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February 28, 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 docket is the direct testimony of FPL witness Armando Pimentel, Jr.

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

Sincerely,

s/ John T. Burnett

John T. Burnett
Vice President & General Counsel
Florida Power & Light Company

(Document 2 of 30)

CERTIFICATE OF SERVICE
Docket 20250011-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished
by electronic service this 28th day of February 2025 to the following:

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By: s/ John T. Burnett
John T. Burnett

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ARMANDO PIMENTEL, JR.

Filed: February 28, 2025

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I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Armando Pimentel, Jr. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as President and CEO.

Q. Please describe your duties and responsibilities in that position.

A. I have overall responsibility for the management and operations of FPL.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science in Accounting from Florida State University. I was appointed to my current position in 2023. Prior to this role I was the President and CEO of NextEra Energy Resources, and I also served as the Chief Financial Officer of NextEra Energy.

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

A. No.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of FPL’s filing and an introduction of the witnesses who are submitting direct testimony on FPL’s behalf in support of the filing.

Q. Please summarize your testimony.

A. For 100 years, FPL has proudly helped power Florida’s growth. Throughout our history, we have maintained a steadfast commitment to our customers: we provide

1 reliable power, while keeping bills as low as possible. Over the past four years, we
2 have continued to deliver on this commitment to our customers in the face of
3 unprecedented challenges, including a global pandemic, a turbulent economy,
4 volatile fuel markets, high inflation, supply chain shortages and severe and
5 destructive storms. FPL also experienced meaningful and unanticipated increases
6 in inflation and interest rates, which rose by 21% and over 180%, respectively. The
7 current rate plan has helped to insulate our customers from these risks. We now
8 respectfully return to the Florida Public Service Commission (“Commission”) to
9 seek a new rate plan to enable us to continue serving our customers with the
10 excellence they deserve and have come to expect from FPL.

11
12 FPL provides electric service to more than 6 million customer accounts, or
13 approximately 12 million Floridians in 43 counties. FPL is also one of Florida’s
14 largest taxpayers, and the infrastructure we build and investments we make deliver
15 a wide range of benefits to Florida’s economy, local governments and, most
16 importantly, our customers. Since 2021, we have added about 275,000 new
17 customer accounts to our service area, and we have continued to make prudent
18 investments for their benefit. We believe each one of our new customers deserves
19 the same outstanding reliability and low bills that our existing customers have long
20 experienced. We deliver on this commitment by making sustained, disciplined
21 investments that provide value to customers, while keeping our operational costs
22 well below industry averages. In fact, FPL has consistently and substantially
23 outperformed its peer utilities across a wide array of financial and operational

1 metrics, including cost efficiency, service quality, system reliability and operational
2 performance. Over the last four years, FPL has delivered this exceptional value to
3 its customers every day, adapting to and overcoming the unique challenges that we
4 have faced since our current rate plan was approved. Our best-in-class non-fuel
5 operations and maintenance (“O&M”) cost per customer is 50% better than the
6 second best in FPL’s peer group of large utilities. To put that into perspective,
7 FPL’s operational excellence saves customers over \$24 each month on a typical
8 1,000-kWh bill compared to an average-performing utility. Based on 2023 data, if
9 FPL were an average utility, its non-fuel O&M expenses would be \$2.9 billion more
10 on an annual basis.

11
12 FPL is requesting a base rate increase in order to continue making smart
13 investments to provide reliable service to customers. We propose a rate plan that
14 would begin once our current plan concludes, extending from 2026 through 2029,
15 avoiding costly rate cases over that period and providing predictable rates for our
16 customers. FPL brings to this proceeding a proven track record for delivering low
17 bills, outstanding customer service, excellent operations, high reliability, industry-
18 leading hurricane restoration and strong customer value. This commitment enables
19 FPL to provide reliable electricity to our customers while keeping bills as low as
20 possible. Our record demonstrates the results: better, more reliable service at low
21 cost as a direct result of the smart investments we have made on behalf of our
22 customers and our aggressive focus on controlling O&M costs. As discussed by

1 witness Reed in his testimony, FPL excels compared to other utilities in the industry
2 in multiple areas, a further testament to the value that FPL provides to its customers.

3
4 Consistent with this approach, our proposed four-year plan will ensure that we can
5 continue to power Florida's growth, meet the energy needs of our customers and
6 maintain high reliability, low bills, and overall outstanding service for the
7 approximately 12 million Floridians we are honored to serve in our fast-growing
8 state.

9
10 **II. FPL'S CURRENT MULTI-YEAR RATE PLAN**

11 **Q. Has FPL's current multi-year rate plan worked well for customers?**

12 A. Yes. The current plan has allowed FPL to focus on serving customers while
13 continuing to make smart investments for their benefit. Furthermore, our current
14 Commission-approved settlement, which included a flexible non-cash mechanism,
15 allowed FPL to absorb the significant impacts from meaningful and unanticipated
16 increases in inflation, interest rates, and significant migration to Florida, while
17 maintaining high reliability and low rates for our customers.

