average risk. FPL witness Reed concurs with this assessment:
16 "The Company has achieved these results in spite of the fact that it faces a
17 greater than average set of challenges (i.e., "degree of difficulty") from
18 exogenous factors that impact a utility's ability to achieve top performance and
19 macro-economic trends that put significant cost pressures on FPL." While I
20 have not made any explicit risk adjustment in my ROE or capital structure
21 analysis, FPL's risk profile warrants such consideration.

22

- 1 **Q. Your ROE recommendation for FPL is slightly higher than what was**
2 **included in the Settlement Agreement in the Company’s last rate case that**
3 **was filed in March 2016. Please summarize the primary factors that**
4 **support this view.**
- 5 A. FPL’s current authorized ROE is 10.55 percent and a range from 9.60 percent
6 to 11.60 percent. I would first note that the current ROE was the result of a
7 settlement with several components. Settlements invariably include gives and
8 takes, so any one element, including ROE, is not necessarily representative of
9 a litigated outcome. Further, while interest rates on government and corporate
10 bonds declined to historically low levels in June 2020, they have since
11 rebounded in the latter part of 2020 and the first two months of 2021 to levels
12 that approach the interest rates that existed at the time FPL reached its 2016
13 settlement. The level of current interest rates does not suggest that the cost of
14 equity for FPL has declined. On the contrary, other risk factors indicate that
15 the uncertainty and volatility in financial markets have caused equity investors
16 to require a higher rate of return to compensate them for the additional
17 uncertainty and risk created by the COVID-19 pandemic and the corresponding
18 economic fallout in the near term. Longer term, the industry faces complex
19 structural challenges associated with climate change, decarbonization, cyber
20 security, grid modernization and shifting consumer preferences amid a flat
21 overall consumption profile.
22

1 Volatility in equity markets reached levels in March 2020 not seen since the
2 financial crisis of 2008/2009. Credit spreads between government and utility
3 bonds increased to levels well above their historical average, and the correlation
4 between utility share prices and the broader market has increased, which
5 reflects the fact that investors have not viewed the utility sector as a safe-haven
6 during the current economic downturn, unlike what typically has happened
7 during economic downturns. Beta coefficients (which are the measure of risk
8 in the CAPM analysis) have increased substantially both for electric and natural
9 gas utilities, which is consistent with these higher correlations between utility
10 share prices and the broader market. Furthermore, the economic stimulus
11 provided through monetary and fiscal policy increases the likelihood of higher
12 inflation as expansion of the money supply is frequently accompanied by
13 inflation. This inflation risk, which I discuss in more detail later in this Direct
14 Testimony, is an important consideration for the Commission in setting FPL's
15 authorized ROE for the term of its proposed 4-year rate plan.

16 **Q. Does your analysis also take into consideration the integration of FPL and**
17 **Gulf?**

18 A. Yes, it does. In January 2019, NextEra Energy completed the acquisition of
19 Gulf from Southern Company. As of December 31, 2019, Gulf provided
20 electric utility service to approximately 470,000 customers in northwest
21 Florida. FPL and Gulf legally merged effective January 1, 2021, and it is my
22 understanding that integration will be essentially complete by January 1, 2022,
23 at which point the two companies will be indistinguishable from an investor

1 perspective. My Direct Testimony assumes that FPL and Gulf are fully
2 integrated into one company.

3 **Q. How is the remainder of your Direct Testimony organized?**

4 A. The remainder of my Direct Testimony is organized as follows. Section III
5 provides background on the regulatory principles that guide the determination
6 of ROE. Section IV presents a review of current and prospective economic and
7 capital market conditions and the implications for utility cost of capital. Section
8 V describes the criteria and approach for the selection of a proxy group of
9 comparable companies. Section VI provides a description of the data and
10 methodologies used to estimate the cost of equity, as well as the results of the
11 various ROE estimation models. Section VII provides an assessment of the
12 business and regulatory risk factors I have considered in arriving at an
13 appropriate ROE for FPL. Section VIII reviews FPL's capital structure in the
14 context of the proxy group. Finally, Section IX summarizes my results,
15 conclusions, and recommendations.

16

17 **III. REGULATORY PRINCIPLES**

18

19 **Q. Please describe the guiding principles used in establishing the cost of
20 capital for a regulated utility.**

21 A. The foundations of public utility regulation require that utilities receive a fair
22 rate of return sufficient to attract needed capital to maintain important
23 infrastructure for customers at reasonable rates. The basic tenets of this
24 regulatory doctrine originate from several bellwether decisions by the United

1 States Supreme Court, notably *Bluefield Waterworks and Improvement*
2 *Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923)
3 (“*Bluefield*”), and *Federal Power Commission v. Hope Natural Gas Company*,
4 320 U.S. 591 (1944) (“*Hope*”). In *Bluefield*, the Court stated:

5 A public utility is entitled to such rates as will permit it to earn
6 a return on the value of the property which it employs for the
7 convenience of the public equal to that generally being made at
8 the same time and in the same general part of the country on
9 investments in other business undertakings which are attended
10 by corresponding risks and uncertainties...

11 The return should be reasonably sufficient to assure investor
12 confidence in the financial soundness of the utility and should
13 be adequate, under efficient and economical management, to
14 maintain and support its credit and enable it to raise the money
15 necessary for the proper discharge of its public duties.

16 Later, in *Hope*, the Court established a standard for the ROE that remains the
17 guiding principle for ratemaking regulatory proceedings to this day:

18 [T]he return to the equity owner should be commensurate with
19 returns on investments in other enterprises having corresponding
20 risks. That return, moreover, should be sufficient to assure
21 confidence in the financial integrity of the enterprise, so as to
22 maintain its credit and to attract capital.

23 **Q. Has the Commission provided similar guidance?**

24 A. Yes, the Commission applies the precedents of the *Hope* and *Bluefield*
25 decisions. For example, in a May 2008 decision for Florida Public Utilities, the
26 Commission stated:

27 The statutory principles for determining the appropriate rate of
28 return for a regulated utility are set forth by the U.S. Supreme
29 Court in its *Hope* and *Bluefield* decisions. These decisions
30 define the fair and reasonable standards for determining rate of
31 return for regulated enterprises. Namely, these decisions hold
32 that the authorized return for a public utility should be
33 commensurate with return on investments in other companies of
34 comparable risk, sufficient to maintain the financial integrity of

1 the company, and sufficient to maintain its ability to attract
2 capital on reasonable terms.¹

3 **Q. Please explain how these principles apply in the context of the regulated**
4 **rate of return.**

5 A. Regulated utilities rely primarily on common stock and long-term debt to
6 finance permanent property, plant, and equipment. The allowed rate of return
7 for a regulated utility is based on its weighted average cost of capital, where the
8 costs of the individual sources of capital (i.e., debt and equity) are weighted by
9 their respective book values. The ROE represents the cost of raising and
10 retaining equity capital and is estimated by using one or more analytical
11 techniques that use market data to quantify investor requirements for equity
12 returns. However, the ROE cannot be derived through quantitative metrics and
13 models alone. To properly estimate the ROE, the financial, regulatory, and
14 economic context must also be considered.

15
16 The DCF, CAPM, Risk Premium and Expected Earnings approaches, while
17 fundamental to the ROE determination, are still only models. The results of
18 these models cannot be mechanistically applied without also using informed
19 judgment to consider economic and capital market conditions and the relative
20 risk of FPL as compared to the proxy group companies.

21
22 Based on these widely recognized standards, the Commission's order in this
23 case should provide FPL with the opportunity to earn a return on equity that is:

¹ Order No. PSC-08-0327-FOF-EI, Docket Nos. 070300-EI and 070304-EI, at 35.

- 1 • Commensurate with returns on investments in enterprises having
- 2 comparable risks;
- 3 • Adequate to attract capital on reasonable terms, thereby enabling FPL
- 4 to provide safe, reliable service; and
- 5 • Sufficient to ensure the financial soundness of FPL's electric utility
- 6 operations.

7 Importantly, a fair return must satisfy all three of these standards. The allowed
8 ROE should enable FPL to finance capital expenditures on reasonable terms
9 and provide the Company with the ability to raise capital under a full range of
10 capital market circumstances.

11 **Q. What are your conclusions regarding regulatory principles?**

12 A. The ratemaking process is premised on the principle that, in order for investors
13 and companies to commit the capital needed to provide safe and reliable utility
14 services, the utility must have the opportunity to recover invested capital and
15 the market-required return on that capital. Because utility operations are
16 capital-intensive, regulatory decisions should enable the utility to attract capital
17 on favorable terms. The financial community carefully monitors the current
18 and expected financial condition of utility companies as well as the regulatory
19 environment in which they operate. In that respect, the regulatory environment
20 is one of the most important factors considered by both debt and equity
21 investors in their assessments of risk. It is therefore essential that the ROE
22 authorized in this proceeding takes into consideration the current and expected
23 capital market conditions that FPL faces, as well as investors' expectations and

1 requirements regarding both risks and returns. A reasonable ROE is required
2 both for continued capital investment by FPL and to maintain confidence in
3 Florida's regulatory environment among credit rating agencies and investors.
4

5 **IV. ECONOMIC AND CAPITAL MARKET CONDITIONS**

6

7 **Q. Why is it important to consider the effects of current and expected**
8 **economic and financial market conditions when setting the appropriate**
9 **ROE?**

10 A. It is important to consider current and expected conditions in the general
11 economy and financial markets because the authorized ROE for a public utility
12 should allow the utility to attract investor capital at a reasonable cost under a
13 variety of economic and financial market conditions, as underscored by the
14 *Hope* and *Bluefield* decisions. The standard ROE estimation tools, such as the
15 DCF, CAPM, and Risk Premium models, each reflect the state of the general
16 economy and financial markets by incorporating specific economic and
17 financial data. These inputs are, however, only samples of the various
18 economic and market forces that determine a utility's required return.
19 Consideration must be given to whether the assumptions relied on in the current
20 or projected market data are appropriate. If investors do not expect current
21 market conditions to be sustained in the future, it is possible that the ROE
22 estimation models will not provide an accurate estimate of investors' forward-
23 looking required return. Therefore, an assessment of current and projected
24 market conditions is integral to any ROE recommendation.

1 **Q. What are the key factors affecting the cost of equity for regulated utilities**
2 **in the current and prospective capital markets?**

3 A. The cost of equity for regulated utility companies is being affected by several
4 key factors in the current and prospective capital markets, including: (1)
5 ongoing uncertainty and volatility in equity markets; (2) valuations and
6 dividend yields of utility stocks relative to historical levels; (3) increased
7 correlations and Beta coefficients for utilities since the onset of the COVID-19
8 pandemic; and (4) the steepening yield curve and the interest rate outlook. In
9 this section, I discuss each of these factors and how it affects the models used
10 to estimate the cost of equity for regulated utilities.

11

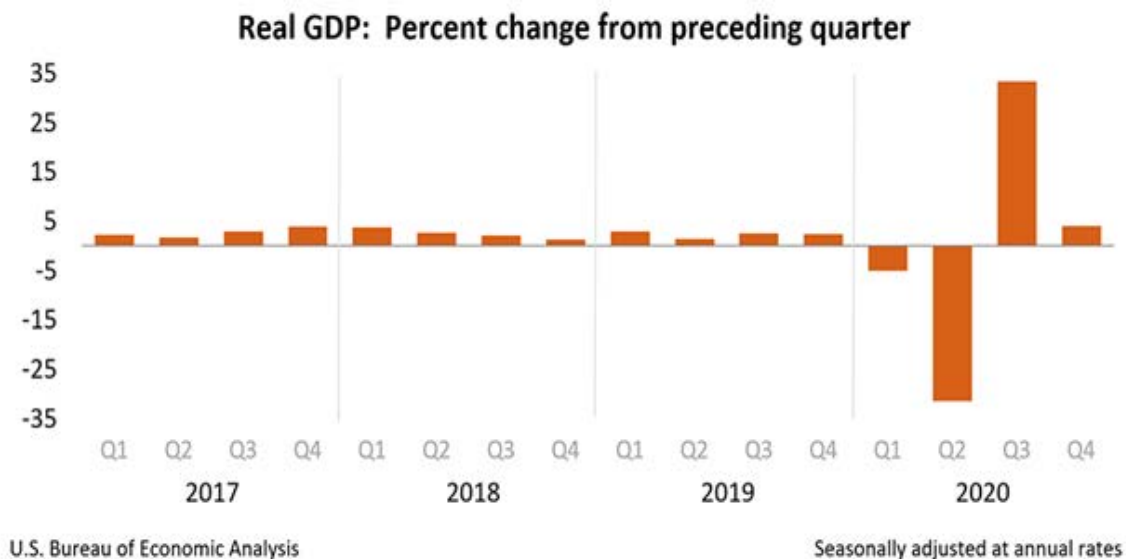
12 **A. Uncertainty and Volatility in Capital Markets**

13 **Q. Please discuss economic and capital market conditions in 2020.**

14 A. Capital market conditions were unsettled in 2020 due to the economic effects
15 of the COVID-19 pandemic. Measures taken to contain COVID-19 and
16 associated impacts on businesses and consumers forced the U.S. economy into
17 a sharp recession. As shown in Figure 1, according to the Bureau of Economic
18 Analysis, real gross domestic product (“GDP”) decreased at an annual rate of
19 5.0 percent in the first quarter of 2020 and at a startling annual rate of 31.4
20 percent in the second quarter before rebounding in the third quarter at an annual
21 rate of 33.4 percent. The “advance” estimate for the fourth quarter shows GDP
22 expanded at an annual rate of 4.0 percent.²

² [Gross Domestic Product, 4th Quarter and Year 2020 \(Advance Estimate\) | U.S. Bureau of Economic Analysis \(BEA\)](#)

1

Figure 1: U.S. GDP Growth – 2016-2020

2

3

4

5

6

7

8

9

10

11

12

13

14

15

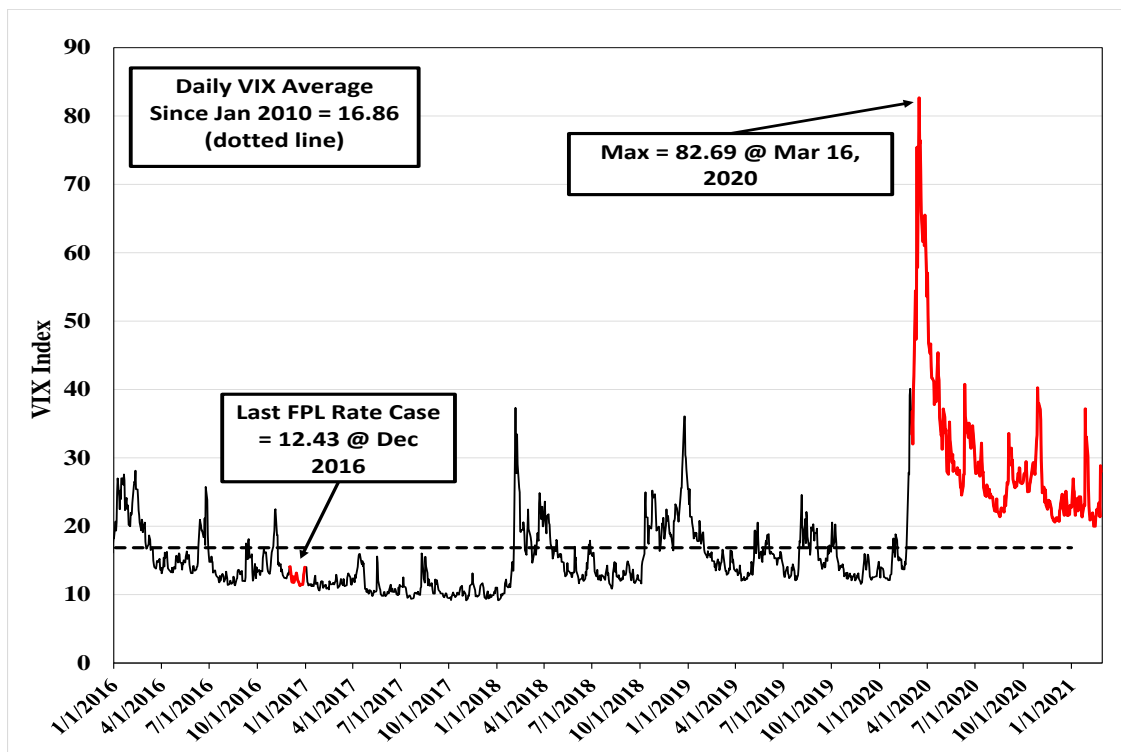
16

As a result of concerns about weak economic growth, capital market volatility increased to levels not seen since the Great Recession of 2008/09. The Chicago Board Options Exchange (“CBOE”) Volatility Index (“VIX”) measures investors’ expectations of volatility in the S&P 500 over the next 30 days. As shown in Figure 2, the VIX reached 82.69 on March 16, 2020 in response to the pandemic. The VIX last traded above 80 in November 2008 during the financial crisis and Great Recession of 2008/09. This indicator shows that COVID-19 has caused an increase in the level of uncertainty and volatility in the market even greater than during the Great Recession of 2008/09.

