

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

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

)
) Docket No. 20250011-EI
)
)

Rebuttal Testimony of

Michael P. Gorman

On behalf of

Federal Executive Agencies

July 9, 2025



**BEFORE THE
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In re: Petition for rate increase by
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STATE OF MISSOURI)

) SS

COUNTY OF ST. LOUIS)

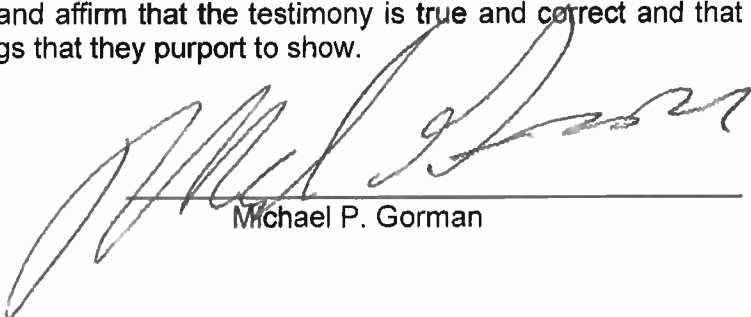
Affidavit of Michael P. Gorman

Michael P. Gorman, being first duly sworn, on his oath states:

1. My name is Michael P. Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

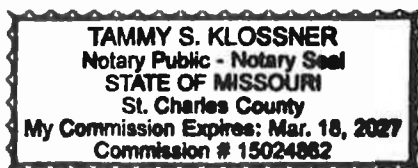
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony which was prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20250011-EI.

3. I hereby swear and affirm that the testimony is true and correct and that they show the matters and things that they purport to show.



Michael P. Gorman

Subscribed and sworn to before me this 9th day of July 2025.





Notary Public

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Rebuttal Testimony of Michael P. Gorman

I. INTRODUCTION

1

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

3 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5 **Q WHAT IS YOUR OCCUPATION?**

6 A I am a consultant in the field of public utility regulation and a Managing Principal
7 with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and
8 regulatory consultants.

9 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10 A I am appearing in this proceeding on behalf of the Federal Executive Agencies
11 ("FEA").

12 **Q WHAT IS THE SUBJECT MATTER OF YOUR REBUTTAL TESTIMONY?**

13 A My rebuttal testimony addresses direct testimony filed by Florida Rising, Inc.,
14 League of United Latin American Citizens, and Environmental Confederation of
15 Southwest Florida, Inc. witness Karl R. Rabago. Specifically, Mr. Rabago's
16 proposed change to FPL's production demand allocator.

1 **Q DO YOU HAVE ANY COMMENTS TO THE DIRECT TESTIMONY OF MR.**
2 **RABAGO?**

3 A Yes. Mr. Rabago takes issue with FPL's proposed allocation of production
4 resource capacity costs. He states concern for the method of developing a
5 production capacity cost allocator is political, rather than accurately reflective of
6 cost causation.¹

7 Mr. Rabago recommends production plant fixed capacity costs be allocated
8 based on the primary functions that the individual resources provide to the
9 resource portfolio.² From this he argues that certain types of resources including
10 nuclear and solar plants are primarily energy generators because they are not
11 highly dispatchable and do not support the Utility's firm capacity needs on the
12 margin. Further, he maintains that gas plants and batteries provide firm capacity
13 that are dispatchable. Based on this characterization of production resources, he
14 recommends production capacity costs be allocated using a 12 coincident peak
15 ("12CP") and energy/capacity allocation method that allocates the costs of all
16 nuclear and solar plants to energy costs and all gas plant and battery storage
17 facilities to demand.³

18 **Q PLEASE RESPOND TO MR. RABAGO'S POSITIONS CONCERNING**
19 **ALLOCATION OF PRODUCTION CAPACITY COSTS.**

20 A Mr. Rabago's position on allocation of production capacity costs is without merit
21 for the following reasons:

- 22 • He offers no evidence that the long-standing allocation method of
23 energy and capacity is not fair and reasonable to all customer
24 classes.

¹ Karl Rabago Direct at 15, Florida Rising, Inc., League of United Latin American Citizens, and Environmental Confederation of Southwest Florida, Inc., June 9, 2025.

² *Id.* at 17.

