



Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
(561) 304-5795
(561) 691-7135 (facsimile)
maria.moncada@fpl.com

October 3, 2025

VIA ELECTRONIC FILING

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

Re: Docket No. 20250011-EI
Petition by Florida Power & Light Company for Base Rate Increase

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket is the prepared rebuttal settlement testimony of FPL witness James M. Coyne.

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

Sincerely,

s/ Maria Jose Moncada

Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company

(Document 3 of 4)

Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE
Docket 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail to the following parties of record this 3rd day of October 2025:

Shaw Stiller
Timothy Sparks
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
sstiller@psc.state.fl.us
tsparks@psc.state.fl.us

Leslie R. Newton
Thomas Jernigan
Michael A. Rivera
James B. Ely
Ebony M. Payton
139 Barnes Drive, Suite 1
Tyndall AFB FL 32403
leslie.newton.1@us.af.mil
thomas.jernigan.3@us.af.mil
michael.rivera.51@us.af.mil
james.ely@us.af.mil
ebony.payton.ctr@us.af.mil
Federal Executive Agencies

William C. Garner
3425 Bannerman Road
Tallahassee FL 32312
bgarner@wzglawoffice.com
Southern Alliance for Clean Energy

Jon C. Moyle, Jr.
Karen A. Putnal
c/o Moyle Law Firm
118 North Gadsden Street
Tallahassee FL 32301
jmoyle@moylelaw.com
mqualls@moylelaw.com
kputnal@moylelaw.com
Florida Industrial Power Users Group

Walt Trierweiler
Mary A. Wessling
Patricia A. Christensen
Octavio Simoes-Ponce
Austin A. Watrous
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Rm 812
Tallahassee, Florida 32399-1400
trierweiler.walt@leg.state.fl.us
Wessling.Mary@leg.state.fl.us
christensen.patty@leg.state.fl.us
ponce.octavio@leg.state.fl.us
watrous.austin@leg.state.fl.us
**Attorneys for the Citizens
of the State of Florida**

Bradley Marshall
Jordan Luebkekmann
111 S. Martin Luther King Jr. Blvd.
Tallahassee FL 32301
bmarshall@earthjustice.org
jluebkekmann@earthjustice.org
flcaseupdates@earthjustice.org
**Florida Rising, Inc., Environmental
Confederation of Southwest Florida, Inc.,
League of United Latin American Citizens
of Florida**

Danielle McManamon
4500 Biscayne Blvd. Suite 201
Miami, Florida 33137
dmcmanamon@earthjustice.org
**League of United Latin American Citizens
of Florida**

Nikhil Vijaykar
Yonatan Moskowitz
Keyes & Fox LLP
580 California Street, 12th Floor
San Francisco, CA 94104
nvijaykar@keyesfox.com
ymoskowitz@keyesfox.com
EVgo Services, LLC

Katelyn Lee, Senior Associate
Lindsey Stegall, Senior Manager
1661 E. Franklin Ave.
El Segundo, CA 90245
Katelyn.Lee@evgo.com
Lindsey.Stegall@evgo.com
EVgo Services, LLC

Stephen Bright
Jigar J. Shah
1950 Opportunity Way, Suite 1500
Reston, Virginia 20190
steve.bright@electrifyamerica.com
jigar.shah@electrifyamerica.com
Electrify America, LLC

Robert E. Montejo
Duane Morris LLP
201 S. Biscayne Blvd., Suite 3400
Miami, Florida 33131-4325
REMontejo@duanemorris.com
Electrify America, LLC

Robert Scheffel Wright
John T. LaVia, III
Gardner, Bist, Bowden, Dee, LaVia, Wright,
Perry & Harper, P.A.
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com
Floridians Against Increased Rates, Inc.

D. Bruce May
Kevin W. Cox
Kathryn Isted
Holland & Knight LLP
315 South Calhoun St, Suite 600
Tallahassee, Florida 32301
bruce.may@hklaw.com
kevin.cox@hklaw.com
kathryn.isted@hklaw.com
Florida Energy for Innovation Association

Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
seaton@spilmanlaw.com
Walmart, Inc.

Steven W. Lee
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
slee@spilmanlaw.com
Walmart, Inc.

Jay Brew
Laura Wynn Baker
Joseph R. Briscar
Sarah B. Newman
1025 Thomas Jefferson Street NW
Suite 800 West
Washington, DC 20007
jbrew@smxblaw.com
lwb@smxblaw.com
jrb@smxblaw.com
sbn@smxblaw.com
Florida Retail Federation

Robert E. Montejo
Duane Morris, LLP
201 S. Biscayne Blvd., Suite 3400
Miami, FL 33131-4325
remontejo@duanemorris.com
Armstrong World Industries, Inc.

Floyd R. Self
Ruth Vafek
Berger Singerman, LLP
313 North Monroe Street
Suite 301
Tallahassee, Florida 32301
fself@bergersingerman.com
rvafek@bergersingerman.com
**Americans for Affordable Clean Energy,
Inc., Circle K Stores, Inc., RaceTrac, Inc.
and Wawa, Inc.**

Alexander W. Judd
Duane Morris, LLP
100 Pearl Street, 13th Floor
Hartford, CT 06103
ajudd@duanemorris.com
Armstrong World Industries, Inc.

Brian A. Ardire
Armstrong World Industries, Inc.
2500 Columbia Avenue
Lancaster, PA 17603
baardire@armstrongceilings.com

s/ Maria Jose Moncada

Maria Jose Moncada
Assistant General Counsel
Florida Bar No. 0773301

Attorney for Florida Power & Light Company

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

SETTLEMENT REBUTTAL TESTIMONY OF JAMES M. COYNE

Filed: October 3, 2025

of Florida, and Environmental Confederation of Southwest Florida, Inc.
(collectively “FEL”);

- John Thomas Herndon, on behalf of OPC, FAIR, and FEL;
- Karl R. Rábago, on behalf of FEL; and
- MacKenzie Marcelin, on behalf of FEL.