As a point of comparison, in February 2021, the VIX averaged 22.98 as compared to an average VIX of 12.43 in December 2016 when the Commission approved the Settlement Agreement in FPL’s last rate case. The long-term

1 average VIX from January 2010 through December 2019 was 16.86. This
 2 indicates that equity markets remain unsettled with volatility levels well above
 3 the historic mean and the level when the Commission last considered FPL's
 4 cost of capital.

5 **Figure 2: CBOE VIX – January 2016 – February 2021³**



6

7

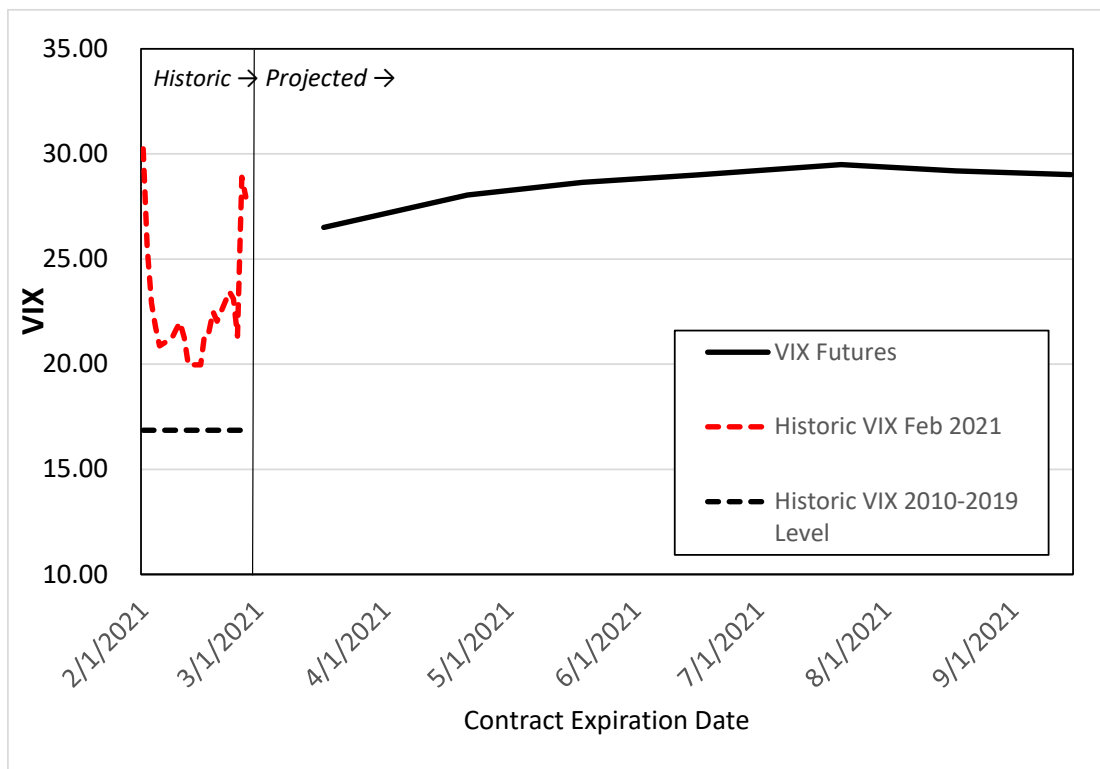
8 **Q. What are investors' expectations regarding the VIX over the near-term?**

9 A. The VIX futures published by the CBOE reflect investors' views regarding the
 10 value of the VIX for different expiration dates in the future. As shown in Figure
 11 3, investors expect the VIX to remain at levels that exceed 25.00 at least through
 12 September 2021, which is the longest dated futures contract on the VIX at this

³ Source: Bloomberg Professional.

1 time. Therefore, investors expect higher volatility and uncertainty to persist
 2 over the near-term as the economy recovers from the economic effects of the
 3 COVID-19 pandemic and the market gauges the broad-ranging economic
 4 policies of the new administration.

5 **Figure 3: CBOE VIX Futures as of February 26, 2021⁴**



6
7
8
9
10
11
12

Longer term, there are structural risks to both economic growth and equity markets. Among these is the level of government debt amassed by the U.S. and other countries that are members of the Organisation for Economic Co-operation and Development (“OECD”). The most recent comparison data for the 37 OECD countries at the end of 2019 show U.S. government debt stood at

⁴ Source: Bloomberg Professional.

1 135 percent of GDP, exceeded only by Portugal, Italy, and Greece in this
2 measure.⁵ Federal stimulus spending in 2020 and expected in 2021 will only
3 expand this balance. The most recent data reported by the St. Louis Federal
4 Reserve Bank indicate that government debt grew by over 16 percent between
5 the 4th quarter of 2019 to the 3rd quarter of 2020.⁶ The Federal Reserve recently
6 confirmed its intention to increase its holdings of Treasury securities by at least
7 \$80 billion per month and agency mortgage-backed securities by another \$40
8 billion per month until further notice to “support the flow of credit to
9 households and businesses.”⁷ While supportive in the near-term, increasing
10 debt creates concerns among investors for increased inflation and tax rates in
11 the future that could serve as a drag on the economy.

12 **Q. What additional steps have the Federal Reserve and the U.S. Congress**
13 **taken to stabilize financial markets and support the economy?**

14 A. In response to the economic effects of COVID-19, the Federal Reserve
15 decreased the federal funds rate twice in March 2020, resulting in a target range
16 of 0.00 percent to 0.25 percent and also announced plans to increase its holdings
17 of both Treasury and mortgage-backed securities. In addition, on March 23,
18 2020, the Federal Reserve began expansive programs to support credit to large
19 employers, including the Primary Market Corporate Credit Facility (“PMCCF”)
20 to provide liquidity for new issuances of corporate bonds, and the Secondary
21 Market Corporate Credit Facility (“SMCCF”) to provide liquidity for

⁵ <https://data.oecd.org/gga/general-government-debt.htm>

⁶ <https://fred.stlouisfed.org/series/GFDEBTN>

⁷ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20210127a.htm>

1 outstanding corporate debt issuances. Further, the Federal Reserve supported
2 the flow of credit to consumers and businesses through the Term Asset-Backed
3 Securities Loan Facility (“TALF”).⁸

4
5 In addition to the Federal Reserve’s response, the U.S. Congress passed its own
6 fiscal stimulus programs. On March 27, 2020, the Coronavirus Aid, Relief, and
7 Economic Security (“CARES”) Act was signed into law, providing a large
8 fiscal stimulus package aimed at mitigating the economic effects of the
9 coronavirus. While these expansive monetary and fiscal programs have
10 provided for greater price stability, as shown in Figures 2 and 3, the VIX
11 remains well above long-term historical levels and is expected to remain above
12 long-term historical levels. The extraordinary measures taken by the Federal
13 Reserve to stabilize the economy and financial markets have thus far been
14 successful, but in doing so have driven investors from very low yielding bonds
15 into equities, creating upward pressure on valuations and downward pressure
16 on yields for dividend paying companies such as utilities. Furthermore, the
17 U.S. Congress is considering additional stimulus of as much as \$1.9 trillion in
18 response to the ongoing economic effects of COVID-19. Additional fiscal
19 stimulus is likely to increase pressure on the inflation rate, and the bond market
20 may be at risk of a sharp upward spike in interest rates if inflation is higher than
21 currently anticipated by investors.

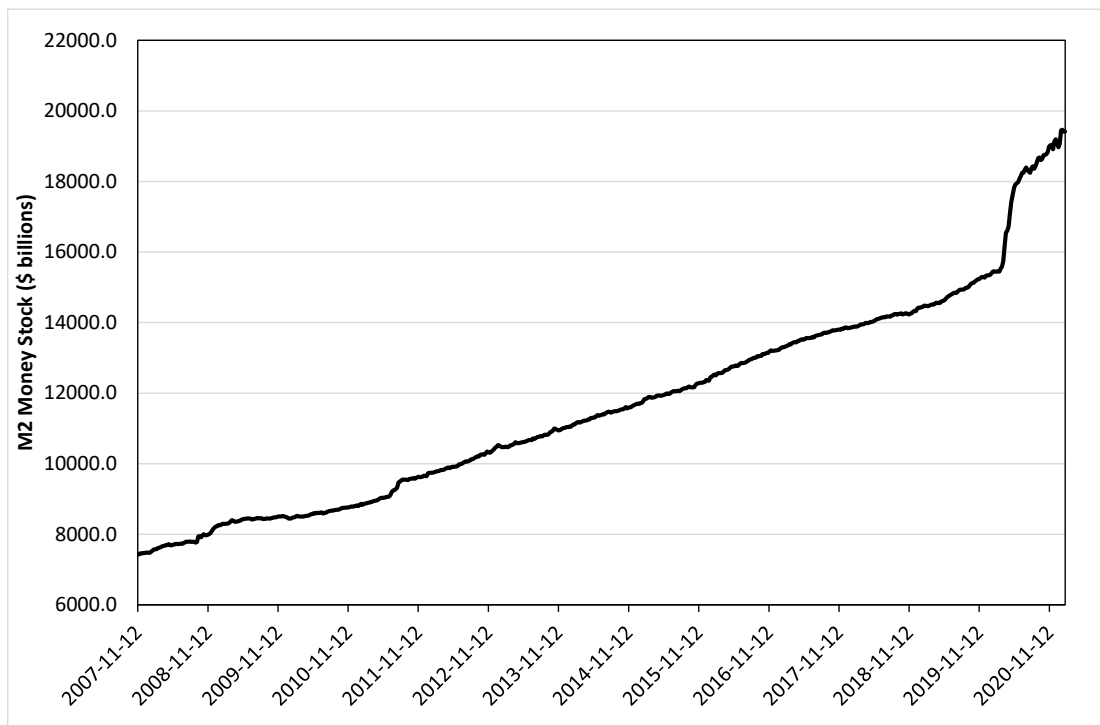
⁸ Federal Reserve Board Press Release, “Federal Reserve announces extensive new measures to support the economy,” March 23, 2020.

1 **Q. How do the Federal Reserve’s recently announced programs affect the**
2 **economy and financial markets?**

3 A. These programs allow the Federal Reserve to purchase government bonds and
4 corporate bonds from banks. The banks then receive cash from the Federal
5 Reserve, which results in an expansion of the money supply. This increase in
6 the money supply keeps short-term interest rates low and increases the ability
7 of banks to lend to consumers and businesses. Investors in longer term bonds
8 also respond, which affects the entire duration of the bond yield curve, from
9 very near-term rates all the way out to 30-year yields. Continued access to
10 capital is particularly important in current market conditions because it allows
11 companies to offset the negative effects of COVID-19 on business operations.
12 As shown in Figure 4, the programs enacted by the Federal Reserve have
13 resulted in an unprecedented expansion of the money supply as measured by
14 M2⁹ in recent months. That expansion has been much greater than the increase
15 following the Federal Reserve’s response to the Great Recession of 2008/2009.
16 This response again demonstrates the level of intervention necessary to provide
17 some stability to markets, suggesting greater market risk at this time than in
18 December 2016 when FPL’s currently-authorized ROE was approved by the
19 Commission.

⁹ M2 is defined by the Federal Reserve as follows: M2 includes a broader set of financial assets held principally by households. M2 consists of M1 plus: (1) savings deposits (which include money market deposit accounts, or MMDAs); (2) small-denomination time deposits (time deposits in amounts of less than \$100,000); and (3) balances in retail money market mutual funds (MMMFs).

1

Figure 4: M2 Money Stock – September 2009 – February 2021¹⁰

2

3

4 **Q. How has the market responded to the unprecedented intervention by the**
 5 **Federal Reserve?**

6 A. As discussed above, the Federal Reserve's programs increased the money
 7 supply, which resulted in lower borrowing costs for corporations and
 8 individuals. For investors seeking returns greater than record low bond yields,
 9 this led to allocating more funds to equities. As shown in Figure 5, while the
 10 yield on the 10-year Treasury bond remained in the range of 0.52 percent to
 11 0.98 percent between March 23, 2020 and December 31, 2020, the S&P
 12 Utilities Index increased dramatically in the days immediately following the

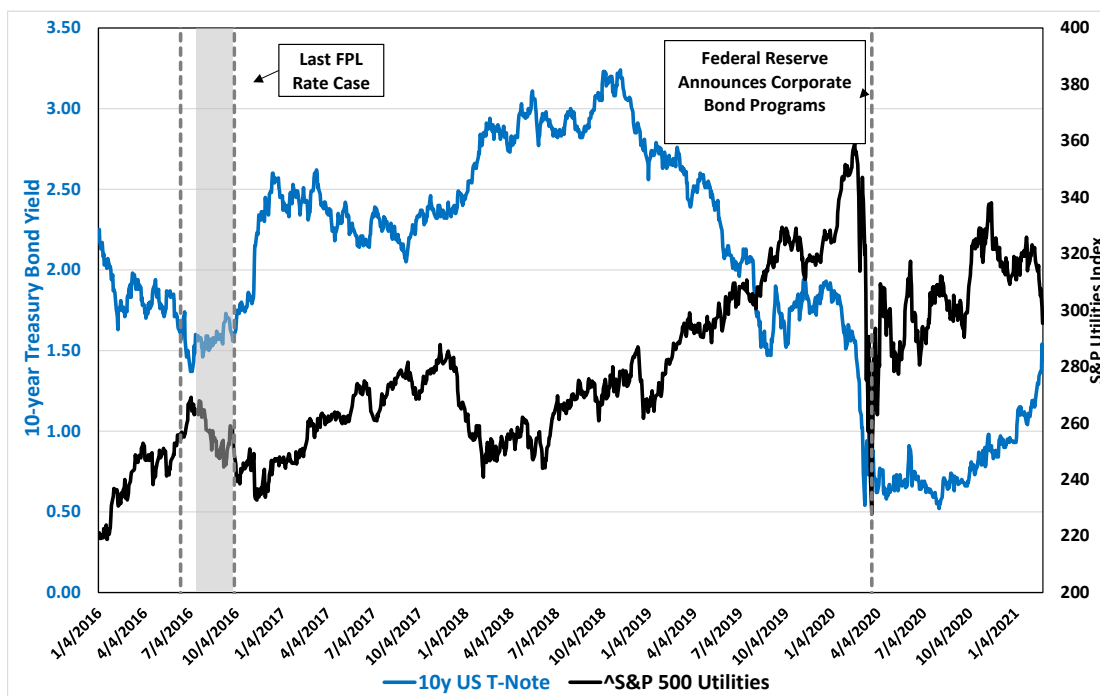
¹⁰

Board of Governors of the Federal Reserve System (US), M2 Money Stock [M2], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/M2>, February 26, 2021.