³ *Id.*

- He offers no proof or evidence that his assessment of which(?) production resources are dispatched and/or used by FPL within its production resource portfolio is accurate nor does he offer evidence that his proposed allocation of resource costs is reasonable.
- His position that individual resources should be functionalized and allocated individually, rather than allocating FPL's aggregate resource portfolio costs, fails to distinguish how FPL actually operates its production resource portfolio to provide economic and reliable firm service to its customers. That is, to economically serve customers' demands in every hour of the year, including the peak-hours, while simultaneously managing generation costs in a manner which keeps energy costs as low as possible.
- He also fails to recognize that the Company must design and invest in a quantity of production capacity resources that are available to meet its hourly demands in all hours of the year. For example, if solar resources have less expected capacity available to serve peak-hour demand, then the Company would need to invest in greater amounts of name plate solar capacity to ensure peak demand can be reliably served.
- He fails to recognize that long duration resources are important to ensure that capacity is available to operate when the system peak occurs. Long duration resources do not have the dispatch flexibility that gas turbines do but are nevertheless an important capacity resource that is used to serve reliable loads in all hours including the peak hours.

These failures and flaws in Mr. Rabago assertions illustrate why his proposed production plant allocator is without merit and should be rejected.

Q PLEASE EXPLAIN HOW FPL DESIGNS ITS PRODUCTION RESOURCE PORTFOLIO.

A In FPL's 2024/2025 site plan it states that it plans its production resources to have adequate electric generation capabilities and projected incremental resource needs to provide reliable and economical electric system service to its customers.⁴ FPL states that it follows a resource planning procedure with four fundamental steps:

⁴ FPL Ten Year Power Plant Site Plan 2024 – 2034, page 5.

- 1 • “Step 1: Determine the magnitude and timing of FPL's new resource
2 needs;
- 3 • Step 2: Identify which resource options and resource plans can
4 meet the determined magnitude and timing of projected resource
5 needs (e.g., identify competing options and resource plans);
- 6 • Step 3: Evaluate the competing options and resource plans based
7 on system economics and non-economic factors; and,
- 8 • Step 4: Select a resource plan and commit, as needed, to near-term
9 options.”⁵

10 FPL accomplishes the first step, by determining the magnitude and
11 timing of new resource needs in the following manner: A reliability assessment
12 is performed for the system. FPL breaks down reliability into several factors all
13 of which revolve around a Loss Of Load Probability (“LOLP”) study which
14 describes the expected capacity in its production resource portfolio that will be
15 serving load in every hour of the year.

16 FPL states that its current reliability criteria has moved away from total
17 reserve margins planning function, it is now more of a statistical analysis
18 describing LOLP. This methodology tracks potential variability of expected
19 generation output available to meet peak-hour demands. The purpose of this is
20 to determine whether or not additional resources are needed to ensure that
21 there is sufficient production capacity available to serve demands in every hour
22 of the year including peak-hours.

23 The second step, is identifying resources effected to determine the
24 magnitude and timing of production resource additions in an economic manner,
25 runs concurrent with step one. It involves preliminary economic analysis of new

⁵ FPL Ten Year Power Plant Site Plan 2024 – 2034, page 71.

1 capacity options to determine what type of capacity option will fit FPL's system
2 needs.⁶

3 The third step evaluates competing options and resource plans based on
4 system economics and non-economic factors to choose resource additions to meet
5 the magnitude and timing of projected system resource requirements.⁷ FPL's final
6 step takes the results of the previous three steps to develop a new, and or updated,
7 resource plan used to commit, as needed, to near-term options.⁸

8 **Q DOES FPL'S RESOURCE PLAN DESIGN A PRODUCTION RESOURCE**
9 **PORTFOLIO THAT IS DESIGNED TO ECONOMICALLY AND RELIABLY**
10 **SERVE ITS CUSTOMERS?**

11 **A** Yes. FPL selects resources to provide economic and reliable service to its
12 customers. This includes estimating the amount of capacity needed to serve
13 customers demands in every hour of the year including the peak hours, and to
14 select resources that can be dispatched or scheduled to minimize energy costs.
15 All resources are used within the resource portfolio to provide reliable and
16 economic service.

17 FPL selects resources to include in its resource portfolio by estimating the
18 "firm" capacity contribution from the resource "name plate" capacity rating. This
19 distinction recognizes that not all resources in the portfolio are expected to
20 contribute capacity to meet peak demands based on the name plate rating, but
21 rather contribute to the portfolio's firm capacity rating based on the expected
22 capacity contribution. The portfolio is designed to have firm capacity that is able
23 to serve demands in every hour of the year including the peak hour.⁹

⁶ FPL Ten Year Power Plant Site Plan 2024 – 2034, pages 78 & 79.