I collectively refer to these witnesses as “Non-Signatory Witnesses.” In particular, I respond to the Non-Signatory Witnesses regarding (1) the relevance of national average authorized ROEs on the merit of the proposed ROE contained in the settlement, and, (2) the proposed Rate Stabilization Mechanism (“RSM”).

II. RELEVANCE OF NATIONAL AVERAGE AUTHORIZED ROEs

Q. What is your response to the Non-Signatory Witnesses’ comparison of the proposed 10.95 percent ROE under the Settlement Agreement to national average authorized ROEs and other recently awarded ROEs over various timeframes?¹

A. First, the Non-Signatory Witnesses’ references to recent national average authorized ROEs do not explain whether they reflect only vertically integrated electric utilities or whether those averages include electric transmission and distribution rate cases and natural gas distribution rate cases. Nevertheless, comparisons to average authorized ROEs from various timeframes ignore the significant differences between FPL’s risk profile and “national average” companies, and the significant shifts in capital markets between recent years, today, and those projected over the 2026-2029 rate period. In

¹ Schultz Settlement Direct, at 15; Rabago Settlement Direct, at 13; Smith Settlement Direct, at 7; Marcelin Settlement Direct, at 11.

1 my view, a 35 basis point increase in the allowed ROE from the ROE approved by the
2 Commission in 2021 is very reasonable given the approximately 290 basis point
3 increase in prevailing bond yields over the same period.² For another perspective, the
4 proposed ROE is 15 basis points above the current authorized ROE adjusted in October
5 2022 pursuant to the 2021 settlement, which reflects approximately 13 percent of the
6 115 basis point increase in the 30-year Treasury yield since October 22, 2022.³ The
7 Non-Signatory Parties' proposal to reduce FPL's current authorized ROE by 20 basis
8 points runs counter to the higher capital cost environment in which FPL raises capital.
9 This Commission has recognized the relationship between bond yields and authorized
10 ROEs, noting "While regulated electric company authorized ROEs do not directly track
11 the 30-year U.S. Treasury Bond yields, the bonds can serve as an indicator of capital
12 costs over time."⁴ Additionally, this Commission has explicitly rejected setting ROEs
13 based on historic decisions, stating "We agree that historical authorized ROEs do not
14 reflect the investor-required return at the time the rate case is decided, nor are they are
15 based on market data presented in an evidentiary record."⁵ These arguments to the
16 contrary by the Non-Signatory Witnesses are without merit.

² Coyne Settlement Direct, at 4.

³ Source: Federal Reserve Bank of St. Louis FRED Economic Database,
<https://fred.stlouisfed.org/series/DGS30>. The 30-day average 30-year Treasury yield on October 22,
2022 was 3.77 percent, compared to the 4.92 percent 30-day average 30-year Treasury yield as of June
30, 2025 reported in Figure 3 of my Rebuttal Testimony.

⁴ Order No. PSC-2025-0038-FOF-EI (February 3, 2025) at 81.

⁵ Order No. PSC-2025-0038-FOF-EI (February 3, 2025) at 82.

1 **Q. Is the difference in your recommended ROE (11.90 percent), or OPC's**
2 **recommended ROE (9.20 percent), from a national average⁶ determinative with**
3 **respect to the reasonableness of the 10.95 percent ROE proposed in the Settlement**
4 **Agreement?**

5 A. No. In my opinion, the Commission should weigh the settlement, including the
6 proposed ROE and capital structure, according to the three standards set forth in the
7 *Hope* and *Bluefield* decisions, namely (1) the comparable return standard, (2) the
8 financial integrity standard, and (3) the capital attraction standard.

9
10 **III. THE PROPOSED RATE STABILIZATION MECHANISM**

11 **Q. FEL witness Rábago asserts that FPL's authorized midpoint ROE should not be**
12 **higher than the industry "especially when considering how the ROE interacts with**
13 **the Rate Stabilization Mechanism."**⁷ **What is your response?**

14 A. As shown in Exhibit JMC-9, other companies within the proxy group have similar
15 mechanisms that stabilize revenues and cash earnings, such as revenue decoupling.
16 Further, the RSM reflects non-cash earnings that do not support cash flow-based credit
17 metrics relied on by the credit rating agencies in their rating assessments. Nevertheless,
18 as explained earlier, comparisons to national average authorized ROEs ignore the
19 significant differences between FPL's risk profile and "national average" companies,
20 and the significant shifts in capital markets between recent years, today, and those

⁶ Schultz Settlement Direct, at 15-16.

⁷ Rabago Settlement Direct, at 13.

1 projected over the 2026-2029 rate period, and ignore the Commission's previously
2 expressed view on the validity of these comparisons.

3

4

IV. CONCLUSION

5 **Q. In summary, do the Non-Signatory Witnesses' testimonies alter your opinion and**
6 **support for the proposed settlement?**

7 A. No, they do not. I maintain my support for the proposed 10.95 percent ROE and 59.60
8 percent equity ratio. In my opinion, it is commensurate with returns available for
9 investments of similar risk, would support FPL's credit profile, and enable it to attract
10 capital as required under the *Hcpe* and *Bluefield* decisions. Importantly, if approved,
11 the settlement would also maintain predictability and stability in Florida's constructive
12 regulatory environment. In my opinion, the proposed ROE and equity ratio is
13 supported by the evidence on the record, and would provide FPL a fair and reasonable
14 allowed return on equity in the context of the broader settlement.

15 **Q. Does this conclude your settlement rebuttal testimony?**

16 A. Yes.