1 Federal Reserve's announcement on March 23, 2020. In recent weeks,
2 however, yields on U.S. Treasury bonds have increased and the yield curve has
3 steepened, as investors anticipate the economic recovery with concerns about
4 corresponding inflation. I discuss these issues in more detail in subsection (d).

5
6 The policies of the Federal Reserve, while helping to stabilize the bond markets
7 in 2020, have resulted in higher equity prices, as investors search for higher
8 returns given the current low interest rate environment. Thus, I am concerned
9 that current dividend yields, driven by share prices which, although lower than
10 pre-pandemic levels, remain elevated over historical levels for the proxy group
11 utilities (on a price/earnings ratio basis) and lower competing bond yields, will
12 not be representative of the share prices and dividend yields that will exist over
13 the term of FPL's rate plan.

1

Figure 5: 10-year U.S. Treasury Yield and S&P Utilities Index¹¹

2

3

4 **Q. How have rating agencies responded in general to the current economic**
 5 **environment for utilities?**

6 A. According to a recent report by S&P Global, credit ratings for North American
 7 utilities “weakened sharply in 2020.” “The percentage of North American
 8 regulated utilities with a negative outlook or on CreditWatch with negative
 9 implications surged from 18% in 2019 to 36% in 2020” according to S&P. The
 10 report also indicated “that the number of downgrades exceeded the number of
 11 upgrades by a wide margin in 2020 for the first time since 2010.” On the causes
 12 of the weakening credit profiles, S&P stated: “The main causes of weakening
 13 credit quality reflected environment, social, and governance (ESG) risks,

¹¹ Source: Bloomberg Professional.

1 regulatory issues, and companies' practice of strategically managing financial
2 measures close to their downgrade threshold with little or no cushion", and the
3 novel coronavirus pandemic "was not the culprit for weaker credit quality" the
4 report states.¹² While the views of rating agencies represent an important
5 consideration, they are not the only factor that equity investors consider. The
6 important distinction is that credit rating agencies are primarily focused on the
7 ability of a utility to pay its debts, while equity analysts and institutional
8 investors are more concerned with profitability and value creation.

9 **Q. What are your conclusions regarding the effects of the current market**
10 **environment on the cost of equity for FPL?**

11 A. The risks in the current market environment have increased since the time of
12 FPL's last rate case. Given the uncertainty and volatility that has characterized
13 capital markets since February 2020, and the pressures cited by S&P on utility
14 credit quality, it is reasonable that equity investors would now require a higher
15 return on equity to compensate them for the additional risk associated with
16 owning common stock. Current market data suggest that the cost of equity has
17 increased since the Commission approved the settlement in FPL's last rate
18 proceeding.

¹² <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/012121-utility-sectors-credit-ratings-weakened-sharply-in-2020-sampp-global-ratings>

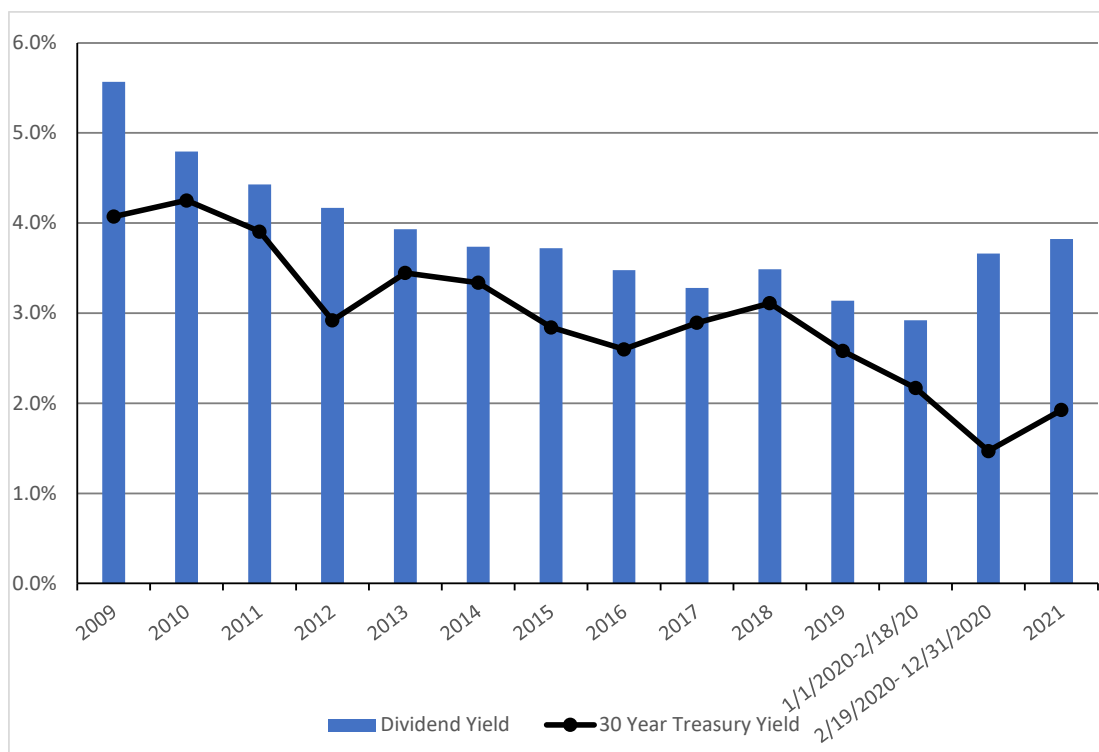
1 **B. Utility Valuations and Dividend Yields**

2 **Q. How has the period of abnormally low interest rates affected the valuations**
3 **and dividend yields of utilities?**

4 A. The Federal Reserve's accommodative monetary policy resulted in higher asset
5 prices for many common stocks, including shares of public utility companies,
6 as investors sought higher returns and more attractive yields than were available
7 on government bonds. Consequently, the share prices for many common
8 stocks, especially dividend-paying stocks such as utilities, were driven higher,
9 while the dividend yields (which are computed by dividing the dividend
10 payment by the stock price) decreased to levels well below the historical
11 average. Average yields on 30-year Treasury bonds declined by approximately
12 26 basis points in February 2021 as compared to the mid-June to late September
13 2016 period, when the Settlement Agreement in FPL's last rate case was being
14 negotiated, while, as shown in Figure 6, dividend yields on electric utilities have
15 actually increased by 34 basis points over this same period, suggesting a
16 disconnect between how investors see the cost of risk-free government bonds
17 and the cost of equity for utilities. Viewed from a different perspective, even
18 though share prices for many companies in the proxy group have declined from
19 their peak in February 2020, the share prices, and Price/Earnings ("P/E") ratios
20 for the proxy companies remain higher than historical average levels over the
21 past two decades, while dividend yields remain lower than historical average
22 levels. Investors are paying more for utility investments even though the yields
23 are lower. Stimulative government policies have driven government bond

1 yields lower, but equity investors have not modified their required rate of return
 2 downward in response; instead, they have moved upward. Equity markets and
 3 government bond yields are influenced by a different set of factors, although
 4 some are common, such as inflation expectations.

5 **Figure 6: Dividend Yields for Electric Utility Proxy Group¹³**



6

7

8 **Q. How have higher stock valuations and lower dividend yields for utility**
 9 **companies affected the results of the DCF model?**

10 A. During periods of general economic and capital market stability, the DCF
 11 model adequately reflects market conditions and investor expectations.
 12 However, in the current market environment, the DCF model results are

¹³ Source: Bloomberg Professional. Market data as of February 26, 2021.

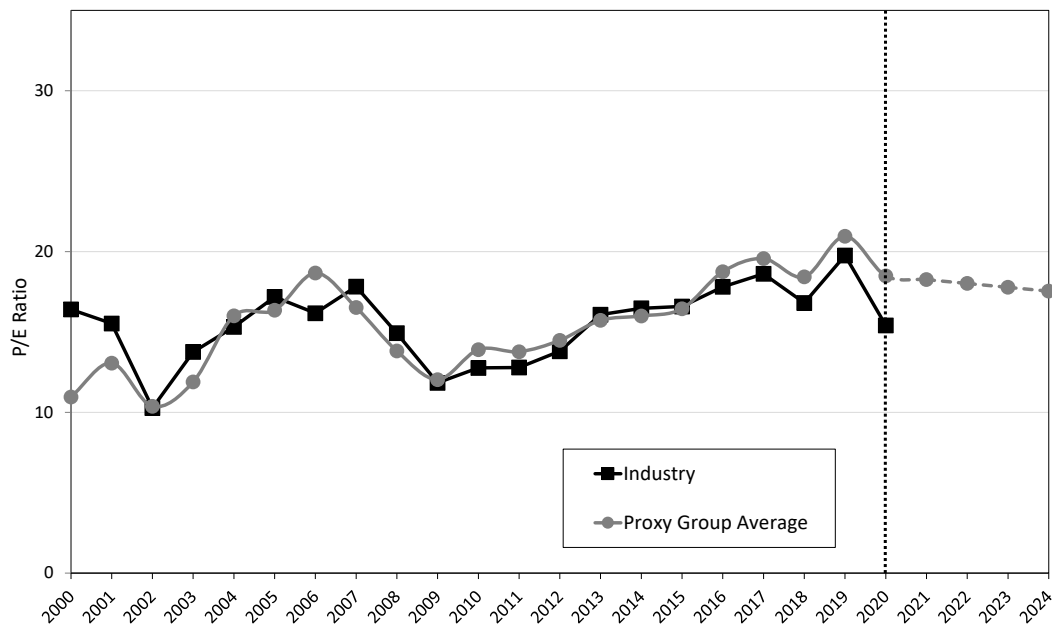
1 distorted by the historically low level of interest rates and the higher valuations
2 and lower dividend yields of utility stocks. In its commentary on the Electric
3 Utility industry, Value Line observes that some of the stocks in the electric
4 utility sector are expensively priced and are trading within their three-to-five-
5 year price targets.¹⁴ This expected increase in dividend yields implies that the
6 ROE calculated using current utility stock valuations and low dividend yields
7 underestimates the forward-looking return requirements of investors under the
8 DCF methodology. Figure 6 shows this expected shift began in the latter part
9 of 2020, as dividend yields have recovered somewhat from their lows earlier in
10 the year.

11
12 This point is further emphasized by analyzing the average historical P/E ratios
13 for the proxy companies and utilities in general. As shown in Figure 7, the
14 proxy group average P/E ratio has been steadily climbing since the end of the
15 financial crisis in 2009 and peaked in 2019 at approximately 21.0. P/E ratios
16 for the proxy group companies in 2020 declined to an average of approximately
17 18.5, and according to Value Line the average P/E ratio for the proxy is
18 projected to decline to approximately 17.5 over the period from 2023-2025, as
19 compared with an average P/E ratio for the proxy group in 2016 of 18.8. A
20 constant P/E ratio is one of the key assumptions of the Constant Growth DCF
21 model. The Value Line data indicates that the high current valuations for the
22 proxy group companies are not considered sustainable, which means that the

¹⁴ Value Line Investment Survey, Electric Utility (East) Industry, November 13, 2020, at 135.

1 DCF model using historical stock prices will tend to understate the forward-
 2 looking cost of equity for the proxy group companies.

3 **Figure 7: Utility P/E Ratios vs. Proxy Group¹⁵**



4

5

6 **Q. Have equity analysts commented on the unusually high valuations of utility**
 7 **shares compared to historical levels?**

8 **A.** Yes, several equity analysts have recognized that utility stock valuations remain
 9 very high relative to historical levels even after the decline in share prices that
 10 occurred as a result of the economic effects of COVID-19. For example,
 11 Barron's noted:

¹⁵ Source: Historical data from Bloomberg Professional, using market data as of February 26, 2021. Projected data from Value Line Investment Survey.

1 Charles Fishman, a utility analyst at Morningstar, points out that
2 “utility valuations in February were at record highs,” and that
3 “commercial and industrial electricity demand reductions and
4 delay in investment due to the pandemic” have weighed on these
5 stocks as well.

6 In May, power demand in the U.S. was down 8% year over year,
7 according to Morgan Stanley. That follows a 5% drop in April.

8 But even after lackluster performance recently, utility shares still
9 aren’t cheap. The stocks in the Utilities Select Sector SPDR ETF
10 trade at about 19 times their current fiscal year profit estimates,
11 according to FactSet. That’s above their five-year average of a
12 little below 18 times.¹⁶

13 This implies that, even after the decline in share prices for many utilities in
14 2020, the ROE calculated using the DCF model is understating the forward-
15 looking cost of equity if the expectation is that utility valuations will retreat to
16 their historic norms.

17 **Q. What are your conclusions regarding the recent valuations of utilities and**
18 **the effect on the cost of equity for FPL in this proceeding?**

19 A. Current utility valuations are still well above the long-term average. The
20 current high valuations result in relatively low dividend yields for utilities, and
21 at the same time near-term earnings growth projections have moderated in the
22 wake of the pandemic, which means that the DCF model likely underestimates
23 investors’ normalized required returns. Therefore, it is important to consider
24 the results of alternative models, as I have with the CAPM, Risk Premium and
25 Expected Earnings models.

¹⁶ Strauss, Lawrence C. “Utility Stocks Aren’t Acting Like The Havens They’re Supposed Be. Here’s Why.” Utility Stocks Aren’t Acting Like The Havens They’re Supposed Be – Barron’s, 12 June 2020, www.barrons.com/articles/utility-stocks-arent-acting-like-the-havens-theyre-supposed-be-51591979393.

1 **C. Utilities Have Not Been a Safe-Haven for Investors**

2 **Q. Utilities traditionally have been a safe haven for investors during periods**
3 **of market volatility. Has this been true during the recent period of**
4 **volatility?**

5 A. No, it has not. Electric utilities have not been a safe-haven for investors during
6 the COVID-19 pandemic. To this point, Charles Schwab recently rated the
7 Utilities sector as “Underperform,” noting:

8 The Utilities sector has tended to perform relatively better when
9 concerns about slowing economic growth resurface, and to
10 underperform when those worries fade. That’s partly because of
11 the sector’s traditional defensive nature and steady revenues—
12 people need water, gas and electric services during all phases of
13 the business cycle. Meanwhile, the low interest rates that
14 typically come with a weak economy provide cheap funding for
15 the large capital expenditures required in this industry.