⁷ FPL Ten Year Power Plant Site Plan 2024 – 2034, page 79.

⁸ FPL Ten Year Power Plant Site Plan 2024 – 2034, pages 71 & 80.

⁹ *Id.* at Schedule 1 pages 3239

1 **Q DOES MR. RABAGO’S PROPOSED PRODUCTION PLANT ALLOCATOR**
2 **ALIGN WITH FPL’S PLANNING CRITERIA TO ENSURE IT IS ABLE TO**
3 **ECONOMICALLY PROVIDE RELIABLE FIRM SERVICE TO ITS CUSTOMERS?**

4 A No. FPL designs its production resource capacity based on a portfolio of
5 resources, not individual resources. Further, it examines the capacity contribution
6 for all components of its resource portfolio to determine if it has a sufficient amount
7 of capacity to serve peak demands. Mr. Rabago’s proposal to separate generation
8 types within the portfolio distinguishing them as energy or capacity is completely
9 at odds with how FPL plans and designs its production resource portfolio and how
10 it uses that portfolio to provide reliable service. Hence, Mr. Rabago’s proposed
11 allocation method does not follow cost causation and is not reasonable.

12 **Q DOES ALLOCATING PRODUCTION CAPACITY COSTS BASED ON A 4CP**
13 **AND 1/13th ENERGY WEIGHT REASONABLY ALIGN WITH HOW FPL INCURS**
14 **PRODUCTION PORTFOLIO CAPACITY COSTS?**

15 A Yes. As outlined here, FPL designs its portfolio to have adequate capacity to
16 provide reliable service to its customers. Reliability is largely impacted by the
17 peak-loads on the system. Meeting peak load requires adequate amounts of
18 capacity to reliably serve demands all hours of the year. FPL designs its system to
19 meet the hourly loads in an economic manner which is largely driven by the energy
20 demands on the system. Hence, the Commission approved methodology for
21 allocating production plant costs using 1/13th energy for production resources
22 should be coupled with 4CP for capacity to more accurately align with how FPL’s
23 resource portfolio is designed, and how costs are incurred in order to provide
24 reliable service to all of its rate classes.

1 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS OF FINDINGS.**

2 A I recommend Mr. Rabago's proposed production plant allocator be rejected by the
3 Commission, and a 4CP and 1/13th energy allocator be adapted, for the following
4 reasons:

- 5 • Mr. Rabago's allocation method does not align with cost causation
6 principles. The purpose of a production plant allocator is to assign
7 costs based on the manner in which those costs are incurred by the
8 system.
- 9 • Mr. Rabago's allocation method does not align with the manner in
10 which FPL designs its production resource portfolio.
- 11 • Mr. Rabago fails to produce any evidence his assessment of how
12 production resources are dispatched within FPL's system is
13 reasonable, or even true. As such, Mr. Rabago's proposed
14 production plant allocation method should be rejected by the
15 Commission.
- 16 • A 4CP and 1/13th energy production plant allocator more accurately
17 reflects how FPL plans its production resource portfolio to provide
18 reliable capacity to its system and should be adopted by the
19 Commission.

20 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

21 A Yes, it does.

CERTIFICATE OF SERVICE

Docket Nos. 20250011-EI

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

Florida Public Service Commission Office of the General Counsel Timothy Sparks Shaw Stiller 2540 Shumard Oak Boulevard Tallahassee, Florida 32399 tsparks@psc.state.fl.us SStiller@psc.state.fl.us	Florida Power & Light Company Kenneth A. Hoffman John T. Burnett Maria Moncada C. Wright W. Cox J. Baker 134 West Jefferson Street Tallahassee, Florida 32301 Ken.hoffman@fpl.com John.T.Burnett@fpl.com Maria.Moncada@fpl.com Christopher.Wright@fpl.com Will.p.cox@fpl.com Joel.Baker@fpl.com
Earthjustice Florida Rising, Inc. LULAC Florida, Inc. Environmental Confederation of Southwest Florida, Inc. Bradley Marshall Jordan Luebke 111 S. Martin Luther King Jr. Blvd. Tallahassee, Florida 32301 bmarshall@earthjustice.org jluebke@earthjustice.org flcaseupdates@earthjustice.org dmcmanamon@earthjustice.org flcaseupdates@earthjustice.org discovery-gcl@psc.state.fl.us	Florida Retail Federation Lorena Holley James W. Brew Laura Baker Joseph R. Briscar Sarah B. Newman Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson St., N.W., Ste 800 West Washington, DC 20007 lorena@frf.org jbrew@smxblaw.com lwb@smxblaw.com jrb@smxblaw.com sbn@smxblaw.com