16 However, valuations have been driven up in recent years as
17 investors have reached for yield in this new era of low interest
18 rates; this may decrease the sector’s traditional defensive
19 characteristics. And while interest rates are expected to remain
20 generally low, they could edge higher as the economy continues
21 to expand. On the flip side, there is the potential for a renewed
22 decline in the economy to push rates even lower, or there could
23 be significant government funding to Utilities as part of clean-
24 energy initiatives that would benefit the sector’s profit
25 outlook.¹⁷

26 **Q. How did the S&P Utilities sector perform in 2020 relative to the S&P 500?**

27 A. Despite the strong valuations in relation to earnings I cited in the previous
28 discussion, the utilities sector was one of the worst performing market sectors
29 in 2020, having declined by 7.49 percent from the mid-February peak as
30 compared to a 12.57 percent increase for the S&P 500.¹⁸ The only market

¹⁷ Charles Schwab, Schwab Sector Insights: A View on 11 Equity Sectors, February 11, 2021.

¹⁸ Comparison from February 19, 2020 through December 31, 2020.

1 sectors that underperformed utilities in 2020 were real estate (down 8.30
2 percent) and energy (down 26.31 percent). As of December 31, 2020, seven of
3 the other eight market sectors were above their mid-February levels, led by
4 technology (up 28.09 percent), consumer discretionary (up 22.92 percent), and
5 materials (up 22.26 percent).

6 **Q. What contributed to the underperformance of the utilities sector?**

7 A. The relative underperformance of the utilities sector was partly attributable to
8 reduced demand for electricity as non-essential businesses in many parts of the
9 country were forced to close for a period in March through May 2020 and began
10 to re-open slowly in June and July. While electricity demand is typically
11 inelastic, the load data demonstrates that electric utilities have been affected by
12 COVID-19. In December 2020, the U.S. Energy Information Administration
13 (“EIA”) estimated that overall electricity sales would decrease by 3.9 percent
14 in 2020 compared to 2019. While residential electricity sales were estimated to
15 increase by 1.5 percent, commercial sales were estimated to decline by 5.9
16 percent in 2020 due to COVID-19 mitigation efforts, and electricity sales to the
17 industrial sector were expected to fall by 8.8 percent. In 2021, the EIA forecasts
18 that overall electricity consumption will increase by 1.3 percent.¹⁹ While
19 dividend yields for electric utilities remain attractive to income-oriented
20 investors, there is heightened risk that lower electricity demand will cause
21 electric utilities without revenue decoupling mechanisms to be unable to earn
22 their authorized return for several quarters until demand returns to pre-COVID-

¹⁹ U.S. Energy Information Administration: Short-Term Energy Outlook, December 2020, at 4.

1 19 levels. Lower demand also creates earnings uncertainty associated with the
2 post-pandemic economic recovery, which could last for years. A related issue
3 is the growing magnitude of residential and commercial bills in arrears
4 permitted by shutoff moratoria and voluntary payment deferrals by utilities
5 across the country. Recent data compiled by the National Energy Assistance
6 Directors' Association places the residential and commercial arrearage at \$35-
7 40 billion by March 2021, and questions remain as to who will bear
8 responsibility for these bills.²⁰

9 **Q. How has increased volatility in equity markets been reflected in the market**
10 **data used to estimate the cost of equity?**

11 A. As discussed above, utility company stocks have traded more in-line with the
12 broader market since February 2020 when the COVID-19 pandemic became a
13 concern in financial markets. This higher correlation is reflected in the Beta
14 coefficients, which are the measure of risk in the CAPM and which have
15 increased substantially between January 2020 and February 2021 for the
16 companies in my proxy group. Figure 8 presents the average Value Line and
17 Bloomberg Beta coefficients for my proxy group companies over this period.
18 These higher Beta coefficients have caused a significant increase in the CAPM
19 results for regulated utilities.

²⁰ <https://www.utilitydive.com/news/customers-owe-billions-in-covid-debt-to-their-utilities-and-somebody-has-to/589525/>

1

Figure 8: Beta Coefficients for Proxy Group

	January 2020	February 2021
Value Line Beta	0.569	0.879
Bloomberg Beta	0.650	0.878

2

3

D. Steepening Yield Curve and Inflation Risk

4

Q. How do current yields on government bonds compare to those at the time of FPL's last rate case?

5

6

A. The average yield on 30-year Treasury bonds was 2.30 percent from June 15 through September 30, 2016 (the period of the settlement negotiations in the 2016 rate case), while the average yield on 30-year Treasuries in February 2021 was 2.04 percent. This represents a decline of approximately 26 basis points. As discussed previously in my testimony, this decrease is primarily attributable to the steps taken by the Federal Reserve to stabilize financial markets and support the economy in response to the economic effects of COVID-19, but has not translated to a reduction in the cost of equity for utilities. Furthermore, as shown in my Risk Premium analysis, there is an inverse relationship between interest rates and the equity risk premium. That is, as interest rates decrease, the equity risk premium increases, and vice versa. Mr. Hevert made this point to the Commission in FPL's last rate case, and the ensuing period has underscored this point: "It is important to recognize that the Equity Risk Premium is not constant over time. Rather, as interest rates fall, the Equity Risk

19

1 Premium increases, even when we consider additional measures of market
2 risk.”²¹

3 **Q. If the Federal Reserve is expected to keep short-term interest rates low for**
4 **an extended period of time, please explain why the cost of capital for**
5 **utilities has not declined.**

6 A. While the Federal Reserve has indicated it will keep the federal funds rate near
7 zero for the near-term, the short-term federal funds rate does not have a direct
8 effect on long-term interest rates. In fact, one of the leading indicators used by
9 investors to determine what stage of the business cycle the economy is in is the
10 yield curve, which measures the difference between long-term and short-term
11 interest rates. A flat or inverted yield curve occurs when long-term interest rates
12 are equal to or less than short-term interest rates, which usually occurs prior to
13 a recession, while a steepening yield curve occurs when the difference between
14 long-term interest rates and short-term interest rates is increasing and indicates
15 that the economy is entering a period of economic expansion following a
16 recession.²²

17 **Q. Have you reviewed the yield curve to determine investors’ expectations**
18 **regarding the economy over the near-term?**

19 A. Yes, I have. Specifically, I calculated the difference between the yield on the
20 10-year Treasury bond and the 2-year Treasury bond from January 2018 to
21 February 2021. I selected the 10-year Treasury bond yield to represent long-

²¹ Rebuttal Testimony of Robert B. Hevert, Docket No. 160021-E1, August 1, 2016, p. 8.

²² “What is a yield curve”, Fidelity.com. <https://www.fidelity.com/learning-center/investment-products/fixed-income-bonds/bond-yield-curve>

1 term interest rates and the 2-year Treasury bond to represent short-term interest
2 rates. As shown in Figure 9, the yield curve has been steepening since June
3 2020 and the spread between 2-year and 10-year Treasury yields has increased
4 to approximately 80 basis points, which is the highest level over this time
5 period. The steepening of the yield curve indicates that investors expect
6 economic growth and inflation to increase in the near-term. As a result, they
7 are expected to rotate out of long-term government bonds to avoid being locked
8 into low interest rates for the long-term. The steeper yield curve signals that
9 higher yields are required by investors to invest in long-term government bonds.

1
2

**Figure 9: 10-year Treasury Bond Yield Minus 2-year Treasury Bond Yield
– January 2018 – February 2021²³**



3

4 **Q. Have investment firms commented on the steepening of the yield curve?**

5 A. Yes. Several investment firms have noted that the yield curve is expected to
6 continue to steepen into 2021, which is an indicator that the economy is entering
7 the early expansion phase of the business cycle. For example, Morgan Stanley
8 recently indicated that they expected a “V-shaped” economic recovery and
9 therefore advised investors to underweight government bonds and overweight
10 equities.²⁴ Similarly, Goldman Sachs noted:

²³ Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity [T10Y2Y], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10Y2Y>, December 31, 2020.

²⁴ Ossinger, Joanna. “Morgan Stanley Says Go Risk-On and ‘Trust the Recovery’ in 2021.” *Bloomberg.com*, 15 Nov. 2020, www.bloomberg.com/news/articles/2020-11-16/morgan-stanley-says-go-risk-on-and-trust-the-recovery-in-2021.

1 “As the economic recovery consolidates next year, we expect to
 2 see more differentiation across the curve, with policymakers
 3 committing to keeping front-end rates low, but higher
 4 expectations for real growth and inflation driving long-end rates
 5 higher,” Goldman strategists including Zach Pandl wrote in the
 6 report, released Tuesday.

7 This should be especially true in the U.S. due to the Federal
 8 Reserve’s new average inflation targeting framework, which
 9 commits the central bank to holding off on rate hikes until
 10 inflation has reached its target and is on track to overshoot it.²⁵

11 Finally, Citigroup also projected that the yield on the 10-year Treasury bond is
 12 expected to increase in 2021, which prompted Citigroup’s recommendation to
 13 overweight equities and favor cyclical sectors over more defensive sectors such
 14 as utilities.²⁶

15 **Q. How has the utility sector performed historically during periods when the**
 16 **yield curve is steepening, and the economy is in the early stage of the**
 17 **business cycle?**

18 A. In a recent report, Fidelity Investments noted that the utility sector has
 19 historically been one of the worst performing sectors during the early phase of
 20 the business cycle, with a geometric average return of -10.5 percent.²⁷ This is
 21 important because, if the utility sector underperforms over the near-term, then
 22 the DCF model, which relies on historical averages of share prices, is likely to

²⁵ McCormick, Liz. “Goldman Goes All-In for Steeper U.S. Yield Curves as 2021 Theme.” *Bloomberg.com*, 10 Nov. 2020, www.bloomberg.com/news/articles/2020-11-10/goldman-goes-all-in-for-steeper-u-s-yield-curves-as-2021-theme.

²⁶ Keown, Callum. “10-Year Treasury Yields Will Rise Into 2021, Citi Says. This ‘Aggressive’ Equity Strategy Can Outperform.” *Barrons.com*, 16 Nov. 2020, www.barrons.com/articles/10-year-treasury-yields-will-rise-into-2021-citi-says-this-aggressive-equity-strategy-can-outperform-51605543920.

²⁷ Fidelity Investments, “The Business Cycle Approach to Equity Sector Investing,” 2020.

1 understate the cost of equity for FPL over the period that Company's rates will
2 be in effect.

3 **Q. What is the interest rate outlook?**

4 A. While yields on government and corporate bonds are rebounding from near
5 historical lows, investors continue to expect that interest rates will increase over
6 the next several years. According to Blue Chip Financial Forecasts, yields on
7 30-year Treasury bonds are forecast to increase from the current 30-day average
8 of 1.97 percent as of February 26, 2021 to 2.80 percent over the period from
9 2022-2026.²⁸

10 **Q. How have you accounted for market expectations of higher interest rates
11 in your recommended cost of equity for FPL?**

12 A. I am able to capture the effects of forward-looking interest rates in two of the
13 ROE estimation models. I have used a forecasted 30-year Treasury bond yield
14 in both the CAPM and Risk Premium analyses in order to take into
15 consideration the consensus view of higher interest rates.

16 **Q. What is your conclusion with regard to current and prospective interest
17 rates?**

18 A. Government bond yields are only one of many factors that equity investors
19 consider in determining their return requirements. It is important to view
20 current Treasury bond yields in the context of conditions in the economy and
21 capital markets. It would not be reasonable for the Commission to consider
22 only the decline in 30-year Treasury bond yields, without also considering the

²⁸ Blue Chip Financial Forecasts, Issue 39, Vol. 12, December 1, 2020, at 14.

1 recent market conditions that have contributed to that decline. Further, there
2 are reasons to believe that the recent declines in Treasury bond yields are not
3 representative of the longer-term trend in government and corporate bond
4 yields. Rather, those lower interest rates are directly attributable to the COVID-
5 19 pandemic. The Federal Reserve has taken steps to contain the economic
6 effects of COVID-19, including reducing the federal funds rates and taking
7 additional measures to support the U.S. economy and provide liquidity and
8 stability in financial markets. These are short-term events that have little to do
9 with the longer-term trend in bond yields or equity costs. The steepening yield
10 curve indicates that investors believe the economy is in the early stages of an
11 economic recovery and suggests that yields on longer-term Treasury bonds will
12 continue to increase as the recovery progresses.

13

14

V. PROXY GROUP SELECTION

15

16 **Q. Why is it necessary to select a proxy group to estimate the cost of equity**
17 **for FPL?**

18 A. Since the ROE is a market-based concept and FPL is not publicly traded, it is
19 necessary to establish a group of companies that is both publicly traded and
20 comparable to FPL. Even if FPL were a publicly traded entity, it is possible
21 that transitory events could bias the Company's market value in one way or
22 another in a given period of time. A significant benefit of using a proxy group
23 is the ability to mitigate the effects of short-term events that may be associated
24 with any one company. The proxy companies used in my ROE analyses possess

1 a set of business and operating characteristics similar to FPL's vertically
2 integrated electric utility operations, and thus provide a reasonable basis for
3 estimating the Company's ROE.

4 **Q. Please provide a summary profile of FPL, including Gulf.**

5 A. FPL is a wholly owned subsidiary of NextEra Energy, Inc., providing electric
6 generation, transmission, and distribution service to more than five million
7 residential, commercial, and industrial customers in Florida, and Gulf provides
8 electric utility service to approximately 470,000 customers in northwest
9 Florida. FPL owns 27,440 MW of regulated generation assets, including
10 nuclear facilities, gas-fired plants, and solar generation facilities, while Gulf
11 owns 2,300 MW net generating capacity that includes fossil-fueled units and
12 some solar generation.²⁹ As demonstrated in the testimony of FPL witness
13 Reed, FPL is the most efficient provider of electricity services in the U.S., as
14 measured by average O&M costs per kilowatt hour. FPL is making significant
15 investments in renewable energy generation, while continuing to maintain and
16 expand its fleet of nuclear and advanced gas combined cycle power plants. In
17 addition, FPL has a substantial capital expenditure program that is focused on
18 improving the reliability of the electricity grid and increasing storm resiliency.
19 FPL has long-term issuer ratings from S&P of A (Outlook: Stable), Moody's
20 Investors Service ("Moody's") of A1 (Outlook: Stable), and FitchRatings
21 ("Fitch") of A (Outlook: Stable).³⁰

²⁹ NextEra Energy, Inc., 2019 SEC Form 10-K, at 7 and 18.

³⁰ Ibid, at 46.

- 1 **Q. Please describe the specific screening criteria you have utilized to select a**
2 **proxy group.**
- 3 A. I began with the 36 investor-owned domestic electric utilities covered by Value
4 Line and then screened companies according to the following criteria:
- 5 1. Consistently pays quarterly cash dividends;
 - 6 2. Maintains an investment grade long-term issuer rating (BBB- or
7 higher) from S&P;
 - 8 3. Is covered by more than one equity analyst;
 - 9 4. Has positive earnings growth rates published by at least two of the
10 following sources: Value Line, Thomson First Call (as reported by
11 Yahoo! Finance), and Zack's Investment Research ("Zacks");
 - 12 5. Owns regulated electric generation assets;
 - 13 6. Regulated revenue and net operating income make up more than 60
14 percent of the consolidated company's revenue and net operating
15 income (based on a 3-year average from 2017-2019);
 - 16 7. Regulated revenue and net operating income from regulated electric
17 operations makes up more than 80 percent of the consolidated
18 company's regulated revenue and net operating income (based on a 3-
19 year average from 2017-2019); and
 - 20 8. Is not involved in a merger or other transformative transaction for an
21 approximate six-month period prior to my analysis.

1 **Q. Did you include NextEra Energy, Inc. in your analysis?**

2 A. No, I did not. In order to avoid the circular logic that would otherwise occur, it
3 is my practice to exclude the subject company, or its parent holding company,
4 from the proxy group.

5 **Q. What is the composition of your resulting proxy group?**

6 A. Based on the screening criteria discussed above, and financial information
7 through fiscal year 2019, I arrived at a proxy group consisting of the companies
8 shown in Figure 10. The results of my screening process are shown in Exhibit
9 JMC-3.

1

Figure 10: Proxy Group

Company	Ticker
ALLETE, Inc.	ALE
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Duke Energy Corporation	DUK
Edison International	EIX
Entergy Corporation	ETR
Evergy, Inc.	EVERG
Hawaiian Electric Industries, Inc.	HE
IDACORP, Inc.	IDA
OGE Energy Corporation	OGE
Pinnacle West Capital Corporation	PNW
Portland General Electric Company	POR
Xcel Energy Inc.	XEL

2

3 **Q. Do your screening criteria result in a group of companies that investors**
4 **would view as comparable to FPL?**

5 A. Yes. I have selected this group of electric utilities to best align with the financial
6 and operational characteristics of FPL. The proxy group screening criterion
7 requiring an investment grade credit rating ensures that the proxy group
8 companies, like FPL, are in sound financial condition. Because credit ratings

1 take into account business and financial risks, the ratings provide a broad
2 measure of investment risk for investors. I have only included companies in
3 the proxy group that own regulated generation assets because vertically-
4 integrated electric utilities have operating characteristics and unique business
5 risks that cause investors to require a higher return on equity to compensate for
6 those risks. These unique risks are not shared by pure Transmission and
7 Distribution utilities. Additionally, I have screened on the percent of revenue
8 and net operating income from regulated operations to differentiate between
9 utilities that are protected by regulation and those with substantial unregulated
10 operations or market-related risks. Also, I have screened on the percentage
11 contribution of the electric utility segment to regulated consolidated financial
12 results to select companies that, like FPL, derive the majority of their revenue
13 and operating income from regulated electric operations. These screens
14 collectively reflect key risk factors that investors consider in making
15 investments in electric utilities.

16 **Q. What is your conclusion with regard to the proxy group for FPL?**

17 A. My conclusion is that my group of 14 vertically integrated electric utilities
18 adequately reflects the broad set of risks that investors consider when investing
19 in a U.S.-regulated vertically integrated electric utility such as FPL. Later in
20 my testimony, I will evaluate whether an adjustment should be made to the
21 results of my ROE analyses to account for differences in FPL's company-
22 specific risks relative to the proxy group companies.

1 Assuming a constant growth rate in dividends, the model may be rearranged to
2 compute the ROE accordingly, as shown in Formula [2]:

$$3 \quad r = \frac{D}{P} + g \quad [2]$$

4 Stated in this manner, the cost of common equity is equal to the dividend yield
5 plus the dividend growth rate.

6 **Q. What are the assumptions underlying the Constant Growth DCF model?**

7 A. The Constant Growth DCF model is based on the following assumptions: (1) a
8 constant average growth rate for earnings and dividends; (2) a stable dividend
9 payout ratio; (3) a constant price-to-earnings multiple; and (4) a discount rate
10 greater than the expected growth rate.

11 **Q. Please summarize your application of the Constant Growth DCF model.**

12 A. I calculated DCF results for each of the proxy group companies using the
13 following inputs:

- 14 1. Average stock prices for the historical period, over 30-, 90-, and
15 180-trading days through February 26, 2021;
- 16 2. Annualized dividend per share as of February 26, 2021; and
- 17 3. Company-specific earnings growth forecasts for the term g .

18

19 My application of the Constant Growth DCF model is provided in Exhibit JMC-

20 4.

21 **Q. Why did you use averaging periods of 30, 90, and 180 trading days?**

22 A. It is important to use an average of recent trading days to calculate the term P
23 in the DCF model to ensure that the calculated ROE is not skewed by

1 anomalous events that may affect stock prices on any given trading day. At the
2 same time, it is important to reflect the conditions that have defined the financial
3 markets over the recent past. In my view, consideration of those three averaging
4 periods reasonably balances these interests.

5 **Q. Did you adjust the dividend yield to account for periodic growth in**
6 **dividends?**

7 A. Yes, I did. Utility companies tend to increase their quarterly dividends at
8 different times throughout the year, so it is reasonable to assume that such
9 increases will be evenly distributed over calendar quarters. Given that
10 assumption, it is reasonable to apply one-half of the expected annual dividend
11 growth rate for the purposes of calculating this component of the DCF model.
12 This adjustment ensures that the expected dividend yield is representative of the
13 coming 12-month period. Accordingly, the DCF estimates reflect one-half of
14 the expected growth in the dividend yield.³²

15 **Q. What sources of growth have you used in your DCF analysis?**

16 A. I have used the consensus analyst five-year growth estimates in earnings per
17 share (“EPS”) from Thomson First Call and Zacks, as well as EPS growth rate
18 estimates published by Value Line.

19 **Q. Why did you focus on earnings per share growth?**

20 A. The Constant Growth DCF model assumes that dividends grow at a constant
21 rate in perpetuity. Accordingly, in order to reduce the long-term growth rate to
22 a single measure, one must assume a constant payout ratio, and that earnings

³² The expected dividend yield is calculated as $d_1 = d_0 (1 + \frac{1}{2} g)$.

1 per share, dividends per share, and book value per share all grow at the same
2 constant rate. Over the long term, however, dividend growth can only be
3 sustained by earnings growth. As noted by Brigham and Houston in their text,
4 *Fundamentals of Financial Management*: “Growth in dividends occurs
5 primarily as a result of growth in *earnings per share* (EPS).”³³ It is therefore
6 important to focus on measures of long-term earnings growth from credible
7 sources as an appropriate measure of long-term growth in the DCF model.

8 **Q. Are other sources of dividend growth available to investors?**

9 A. Yes, although that does not mean that investors incorporate such estimates into
10 their investment decisions. Academic studies suggest that investors base their
11 investment decisions on analysts’ expectations of growth in earnings.³⁴ I am
12 not aware of any similar findings regarding non-earnings-based growth
13 estimates. In addition, the only forward-looking growth rates that are available
14 on a consensus basis are analysts’ EPS growth rates. The fact that earnings
15 growth projections are the only widely-accepted estimates of growth provides
16 further support that earnings growth is the most meaningful measure of growth
17 among the investment community.

³³ Eugene F. Brigham and Joel F. Houston, *Fundamentals of Financial Management* (Concise Fourth Edition, Thomson South-Western), at 317 (emphasis added).

³⁴ See, e.g., Harris and Marston, *Estimating Shareholder Risk Premia Using Analysts Growth Forecasts*, *Financial Management*, Summer 1992, at 65; and Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, *The Journal of Portfolio Management*, Spring 1988, at 81. Please note that while the original study was published in 1988, it was updated in 2004 under the direction of Dr. Vander Weide. The results of that updated study are consistent with Vander Weide and Carleton’s original conclusions.

1 **Q. How have other utility regulators responded to the historically low**
2 **dividend and bond yields and the corresponding effect on the DCF model?**

3 A. The reliability of the DCF model has been subject to increasing scrutiny over
4 the past decade. A combination of unsustainably low interest rates, coupled
5 with unsustainably high utility stock prices and reduced near-term earnings
6 growth, affect all three inputs to the DCF model. So, in this environment where
7 the fundamental assumptions of the model are flawed, the DCF model results
8 cannot be expected to provide realistic estimates of the forward-looking
9 required return.

10

11 The Federal Energy Regulatory Commission (“FERC”) recently issued Opinion
12 No. 569-A, in which FERC determined that it would place equal weight on the
13 results of the DCF, CAPM and Risk Premium analysis to establish the return
14 for electric transmission companies, a significant departure from its historical
15 reliance on the DCF exclusively. In reaching this decision, FERC explained
16 that it continued to have concerns with the results of the DCF model.
17 Specifically, FERC stated:

1 We disagree with CAPs’ contention that the record does not
 2 support our finding of model risk as justifying no longer relying
 3 solely on the DCF model. Model risk includes the broad
 4 conceptual issue of models being imperfect and not always
 5 working well in all situations. It also entails errors of specific
 6 model inputs, such as the error discussed with respect to the
 7 Portland General Electric inputs, discussed in paragraph 145
 8 below. We continue to find that ROE determinations should
 9 consider multiple models, both to capture the variety of models
 10 used by investors and to mitigate model risk. With respect to the
 11 former, we reiterate our findings from Opinion No. 569 in
 12 support of the finding that use of multiple models reduces model
 13 risk.³⁵

14 **Q. Have state regulatory commissions also responded to the effect of recent**
 15 **market conditions on the results of the DCF model?**

16 A. Yes. For example, the Pennsylvania Public Utility Commission (“PPUC”) in a
 17 2012 decision on a rate case for PPL Electric Utilities, recognized that market
 18 conditions were causing the DCF model to produce results that were much
 19 lower than other models such as the CAPM and Bond Yield Plus Risk Premium.
 20 While noting that the PPUC had traditionally relied primarily on the DCF
 21 method to estimate the cost of equity for regulated utilities, the PPUC’s Order
 22 nevertheless explained:

23 Sole reliance on one methodology without checking the validity
 24 of the results of that methodology with other cost of equity
 25 analyses does not always lend itself to responsible ratemaking.
 26 We conclude that methodologies other than the DCF can be used
 27 as a check upon the reasonableness of the DCF derived equity
 28 return calculation.³⁶

29 The PPUC ultimately concluded:

³⁵ FERC Opinion No. 569-A, issued May 21, 2020, at para. 43.

³⁶ Pennsylvania Public Utility Commission, PPL Electric Utilities, R-2012-2290597, meeting held December 5, 2012, at 80.

1 As such, where evidence based on the CAPM and RP methods
2 suggest that the DCF-only results may understate the utility’s
3 current cost of equity capital, we will give consideration to those
4 other methods, to some degree, in determining the appropriate
5 range of reasonableness for our equity return determination.³⁷

6 In a 2016 case before the Illinois Commerce Commission (“ICC”), the Staff
7 relied on a DCF analysis that resulted in average returns for their proxy groups
8 of 7.24 percent to 7.51 percent. The company demonstrated that these results
9 were uncharacteristically too low, by comparing the results of Staff’s models to
10 recently authorized ROEs for regulated utilities and the return on the S&P 500.³⁸
11 The ICC agreed with the Company that Staff’s proposed ROE of 8.04 percent
12 was anomalous and recognized that a return that is not competitive will deter
13 investment in Illinois. In setting the return, the ICC recognized that it was
14 necessary to consider other factors beyond the outputs of the financial models,
15 particularly whether the return is sufficient to attract capital, maintain financial
16 integrity, and commensurate with returns for companies of comparable risk,
17 while balancing the interests of customers and shareholders.³⁹

18
19 As demonstrated by these examples, regulators have considered and in certain
20 cases found the DCF model has been understating the investor-required return
21 for regulated utilities. Based on the data I have presented, I believe that remains
22 the case today.

³⁷ *Id.*, at 81.

³⁸ State of Illinois Commerce Commission, Docket No. 16-0093, Illinois-American Water Company Initial Brief, August 31, 2016, at 10.

³⁹ State of Illinois Commerce Commission Decision, Docket No. 16-0093, Illinois-American Water Company, 2016 WL 7325212 (2016), at 55.

1 **Q. How have you reconciled the problems with the DCF model?**

2 A. I continue to estimate the model, but believe it is important to moderate the
3 effect of abnormal economic and capital market conditions as I have done, by
4 both considering the results of alternative analytical methods for determining
5 the ROE and by normalizing inputs where possible (e.g., using a prospective
6 measure of the risk-free rate, as I have done in my CAPM and Risk Premium
7 analyses, discussed later in this testimony). I also calculate my results using a
8 three-model approach (excluding the DCF) to test the impact.

9 **Q. What are the results of your Constant Growth DCF analysis?**

10 A. The results of my Constant Growth DCF analysis are provided in Exhibit JMC-
11 4 and summarized in Figure 11.

12 **Figure 11: Constant Growth DCF Results**

	Mean Low	Mean	Mean High
30-day average	8.08%	9.33%	10.41%
90-day average	7.98%	9.23%	10.31%
180-day average	8.04%	9.30%	10.37%

13

14 **Q. How did you calculate the Mean High, Mean Low, and Overall Mean DCF**
15 **results?**

16 A. I calculated the Mean High DCF result using the maximum growth rate (i.e.,
17 the maximum of the First Call, Value Line, and Zacks EPS growth rates) in
18 combination with the expected dividend yield for each of the proxy group

1 companies. I used a similar method to calculate the Mean Low DCF results,
2 using the minimum growth rate for each company. The Mean results reflect the
3 average growth rate from each source for each company in combination with
4 the expected dividend yield.

5 **Q. What is your conclusion regarding the results of the DCF model?**

6 A. My primary conclusion is that the results of the DCF model understate the cost
7 of equity for electric utilities under current market conditions and should not be
8 used exclusively to establish the return for FPL in this proceeding. The FERC
9 considered what it termed “anomalous” market conditions as a basis for
10 abandoning its practice of sole reliance on the DCF model to set ROEs for
11 electric transmission companies which began in the 1980s. FERC reasoned:

12 The fact that utility stock prices appear to have performed in a
13 manner inconsistent with the theory underlying the DCF
14 methodology during the periods at issue in these four complaint
15 proceedings is an example of what NETOs have described as
16 “model risk” — the risk that in some circumstances a model will
17 produce results that do not reflect real world experience. It
18 appears that, for whatever the reason, investors during this
19 period have seen greater value in utility stocks than the DCF
20 methodology would predict. This suggests that the ROE
21 estimated by that methodology may be correspondingly
22 inaccurate.⁴⁰

23 The average DCF result using 90-day stock prices is 9.23 percent, and some are
24 as low as 5-6 percent, well below the results of the other models and any
25 reasonable indication of the cost of equity. Consequently, in an investment
26 environment dominated by volatility and uncertainty, it is necessary to also
27 consider the results of Risk Premium models, such as the CAPM and Bond

⁴⁰ 165 FERC ¶ 61,030, December 16, 2018, at 46.