<p>Office of Public Counsel Mary A. Wessling Walt Trierweiler c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399 Wessling.mary@leg.state.fl.us Trierweiler.walt@leg.state.fl.us</p>	<p>Southern Alliance for Clean Energy William C. Garner Law Office of William C. Garner, PLLC 3425 Bannerman Road Unit 105, No. 414 Tallahassee, FL 32312 bgarner@wcglawoffice.com</p>
<p>Florida Industrial Power Users Group</p> <p>Jon C. Moyle, Jr. Karen A. Putnal Moyle Law Finn, P.A. 118 North Gadsden Street Tallahassee, Florida 32301 jmoyle@moylelaw.com kputnal@moylelaw.com mqualls@moylelaw.com</p>	<p>Florida Retail Federation</p> <p>James W. Brew Laura Baker Joseph R. Briscar Sarah B. Newman Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson St., N.W., Ste 800 West Washington, DC 20007 jbrew@smxblaw.com lwb@smxblaw.com jrb@smxblaw.com sbn@smxblaw.com</p>

<p>Electrify America, LLC Robert E. Montejo Stephen Bright Jigar J. Shah 1950 Opportunity Way, Suite 1500 Reston, Virginia 20190 Phone: (781) 206-7979 Alexander W. Judd Steve.Bright@electrifyamerica.com Jigar.Shah@electrifyamerica.com AJudd@duanemorris.com Robert E. Montejo, Esq. Duane Morris LLP 201 S. Biscayne Boulevard, Suite 3400 Miami, Florida 33131-4325 Phone: (202) 776-7827 REMontejo@duanemorris.com</p>	<p>Walmart Spilman Law Firm Steven W. Lee Stephanie U. Eaton 1100 Bent Creek Blvd, Ste 101 Mechanicsburg, PA 17050 slee@spilmanlaw.com seaton@spilmanlaw.com</p>
<p>Evgo Services, LLC Katelyn Lee Lindsey Stegall Nikhil Vijaykar Yonatan Moskowitz 580 California St., 12 Floor San Francisco, CA 94104 Katelyn.Lee@evgo.com Lindsey.Stegall@evgo.com nvijaykar@keyesfox.com ymoskowitz@keyesfox.com</p>	<p>Florida Energy for Innovation Association D. Bruce May Kevin W. Cox Kathryn Isted 315 South Calhoun Street, Ste 600 Tallahassee, FL 32301 Bruce.may@hklaw.com Kevin.cox@hklaw.com Kathryn.isted@hklaw.com</p>

<p>Berger Law Firm Floyd R. Self Ruth Vafek 313 North Monroe St. Ste 301 Tallahassee, FL 32301 fself@bergersingerman.com rvafek@bergersingerman.com</p>	<p>Armstrong World Industries, Inc Brian A. Ardire Jason Simmons 2500 Columbia Ave Lancaster, PA 17603 baardire@armstrongceilings.com ijsimmons@armstrongceilings.com</p>
<p>Florida Against Increase Rates Inc. Gardner Law Firm Robert Scheffel Wright John T. LaVia, III 1300 Thomaswood Dr. Tallahassee, FL 32308 jlavia@gbwlegal.com schef@gbwlegal.com</p>	<p>Federal Executive Agencies Leslie Newton Ashley George Michael Rivera Thomas Jernigan Ebony M. Payton James Ely AFLOA/JAOE-ULFSC 139 Barnes Drive, Suite 1 Tyndall Air Force Base, FL 32403 Leslie.Newton.1@us.af.mil Ashley.George.4@us.af.mil Michael.Rivera.51@us.af.mil Thomas.Jernigan.3@us.af.mil Ebony.Payton.ctr@us.af.mil James.Ely@us.af.mil</p>

/s/ Ebony M. Payton
Ebony M. Payton
FEA Paralegal