1 Yield Risk Premium analysis, and the Expected Earnings model, in order to
 2 assess the reasonableness of the DCF results, determine whether, and if so how,
 3 to weight or otherwise address any deficiencies in the reliability of those results,
 4 and ultimately determine where to set the appropriate return from within the
 5 range of reasonable results. These models rely on longer term data and
 6 therefore avoid or mitigate the problems associated with the DCF method.

7

8

B. CAPM Analysis

9 **Q. Please briefly describe the general form of the Capital Asset Pricing Model.**

10 A. The CAPM is a risk premium approach that estimates the cost of equity for a
 11 given security as a function of a risk-free return plus a risk premium (to
 12 compensate investors for the non-diversifiable or “systematic” risk of that
 13 security).⁴¹ As shown in Equation [3], the CAPM is defined by four
 14 components, each of which must theoretically be a forward-looking estimate:

$$15 \quad K_e = r_f + \beta(r_m - r_f) \quad [3]$$

16 where:

17 K_e = the required ROE for a given security;

18 r_f = the risk-free rate of return;

19 β = the Beta of an individual security; and

20 r_m = the required return for the market as a whole.

21

⁴¹ Systematic risks are fundamental market risks that reflect aggregate economic measures and therefore cannot be mitigated through diversification. Unsystematic risks reflect company-specific risks that can be mitigated and ultimately eliminated through investments in a portfolio of companies and/or market sectors.

1 The term $(r_m - r_f)$ represents the Market Risk Premium (“MRP”). According to
 2 the theory underlying the CAPM, since unsystematic risk can be diversified
 3 away, investors should be concerned only with systematic or non-diversifiable
 4 risk. Non-diversifiable risk is measured by Beta, which is defined as:

$$5 \quad \beta = \frac{\text{Covariance}(r_e, r_m)}{\text{Variance}(r_m)} \quad [4]$$

6 where:

7 r_e = the rate of return for the individual security or portfolio.

8 The variance of the market return, noted in Equation [4], is a measure of the
 9 uncertainty of the general market, and the covariance between the return on a
 10 specific security and the market reflects the extent to which the return on that
 11 security will respond to a given change in the market return. Thus, Beta
 12 represents the risk that the selected security will not be effective in diversifying
 13 systematic market risks.

14 **Q. Have economic and financial market conditions also affected the CAPM?**

15 A. Yes. Given the extraordinarily low level of interest rates on Treasury bonds as
 16 compared to historical levels, using current or even near-term projections of
 17 government bond yields would distort market expectations for a reasonable
 18 risk-free rate. Using the 5-year forecast of bond yields helps alleviate these
 19 short-term market factors affecting the risk-free rate, or “ r_f ” in the CAPM
 20 formula. As discussed in Section IV, interest rates have increased in recent
 21 months and are expected to continue to increase as the economy recovers from
 22 the effects of the COVID-19 pandemic. Further, due to the fiscal and monetary
 23 stimulus provided to the U.S. economy in recent months, inflation risk is

1 elevated over the period of FPL’s proposed rate plan. The use of longer-term
2 projected interest rates is especially important in the CAPM and Risk Premium
3 analyses given FPL’s need to attract capital to finance its capital expenditure
4 plan, which as discussed in Section VII.A, is larger than any of the proxy group
5 companies. It is also important to recognize that FPL is financing long-lived
6 assets, and the cost of capital should reflect that long-term perspective.

7 **Q. What risk-free rate did you use in your CAPM analysis?**

8 A. Since both the DCF and CAPM models assume long-term investment horizons,
9 I used the Blue Chip forecast of the yield on 30-year Treasury bonds for 2022-
10 2026 of 2.80 percent as my estimate of the risk-free rate.⁴² That time period
11 reflects a forward-looking view, which is the objective of the ROE analysis.

12 **Q. Have regulators in other jurisdictions supported the use of a projected
13 risk-free rate in the CAPM analysis?**

14 A. Yes. In a 2017 decision, the Massachusetts Department of Public Utilities (or
15 “MDPU”) noted that accommodative Federal monetary policy had pushed
16 Treasury yields to near historic lows. As a result, the MDPU found it
17 appropriate to use prospective interest rate expectations in the CAPM, stating:

⁴² Blue Chip Financial Forecasts, Volume 39, No. 12, December 1, 2020, at 14.

1 Current federal monetary policy that is intended to stimulate the
2 economy has pushed treasury yields to near historic lows.
3 Consequently, the Department has found that a CAPM analysis
4 based on current treasury yields may tend to underestimate the
5 risk-free rate over the long term and, thereby, understate the
6 required ROE. The CAPM is based on investor expectations
7 and, therefore, it is appropriate to use a prospective measure for
8 the risk-free rate component. The Department has found that
9 Blue Chip Financial Forecasts is widely relied on by investors
10 and provides a useful proxy for investor expectations for the
11 risk-free rate.⁴³

12 **Q. What measures of Beta did you use in your CAPM analysis?**

13 A. As shown in Exhibit JMC-5.2, I considered two measures of Beta for the proxy
14 group companies: (1) the reported Beta coefficients from Bloomberg (which
15 are calculated using five years of weekly data against the S&P 500 Index); and
16 (2) the reported Beta coefficients from Value Line (which are calculated using
17 five years of weekly data against the New York Stock Exchange Composite
18 Index). As discussed in Section IV, Beta coefficients for electric utilities have
19 increased substantially since January 2020, as utilities have traded more like the
20 broader market. It is important to emphasize that Beta coefficients are
21 calculated over a five-year period, so this recent increase is not a short-term
22 market phenomenon. The recent movement in betas captures a trend that began
23 five years ago, but has been accelerated by the recent market conditions. In
24 summary, the substantial increase in Beta coefficients for the proxy group
25 companies represents a significant departure from how investors have typically

⁴³ D.P.U. 17-05 Petition of NSTAR Electric Company and Western Massachusetts Electric Company, each doing business as Eversource Energy, Pursuant to G.L. c. 164, § 94 and 220 CMR 5.00 et seq., for Approval of General Increases in Base Distribution Rates for Electric Service and a Performance Based Ratemaking Mechanism, November 30, 2017, at 693.

1 viewed electric utilities relative to the broader market and is not just COVID
2 related.

3 **Q. What Market Risk Premium did you use in your CAPM analysis?**

4 A. I used the Constant Growth DCF model to estimate the total market return for
5 the S&P 500 Index, using projected earnings growth rates and dividend yields
6 from three sources: (1) S&P's Earnings and Estimates report; (2) Bloomberg
7 Professional; and (3) Value Line. Using the DCF model for a broad-based total
8 market return mitigates the challenges specific to the utilities sector. As of
9 February 26, 2021, the average total market return from these three sources is
10 15.75 percent, as shown in Figure 12 (also see Exhibit JMC-5.1).

11

Figure 12: Total Market Return

Source	Market Return
S&P Earnings & Estimates	17.70%
Bloomberg Professional	15.46%
Value Line	14.07%
Average	15.75%

12

13 I then used the MRP that results from subtracting the risk-free rate (based on
14 the 5-year forecast of the 30-year Treasury bond of 2.80 percent) from the total
15 market return. My calculation as shown in Exhibit JMC-5.2 yielded a market
16 derived ex-ante MRP of 12.95 percent.

17

1 The CAPM is inherently a forward-looking model since it is designed to
2 estimate investors' required equity return expectations. The MRP should,
3 therefore, reflect investors' expected equity market returns relative to expected
4 returns on Treasury securities. While these return expectations may be
5 informed by history, they should primarily reflect forward-looking return
6 expectations.

7 **Q. What are the results of your CAPM analyses?**

8 A. Using the MRP as calculated above, I now have the required market return (R_m)
9 input to equation [3], and can solve the CAPM model. As shown in Exhibit
10 JMC-5.2, the CAPM ROE results are 14.17 percent (using Bloomberg Betas)
11 and 14.16 percent (using Value Line Betas), or an average of 14.17 percent.

12

13 C. Risk Premium Analysis

14 **Q. Please describe the Risk Premium approach that you used.**

15 A. In general terms, this approach recognizes that equity is riskier than debt
16 because equity investors bear the residual risk associated with ownership.
17 Equity investors, therefore, require a greater return (i.e., a premium) than would
18 a bondholder. The Risk Premium approach estimates the cost of equity as the
19 sum of the Equity Risk Premium and the yield on a particular class of bonds.

$$20 \quad \text{ROE} = \text{RP} + \text{Y} \quad [5]$$

21 Where:

22 $\text{RP} = \text{Risk Premium (difference between allowed ROE and the 30-Year}$
23 $\text{Treasury Yield) and}$

1 Y = Applicable bond yield.

2 Since the equity risk premium is not directly observable, it is typically estimated
3 using a variety of approaches, some of which incorporate *ex-ante*, or forward-
4 looking, estimates of the cost of equity and others that consider historical, or
5 *ex-post*, estimates. For my Risk Premium analysis, I have relied on authorized
6 returns from a large sample of vertically-integrated electric utility companies.

7 **Q. What did your Risk Premium analysis reveal?**

8 A. To estimate the relationship between risk premia and interest rates, I conducted
9 a regression analysis using the following equation:

$$10 \qquad RP = a + (b \times Y) \qquad [6]$$

11 where:

12 RP = Risk Premium (difference between allowed ROEs and the 30-Year
13 Treasury Yield);

14 a = Intercept term;

15 b = Slope term; and

16 Y = 30-Year Treasury Yield.

17 Data regarding allowed ROEs were derived from 651 integrated electric utility
18 company rate cases from January 1992 through February 26, 2021, as reported
19 by Regulatory Research Associates.⁴⁴

⁴⁴ There have been no rate case decisions in 2021 for vertically-integrated electric utilities as of February 26, 2021, per Regulatory Research Associates.

1

Figure 13: Risk Premium Results

2

3 As illustrated by Figure 13 (above), the risk premium varies with the level of
 4 bond yield, and generally increases as the bond yields decrease, and vice versa.
 5 In order to apply this relationship to current and expected bond yields, I
 6 consider three estimates of the 30-year Treasury yield, including the current 30-
 7 day average, a near-term Blue Chip consensus forecast for Q2 2021 – Q2 2022,
 8 and a Blue Chip consensus forecast for 2022–2026. I find this 5-year result to
 9 be most applicable for the following reasons: (1) investors are expecting
 10 increases in government bond yields; (2) investors typically have a multi-year
 11 view of their required returns on equity; and (3) FPL’s large capital expenditure
 12 plan requires that the Company continue to be able to attract capital on
 13 reasonable terms and conditions. Based on the regression coefficients in
 14 Exhibit JMC-6, which allow for the estimation of the risk premium at varying
 15 bond yields, the results of my Risk Premium analysis are shown in Figure 14.

1 **Figure 14: Risk Premium Results Using 30-Year Treasury Yield**

	Using 30-Day Average Yield on 30-Year Treasury Bond	Using Q2 2021–Q2 2022 Forecast for Yield on 30-Year Treasury Bond⁴⁵	Using 2022- 2026 Forecast for Yield 30- Year Treasury Bond⁴⁶
Yield	1.97%	2.28%	2.80%
Risk Premium	7.56%	7.38%	7.08%
Resulting ROE	9.53%	9.66%	9.88%

2

3

D. Expected Earnings Analysis

4 **Q. Have you conducted any other analysis to estimate the cost of equity for**
5 **FPL?**

6 A. Yes. I have also conducted an Expected Earnings analysis to estimate the cost
7 of equity for FPL based on the projected ROEs for the proxy group companies.

8 **Q. What is an Expected Earnings Analysis?**

9 A. The Expected Earnings methodology is a comparable earnings analysis that
10 calculates the earnings that an investor expects to receive on the book value of
11 a stock. The Expected Earnings analysis is a forward-looking estimate of

⁴⁵ Blue Chip Financial Forecasts, Vol. 40, No. 3, March 1, 2021, at 2

⁴⁶ Blue Chip Financial Forecasts, Vol. 39, No. 12, December 1, 2020, at 14.

1 investors' expected returns. The use of an Expected Earnings approach based
2 on the proxy companies provides a range of the expected returns on a group of
3 risk-comparable companies to the subject company. This range is useful in
4 helping to determine the opportunity cost of investing in the subject company,
5 which is relevant in determining a company's ROE.

6 **Q. How did you develop the Expected Earnings Approach?**

7 A. I relied primarily on the projected ROE for the proxy companies as reported by
8 Value Line for the period from 2023-2025. I then adjusted those projected
9 ROEs to account for the fact that the ROEs reported by Value Line are
10 calculated on the basis of common shares outstanding at the end of the period,
11 as opposed to average shares outstanding over the entire period. As shown in
12 Exhibit JMC-7, the Expected Earnings analysis results in a mean of 10.22
13 percent and a median of 10.55 percent.

14

15 **E. Evaluating the Model Results**

16 **Q. Please explain how you have considered the results of the DCF, CAPM,**
17 **Risk Premium and Expected Earnings analysis to arrive at your ROE**
18 **recommendation.**

19 A. I have placed equal weight on the results of the DCF, CAPM, Bond Yield Risk
20 Premium, and Expected Earnings analyses. In doing so, despite my
21 reservations regarding the DCF, my ROE recommendation is based on the
22 range produced by these four methodologies. As shown in Figure 15 (and
23 computed in JMC-2 as the 4-Model Average), I derive an average base ROE

1 estimate for the proxy group companies of 10.89 percent, excluding flotation
 2 costs. Given the concerns I have expressed regarding the inputs to the DCF
 3 model in the current market environment, I have also examined the results
 4 excluding the DCF model (computed in JMC-2 as the 3-Model Average), and
 5 this yields an 11.42 percent ROE. Given market conditions, the current
 6 limitations of the DCF model, and FPL's risk in relation to the proxy group, I
 7 consider a range of 10.5 percent to 11.5 percent to be reasonable. From within
 8 that range, I recommend an ROE of 11.0 percent as just and reasonable for FPL
 9 for the 2022-2025 rate period.

10 **Figure 15: Base ROE Results**

	ROE Estimate
DCF	9.29%
CAPM	14.17%
Risk Premium	9.88%
Expected Earnings	10.22%
Range	9.23 – 14.17%
Average ROE	10.89%

11
 12 As discussed in the next Section of my testimony, this estimate serves as a base
 13 prior to consideration of relative business risks, flotation costs, and
 14 management performance.

1 **VII. BUSINESS RISKS, FLOTATION COSTS, AND MANAGEMENT**

2 **PERFORMANCE**

3
4 **Q. Are there factors specific to FPL's risk profile that you also considered in**
5 **developing your ROE recommendation?**

6 A. Yes, there are several factors that have a direct bearing on FPL's risk profile in
7 relation to the proxy group. Those risk factors include: (a) the Company's
8 substantial capital expenditure program; (b) FPL's nuclear generation fleet;
9 (c) risk associated with storm damage and resulting outages; (d) regulatory risk
10 relative to the proxy group companies; and (e) risk related to the term of FPL's
11 proposed 4-year rate plan. In aggregate, those risk factors elevate FPL's risk
12 profile relative to the proxy group and would support an authorized ROE above
13 the mean, but I have not made an explicit adjustment. I also considered flotation
14 costs associated with the issuance of common equity, as well as the superior
15 management performance of FPL, which should be recognized and rewarded
16 through an upward adjustment to the authorized ROE.

17
18 **A. Capital Expenditure Program**

19 **Q. Please discuss FPL's capital spending program.**

20 A. FPL projects that the Company will spend \$26.4 billion on capital projects over
21 the period from 2021-2024.⁴⁷ The primary purpose of these capital projects is
22 to enhance the reliability of FPL's electric transmission and distribution system,

⁴⁷ NextEra Energy, Inc. and Florida Power and Light Company, SEC Form 10-Q, for the quarter ended June 30, 2020, at 35.

1 to support customer growth, to maintain and expand the Company's generating
2 capacity, and to harden the electrical system so as to further prepare for
3 potential storm damage. FPL's projected capital expenditures represent
4 approximately 59.3 percent of the Company's net utility plant of approximately
5 \$45.1 billion as of December 31, 2019.⁴⁸

6 **Q. How is FPL's risk profile affected by its capital expenditure requirements?**

7 A. As with any utility facing substantial capital expenditure requirements, the
8 Company's risk profile is affected in two significant and related ways: (1) the
9 heightened level of investment increases the risk of under recovery or delayed
10 recovery of the invested capital; and (2) an inadequate return would put
11 downward pressure on key credit metrics.

12 **Q. Do credit rating agencies recognize the risks associated with elevated levels
13 of capital expenditures?**

14 A. Yes. From a credit perspective, the additional pressure on cash flows associated
15 with higher levels of capital expenditures exerts corresponding pressure on
16 credit metrics and, therefore, credit ratings. To that point, S&P explains the
17 importance of regulatory support for large capital projects:

⁴⁸ Ibid, at 13.

1 When applicable, a jurisdiction’s willingness to support large
2 capital projects with cash during construction is an important
3 aspect of our analysis. This is especially true when the project
4 represents a major addition to rate base and entails long lead
5 times and technological risks that make it susceptible to
6 construction delays. Broad support for all capital spending is the
7 most credit-sustaining. Support for only specific types of capital
8 spending, such as specific environmental projects or system
9 integrity plans, is less so, but still favorable for creditors.
10 Allowance of a cash return on construction work-in-progress or
11 similar ratemaking methods historically were extraordinary
12 measures for use in unusual circumstances, but when
13 construction costs are rising, cash flow support could be crucial
14 to maintain credit quality through the spending program. Even
15 more favorable are those jurisdictions that present an
16 opportunity for a higher return on capital projects as an incentive
17 to investors.⁴⁹

18 Therefore, to the extent that FPL’s rates do not permit the Company an
19 opportunity to recover its full cost of doing business, FPL will face increased
20 recovery risk and thus increased pressure on its credit metrics. Maintaining
21 access to capital markets on favorable terms is important for utilities and their
22 customers, especially during periods of significant capital investment.

23 **Q. Have you analyzed how FPL’s capital spending program compares to those**
24 **of the proxy group companies?**

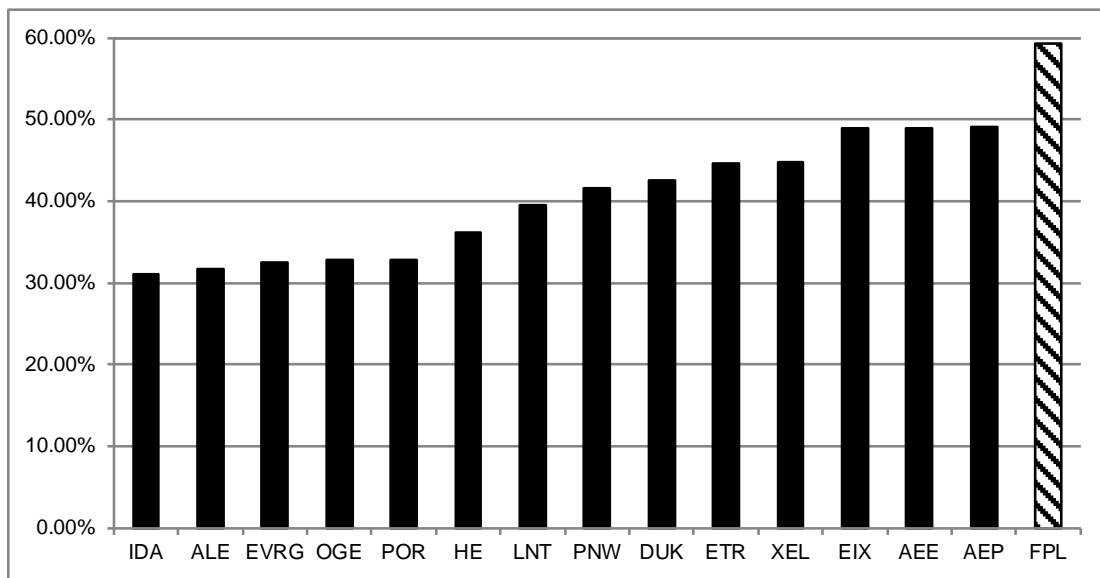
25 A. Yes. I compared the ratio of projected capital expenditures to net utility plant
26 for FPL to the ratios for the proxy group companies. Figure 16 shows that
27 FPL’s ratio of projected capital expenditures to net utility plant is higher than
28 any of the proxy group companies and is 1.46 times higher than the median
29 ratio for the proxy group of 40.57 percent. As discussed in the Direct
30 Testimony of FPL witnesses Bores, Broad, Spoor and others, the Company’s

⁴⁹ S&P Global Ratings, “Assessing U.S. Investor-Owned Utility Regulatory Environments,” August 10, 2016, at 7.

1 capital expenditure program is designed to benefit and deliver value for
 2 customers but does slightly elevate the risk profile of FPL.

3 **Figure 16: Ratio of 2021-24 Capital Expenditures to 2019 Net Utility**

4 **Plant**



5

6

7

8 **Q. What is your conclusion regarding how FPL’s projected capital**
 9 **expenditure program affects the Company’s risk profile and cost of**
 10 **equity?**

11 **A.** My primary conclusion is that FPL is projecting a substantial capital spending
 12 program through 2024 that will require the Company to maintain access to
 13 capital markets on reasonable terms and conditions. FPL’s ratio of capital
 14 expenditure requirements to net utility plant is higher than the ratio for any of
 15 the proxy group companies, and the absolute magnitude of FPL’s capital
 16 program places pressure on the Company’s cash flows and credit metrics. For

1 and/or result in reduced revenues.”⁵⁰ Further, NextEra Energy also notes the
2 risk associated with new regulatory requirements from the NRC as follows: “A
3 major incident at a nuclear facility anywhere in the world could cause the NRC
4 to limit or prohibit the operation or licensing of any domestic nuclear generation
5 facility. An incident at a nuclear facility anywhere in the world could also cause
6 the NRC to impose additional conditions or other requirements on the industry,
7 or on certain types of nuclear generation units, which could increase costs,
8 reduce revenues, or result in additional capital expenditures.”⁵¹

9 **Q. Are there examples of the increased risk of new regulatory requirements**
10 **that nuclear generation plant operators face?**

11 A. Yes. One example is the increased oversight and regulatory requirements put
12 in place after the March 11, 2011 earthquake and tsunami which caused
13 significant damage to the Fukushima Daiichi nuclear complex in Japan and
14 threatened the public health. After the Fukushima accident, the NRC formed a
15 task force to assess current regulation and determine if new measures were
16 required to ensure safety. The task force issued a report in July 2011 that
17 included a set of recommendations for NRC consideration, and NRC Staff
18 issued the first set of related regulatory requirements in March 2012. The
19 Fukushima accident clearly demonstrates that additional regulatory oversight
20 and requirements, which affect the cost of operating FPL’s nuclear plants, can
21 result from events wholly unrelated to FPL or its facilities.

⁵⁰ NextEra Energy, Inc., 2019 SEC Form 10-K, at 29.

⁵¹ Ibid, at 30.

1 **Q. How does the investment community view the risk associated with nuclear**
2 **generation assets?**

3 A. Both equity analysts and credit rating agencies are aware of the operating and
4 safety risks associated with nuclear generation assets. For example, S&P noted
5 in a recent report on Evergy, Inc. that, “[n]uclear generation increases
6 operational risks and carries with it long-term storage concerns.”⁵² UBS refers
7 to FPL’s nuclear operating risk; BMO notes that the Company’s nuclear assets
8 are subject to federal and state operational and safety standards;⁵³ and Atlantic
9 Equities notes that despite receiving federal approval to expand its 3,500 MW
10 of existing nuclear capacity in Florida, FPL has paused capital spending for new
11 nuclear, partly due to construction/cost problems elsewhere in non-associated
12 nuclear plants and partly due to cost effective alternatives with lower up-front
13 costs, including solar.⁵⁴ Further, a recent equity analyst report from CFRA
14 indicates that, “[f]or economic reasons, several nuclear plants have been retired
15 and we expect that more will be, although a handful of plants have been rescued
16 from early retirement through state legislation in New Jersey, New York and
17 Illinois.”⁵⁵

18
19 Credit rating firms consider the risk of nuclear generation in their ratings
20 analysis. For example, S&P Global Ratings made the following comments on
21 the challenges for nuclear operators:

⁵² S&P Global Ratings, “Evergy Inc.,” May 27, 2020, at 7.

⁵³ BMO Capital Markets, “NEE Gets Clean Bill of Health,” April 22, 2020, at 2.

⁵⁴ Atlantic Equities, “Utilities: Initiate NEE, WEC at Overweight,” September 4, 2020, at 45.

⁵⁵ CFRA, S&P Global Market Intelligence, NextEra Energy, Inc. Stock Report, October 10, 2020.

1 Nuclear energy has faced mounting criticism over security concerns,
2 especially in the aftermath of the Fukushima disaster on March 11,
3 2011. Nuclear operators face unique risks of low-probability, but high-
4 impact catastrophic events. As a consequence, operators face increasing
5 political and social pressures on safety, waste disposal, and storage.
6 While profitability remains a key pillar of our business risk assessment
7 of nuclear operators, we equally take these other risks into account.
8 Furthermore, nuclear-related long-term liabilities typically represent a
9 large portion of nuclear operators' overall S&P-adjusted debt.⁵⁶

10

11 **Q. Do other companies in the proxy group also face nuclear generation risk?**

12 A. Yes. Eight of the 14 companies in the proxy group also own regulated nuclear
13 generating assets. From that perspective, all other things equal, FPL has higher
14 risk than six of the companies in the proxy group and comparable risk to eight
15 of the companies in the proxy group. Moreover, FPL's generation mix is 22.4
16 percent nuclear versus an average of 17.1 percent for the proxy group, based
17 on 2019 data. Even though the investment community may consider nuclear
18 risk binomial, the extent of nuclear risk does vary by company according to the
19 age, technologies, invested assets, fleet management capabilities, location, and
20 other factors that would distinguish one company from another. Even though
21 FPL has established a track record of an above average nuclear plant operator,
22 I conclude that FPL has greater risk than the proxy group companies, on
23 average, with respect to nuclear generating assets, which supports an authorized
24 ROE higher than the average for the proxy companies.

25

⁵⁶ "The Energy Transition: Nuclear Dead or Alive," S&P Global Ratings, November 11, 2019, p. 10.

1 **C. Severe Weather Risk**

2 **Q. Please explain the risk associated with severe weather in FPL's service**
3 **territory.**

4 A. FPL faces the risk of sudden, unexpected damage from severe storms. The
5 prevalence of hurricanes, such as Hurricane Irma, make FPL's operating area
6 an especially high-risk area for incurring weather-related infrastructure repair
7 costs and service disruptions. For example, FPL incurred approximately \$1.3
8 billion in storm recovery costs to restore electric transmission and distribution
9 services in 2017, which was equivalent to approximately 4.4 percent of the
10 Company's average rate base in 2016. As FPL witness Barrett reports,
11 hurricanes, and storms over 2016-2020 (Matthew, Irma, Dorian, Isaias, and Eta)
12 inflicted a total of more than \$2.0 billion of damage to FPL's system. Mr.
13 Barrett shows how these risks have grown substantially over the decades. Even
14 since the last Settlement, in the Atlantic Basin there were 17 named storms in
15 2017, 10 of which became hurricanes. In 2018, there were 15 named storms of
16 which 8 became hurricanes. The 2019 season yielded 18 named storms of
17 which 6 became hurricanes. The record-breaking 2020 season produced 30
18 named storms of which 13 became hurricanes.⁵⁷ The addition of Gulf to FPL
19 does not diminish these storm related risks.

20

⁵⁷ Insurance Information Institute: <https://www.iii.org/fact-statistic/facts-statistics-hurricanes#Top%20Coastal%20Counties%20Most%20Frequently%20Hit%20By%20Hurricanes:%201960-2008>

1 In addition to the need to fund repair costs, severe weather causes FPL to incur
2 unplanned expenses (such as labor costs that aren't recovered in existing rates)
3 and results in lower sales due to damage of transmission or distribution
4 infrastructure, the disruption of generating capacity, or property damage so
5 extensive that it prevents customers from taking service. Together, these effects
6 can reduce FPL's revenue and strain the Company's operating cash flow. In
7 order to continue to attract capital on reasonable terms, FPL must have the
8 financial strength and flexibility to cover these severe weather costs until the
9 Company is able to recover the costs from customers, which can take several
10 years.

11 **Q. Have credit rating agencies commented on FPL's risk related to severe**
12 **weather?**

13 A. Yes. For example, Moody's has noted that, "FPL's credit profile considers its
14 high geographic concentration risk, as it operates solely in one state that is
15 exposed to extreme weather events such as hurricanes and tropical storms."⁵⁸

16 **Q. Does FPL have a regulatory mechanism that mitigates the risk related to**
17 **severe weather?**

18 A. Yes. The approved settlement from the 2016 rate case provides that FPL's
19 future storm costs would be recoverable on an interim basis beginning 60 days
20 from the filing of a cost recovery request but would be capped at an amount that
21 would produce a surcharge no greater than \$4/1,000 kWh of usage on
22 residential bills during the first 12 months of cost recovery. Any additional

⁵⁸ Moody's Investor Service, Florida Power & Light Company Credit Opinion, August 25, 2020, at 1.

1 costs are eligible for recovery in subsequent years. If storm restoration costs
2 exceed \$800 million in any given calendar year, FPL can request an increase to
3 the \$4 surcharge limit. More recently, the Florida Legislature passed SB 796
4 in 2019 entitled “Storm protection plan cost recovery.” The law mandates the
5 preparation of 10-year storm protection plans for utilities that must be updated
6 every three years. According to the Commission:

7 Section 366.96, F.S., requires each investor owned electric
8 utility (IOU) to file a transmission and distribution storm
9 protection plan (storm protection plan) for the Commission's
10 review and directs the Commission to hold an annual proceeding
11 to determine the IOU's prudently incurred costs to implement
12 the plan and allow recovery of those costs through a Storm
13 Protection Plan Cost Recovery Clause (SPPCRC).⁵⁹

14 **Q. Do other companies in the proxy group also have storm-related risk?**

15 A. Several other companies in the proxy group have storm-related risk. However,
16 the severe weather risk for FPL is greater in magnitude due to the potential for
17 storm damage that may cause extended outages and cost a substantial amount
18 to repair. As FPL witness Barrett points out in his testimony, “Florida’s
19 geographic peninsular location, within the subtropical latitudes, and its
20 topography exposes its electrical infrastructure to a higher likelihood of adverse
21 weather events and overall climate risks than most other parts of the country.”
22 Florida is consistently ranked among, or at the top, of the highest level of natural
23 disaster risk in comparison to other U.S. states.

⁵⁹ <http://www.psc.state.fl.us/library/filings/2019/08909-2019/08909-2019.pdf>

1 **Q. Is risk associated with climate change and severe weather an increasing**
2 **concern for utilities and their investors?**

3 A. Yes. McKinsey and Company published a report in April 2019 in which the
4 consulting firm made specific recommendations to the utility industry with
5 regard to managing climate change risk. While noting that severe weather
6 events such as hurricanes and wildfires are getting worse, McKinsey writes:
7 “In other ways, too, utilities are more vulnerable to extreme weather events than
8 in the past.”⁶⁰ The report goes on to observe: “Unless utilities become more
9 resilient to extreme weather events, they put themselves at unnecessary risk, in
10 both physical and financial terms. Repairing storm damage and upgrading
11 infrastructure after the fact is expensive and traumatic.”⁶¹ McKinsey also
12 quotes from a 2018 report by the National Climate Assessment which stated
13 that “utilities could see negative impacts from increased temperatures and heat
14 waves, as well as sea level rises even in the absence of storms. This will
15 increase the financial cost to utilities of climate change and increase the benefits
16 of being prepared.”⁶²

17 Accentuating these reports, as mentioned the 2020 Atlantic storm season was
18 the most active on record for the number of named storms (with 30 through
19 November), exceeding the total of 27 in 2005. Prior to 2005, no season had

⁶⁰ McKinsey and Company, “Why, and how, utilities should start to manage climate change risk,” April 2019, at 3.

⁶¹ *Ibid.*

⁶² *Ibid.*, at 4.

1 exceeded 20 since reliable record keeping began in 1944, and only once prior
2 to then in 1933, with 21.⁶³

3 **Q. What is your conclusion with respect to FPL’s risk due to severe weather?**

4 A. My conclusion is that FPL has above average risk due to severe weather
5 compared to the proxy group companies. As Moody’s observes, FPL provides
6 service in a state that is exposed to extreme weather events such as hurricanes
7 and tropical storms. While FPL has a storm cost recovery mechanism that
8 allows the Company to petition for recovery of cost associated with restoring
9 service after severe weather events, the recovery is capped in the first year,
10 additional costs above the cap may not be sought for recovery until after the
11 first year, and final cost recovery has continually been the subject of protracted
12 litigation before the Commission. The more recent storm hardening mandate
13 under Section 366.96, Florida Statutes offers the ability to further mitigate these
14 risks, but climate change increases the risk that severe weather events will
15 increase in frequency and magnitude. As FPL witness Barrett points out,
16 “These risks have the potential to directly impact FPL’s credit profile and
17 therefore, financial strength, if the Company is unable to deploy the necessary
18 capital to continue to mitigate these risks and respond quickly and efficiently
19 when these events occur.” FPL is undertaking substantial capital spending over
20 the next decade to improve the reliability of its electric transmission and
21 distribution system. It is necessary for the Company to have an authorized ROE

⁶³ <https://www.ncdc.noaa.gov/sotc/tropical-cyclones/20051>

1 that will allow FPL to attract capital to finance these investments that other
2 utilities are not required to make.

3

4

D. Regulatory Risk

5 **Q. Have you performed an analysis of the regulatory mechanisms for FPL as**
6 **compared to those for the proxy group companies?**

7 A. Yes. I have conducted an analysis of the regulatory mechanisms that are in
8 place for FPL compared with those for the operating utility companies held by
9 the proxy group. The results of my analysis are presented in Exhibit JMC-9.
10 Specifically, I examined the following factors that affect the regulatory risk of
11 FPL and the proxy group companies: (1) test year convention; (2) rate base
12 convention; (3) revenue decoupling; (4) capital cost recovery; and (5) CWIP in
13 rate base.

14

15 As shown in Exhibit JMC-9, 58 percent of the operating companies in the proxy
16 group like FPL provide service in jurisdictions that allow the use of a fully or
17 partially forecasted test year. Further, 62 percent of the operating companies in
18 the proxy group use average rate base like FPL, while 38 percent are allowed
19 to use year-end rate base. FPL does not have any revenue protection against
20 fluctuations in customer demand, while approximately 55 percent of the
21 operating companies held by the proxy group have either full or partial revenue
22 decoupling mechanisms that protect against volumetric risk. Generally, FPL's
23 generation costs must be recovered through rate cases, although the generation

1 base rate adjustment and solar base rate adjustment mechanisms (known as
2 GBRA and SoBRA) have allowed FPL to recover costs for certain units
3 between rate cases when those mechanisms have been approved by the
4 Commission. Approximately 20 percent of the operating companies in the
5 proxy group have a cost recovery mechanism for generation capacity, and about
6 42 percent have cost recovery for generic infrastructure replacement. Finally,
7 FPL is allowed to include CWIP in rate base, similar to approximately 73
8 percent of the operating companies held by the proxy group.

9 **Q. Based on this analysis, what is your conclusion regarding the level of**
10 **regulatory risk for FPL relative to that of the proxy group companies?**

11 A. As discussed above and as shown in Exhibit JMC-9, FPL has similar regulatory
12 risk to the proxy group companies in terms of test year and rate base convention.
13 Moreover, FPL has comparable regulatory risk with respect to cost recovery for
14 large capital projects and the ability to include CWIP in rate base. However,
15 FPL does not have protection against volumetric risk, while slightly more than
16 50 percent of the operating companies held by the proxy group have revenue
17 decoupling mechanisms that mitigate the effect on revenue of variations in
18 demand. On balance, my conclusion is that FPL has comparable regulatory risk
19 to the proxy group.

20 **E. Multi-Year Rate Plan**

21 **Q. Please explain the risk associated with FPL's proposed four-year rate plan.**

22 A. FPL is proposing a four-year rate plan under which the rates set in this
23 proceeding would be in effect from 2022-2025. A multi-year rate plan has

1 benefits for the Company and customers in terms of providing rate stability, but
2 there are also certain risks associated with a longer-term rate plan. One of those
3 risks relates to inflation. Specifically, given the economic stimulus that has
4 been provided to support the economy in response to the COVID-19 pandemic
5 in the form of both monetary policy from the Federal Reserve and fiscal policy
6 from the U.S. Congress, there is an increased likelihood of upward pressure on
7 inflation over the next several years. Illustrating this risk, Morgan Stanley’s
8 research points to a combination of economic fundamentals that lead to an
9 inflation forecast of 2% in 2021 and “staying above 2% on a sustained basis
10 from 2022.”⁶⁴ On the other hand, as pointed out by FPL witness Jun Park, FPL
11 has planned on inflation of 1.7 percent in 2022 declining to 0.8 percent in 2023.

12

13 A recent article in Barron’s also commented on the rising inflation risk:

14 Yet the fundamentally more important financial development
15 was, as usual in the bond market. The yield curve—the graph of
16 Treasuries from short- to long-term maturities—is the most
17 sharply upward sloped in years. That’s a result of long-term
18 yields climbing, with the benchmark 10-year note ending the
19 week at 1.17%, near the high end of its recent trading range, and
20 the 30-year bond at 1.98%, nearing 2% for the first time in about
21 a year.

22 This is a classic indication that the bond market is anticipating
23 stronger economic growth and higher inflation. Those
24 expectations got a boost Friday after both houses of Congress
25 voted to begin the process of approving President Joe Biden’s
26 \$1.9 trillion fiscal relief plan without votes from congressional
27 Republicans.⁶⁵

⁶⁴ Morgan Stanley and Co. LLC., “Don’t Underestimate Inflation’s Upside Risks” January 5, 2021.

⁶⁵ Randall W. Forsyth, “Amid Stock Frenzy, Bonds Send Message: Inflation is Coming,” Barron’s, February 5, 2021.

1 **Q. Are there other risks related to a multi-year rate plan?**

2 A. Yes, in addition to the potential for higher interest rates over the term of the
3 four-year rate plan, a multi-year rate plan limits the Company's ability to
4 request a change in rates due to other factors. This inability to seek recovery of
5 higher operating costs during the term of the rate plan increases the utility's
6 risk. Further, if any of the inputs to the DCF or CAPM methods (e.g., growth
7 rates, dividend yields, Beta coefficients, market risk premiums, or long-term
8 Treasury yields) increase, the cost of equity for FPL will increase without a
9 corresponding increase in the authorized ROE. Given the currently low levels
10 of inflation and interest rates, one could conclude that these risks are
11 asymmetric – with the probability that external cost pressures will more likely
12 increase over the rate period.

13 **Q. What is your conclusion with regard to the multi-year rate plan?**

14 A. While FPL's proposed four-year rate plan provides rate certainty for both
15 customers and the Company, there are attendant costs and risks of any multi-
16 year rate plan. In particular, a multi-year stay-out agreement places certain risks
17 on FPL's shareholders, including unexpected increases in operating costs or
18 interest rates.

19 **F. Flotation Costs**

20 **Q. What are flotation costs, and how do they affect the cost of capital?**

21 A. Flotation costs are the costs associated with the sale of new issues of common
22 stock. These costs include out-of-pocket expenditures for preparation, filing,
23 underwriting, and other costs of issuance of common stock. To the extent that

1 a company is denied the opportunity to recover prudently incurred flotation
2 costs, actual returns will fall short of expected (or required) returns, thereby
3 diminishing the utility's ability to attract adequate capital on reasonable terms.
4 To appropriately reflect flotation costs, the DCF calculation should be modified
5 to provide a dividend yield that would reimburse investors for issuance costs.
6 Based on the proxy group issuance costs shown in Exhibit JMC-10.1, I
7 conclude that flotation costs for the proxy companies have equaled roughly 2.64
8 percent of gross equity raised. To properly reflect these issuance costs in my
9 cost of capital estimates, it would be appropriate to increase the authorized ROE
10 by approximately 11 basis points for FPL, as shown in Exhibit JMC-10.2.

11 **Q. Do your final results include an adjustment for flotation cost recovery?**

12 A. Yes. I have adjusted the results of my various models to include an adjustment
13 of 11 basis points for flotation costs, while rounding down to 11.0 percent.

14

15 **G. Management Performance**

16 **Q. Please summarize the superior management performance proposal of**
17 **FPL.**

18 A. As discussed in the testimony of FPL witness Barrett, the Company is proposing
19 a 0.50 percent ROE incentive in recognition of its superior management
20 performance, and to incent continued superior performance over the course of
21 the 4-year rate plan.

1 **Q. Is the proposed adjustment to FPL's authorized ROE reasonable**
2 **considering the management performance of the Company?**

3 A. Yes. I believe it sends a signal to management and employees of the Company
4 that efficiencies that benefit customers will be rewarded, and these types of
5 incentives can be effective in promoting continuous pursuit of additional
6 efficiencies. Standard ROE analysis does not capture these signals, and the total
7 ROE would still fall well within the appropriate range for a company with
8 FPL's business profile.

9

10 **VIII. CAPITAL STRUCTURE**

11

12 **Q. What is FPL's proposed capital structure?**

13 A. FPL is proposing a financial capital structure consisting of 59.6 percent
14 common equity and 40.4 percent debt. In Florida, Accumulated Deferred
15 Income Taxes are included in rate base and are part of the regulatory capital
16 structure at 0 percent cost. Florida also includes customer deposits in the
17 regulatory capital structure. FPL's proposed equity ratio using a regulatory
18 capital structure is 48.04 percent in the 2022 Test Year. As explained by FPL
19 witness Barrett, this is the Company's actual capital structure and how the
20 Company has been financed for more than twenty years.

21 **Q. How have you assessed the reasonableness of FPL's proposed capital**
22 **structure with respect to the proxy group?**

23 A. The proxy group has been selected to reflect comparable companies in terms of
24 business and financial risks. Therefore, it is appropriate to compare the

1 financial capital structures of the proxy group companies to the financial capital
2 structure proposed by FPL in order to assess whether the Company's capital
3 structure is reasonable and consistent with industry standards for companies
4 with commensurate risk. I calculated the weighted average capital structures
5 for each of the proxy group operating companies on a quarterly basis for the
6 eight quarters through Q3 2020. Exhibit JMC-11 shows that the Company's
7 proposed common equity ratio of approximately 59.6 percent on a financial
8 basis (48.04 percent on a regulatory basis in the Test Year) is the upper end of
9 the range of actual common equity ratios of 46.91 percent to 58.95 percent for
10 the operating companies held by the proxy group over this period.

11 **Q. What is your conclusion regarding the appropriateness of FPL's proposed**
12 **capital structure in this proceeding?**

13 A. Based on the analysis presented in Exhibit JMC-11, my conclusion is that FPL's
14 proposed financial capital structure of 59.6 percent common equity and 40.4
15 percent debt is reasonable. FPL's equity ratio of 59.6 percent on a financial
16 basis is the upper end of the range established by the operating companies held
17 by the proxy group. Sufficient equity in the capital structure is an important
18 factor for maintaining FPL's financial integrity and investment grade credit
19 rating. As noted by FPL witness Barrett, the Company has maintained this same
20 equity ratio for more than two decades, and it is an essential component of
21 FPL's financial policies enabling access to capital on favorable terms in a
22 variety of market circumstances. This capital structure represents
23 management's decisions on how best to finance its operations. The Company's

1 proposed equity ratio is reasonable, given the additional risk borne by FPL
2 relative to the proxy group—i.e., the Company’s projected capital expenditure
3 requirements, risk associated with ownership of regulated nuclear generation
4 assets, and storm-related risks.

5

6 IX. CONCLUSIONS AND RECOMMENDATION

7

8 **Q. What is your conclusion regarding a fair ROE for FPL?**

9 A. Based on the quantitative analyses provided in my Direct Testimony, I have
10 established a range of ROE results shown previously in Figure 15 (also see
11 Exhibit JMC-2 for summary table). I consider a reasonable range of ROE for
12 FPL to be in the range 10.5 percent to 11.5 percent, inclusive of flotation costs.
13 In creating this range, I give equal weight to the results of the DCF, CAPM,
14 Bond Yield Risk Premium and Expected Earnings analyses despite the current
15 limitations of the DCF model. From within that range, I recommend a base
16 authorized ROE for FPL of 11.0 percent based on the average of the four
17 methodologies, and considering 11 basis points for flotation costs. In addition,
18 I support the proposed ROE incentive of 0.50 percent for superior management
19 performance.

20 **Q. What is your recommendation with regard to the capital structure for FPL**
21 **in this proceeding?**

22 A. I support FPL’s proposed financial capital structure of 59.6 percent common
23 equity and 40.4 percent debt as reasonable, relative to the range of capital
24 structures for the operating companies held by the proxy group companies, and

1 consistent with the actual capital structure of the Company. This capital
2 structure appropriately reflects FPL's risk profile with its substantial capital
3 expenditure program, ownership of nuclear generation, and the Company's
4 storm-related risk which place it at higher risk than the proxy companies. I
5 recommend the Commission adopt FPL's proposed capital structure.

6 **Q. Does this conclude your Direct Testimony?**

7 A. Yes.

1 (Transcript continues in sequence in Volume
2 10.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 22nd day of September, 2021.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024