18
19 Throughout its 2021 settlement agreement, FPL has worked aggressively to keep
20 costs low while delivering outstanding reliability and superior performance. FPL
21 currently provides industry-wide, top-decile national service reliability, including
22 Distribution SAIDI that is 59% better than the national average and best among
23 Florida's investor-owned utilities. In 2024, our smart grid technology enabled us to

1 avoid 1.9 million outages, and, over the last three hurricane seasons, these
2 investments avoided 1.4 million outages, including during two major hurricanes
3 making direct landfall in FPL's service area. For over a decade, FPL's non-fuel
4 O&M cost per MWh has consistently been the best among its peer group of large
5 utilities in the U.S. electric industry. Even with this achievement, FPL has
6 continued to find innovative ways to build on its industry-leading cost performance
7 and improved its position relative to the average of its peer group since 2021. FPL's
8 cost performance is driven by programs such as Project Velocity, an annual
9 program designed to find new ways to improve efficiency and lower costs, helping
10 maintain best-in-class operational efficiency. These creative and innovative cost
11 control measures have provided – and continue to provide – demonstrable customer
12 benefits. FPL currently projects that even with the requested 2026 base rate
13 increase, typical bills for January 2026 would be 20% less in real terms than in
14 2006. Importantly, these aggressive cost controls have not come with reductions in
15 reliability and customer service. Rather, as demonstrated in witness Reed's
16 testimony, FPL has consistently and sustainably outperformed comparable
17 companies in service quality, operational performance and reliability, all while
18 providing customers the benefit of exceptional cost control.

19
20 **III. SUMMARY OF FPL'S MULTI-YEAR RATE PLAN REQUEST**

21 **Q. What is your vision for FPL as its President and CEO?**

22 A. At FPL, we take the long view - for our entire 100-year history, we have focused
23 on service for our customers and in our communities. The cornerstone of our

1 approach is what we have long referred to as the “virtuous circle.” That means we
2 put the customer first in everything we do. Consistently delivering superior
3 customer value leads to greater customer satisfaction. Satisfied customers
4 contribute to a constructive regulatory environment, which allows FPL to earn fair
5 financial returns. This, in turn, enables us to make smart investments so we can
6 continue to deliver exceptional value for our customers. The strength and success
7 of this strategy has been demonstrated over many years.

8
9 I have the privilege of leading a group of highly dedicated employees who are
10 keenly focused on serving our customers. We foster a culture of continuous
11 improvement at FPL. That culture – to always do better – drives innovation at our
12 company and challenges us to work every single day to deliver superior customer
13 value: high reliability, the lowest possible bills and industry leading storm response
14 and restoration. We must continue to leverage technology to improve this value
15 proposition for our customers. As Florida’s largest utility, I believe we also bear a
16 responsibility to support economic development for our state, while preserving the
17 excellent service and superior value our current and future customers have come to
18 expect from us.

19
20 Our proposed four-year plan would allow us to continue this tradition of service
21 and excellence, avoid the need for multiple rate cases, minimize the impacts on
22 customer bills and ensure our ability to meet customer demand in our fast-growing
23 state.

1 **Q. Please describe FPL’s proposed four-year rate plan.**

2 A. FPL is proposing a comprehensive base rate adjustment for 2026, a smaller base
3 rate adjustment in 2027, and Solar and Battery Base Rate Adjustments (“SoBRAs”)
4 in 2028 and 2029 limited to the recovery of cost-effective solar power plants and
5 battery storage. Approval of these requests would enable us to commit to not asking
6 for another general base rate increase until 2030, at the earliest. As addressed by
7 FPL witness Fuentes, absent new rates in 2026, the Company’s return on common
8 equity (“ROE”) is projected to fall to 8.84%, which is well below the bottom end
9 of the current authorized ROE range and the bottom end of the proposed ROE range
10 supported by FPL witness Coyne. Absent any rate adjustments in 2026 and 2027,
11 the Company’s ROE in 2027 is projected to be 7.34%. Rather than conduct base
12 rate cases for both 2026 and 2027 and create uncertainty around subsequent
13 potential needs for 2028 and 2029, approval of our proposed plan would enable the
14 Company to continue investing in operational and service-related improvements,
15 and to meet expected future customer growth, without additional costly and
16 resource intensive base rate proceedings for rates effective through 2029. We
17 believe this is the most efficient and effective approach to long-term rate and
18 revenue stability and, as we have demonstrated time and time again, is in the best
19 interest of our customers and the state.

20 **Q. Please describe the Company’s request for a base rate increase in 2026.**

21 A. In order to better serve our customers, over the 2022-2025 period of the current rate
22 agreement, FPL will have invested more than \$36 billion in smart, efficient and
23 resilient infrastructure. As discussed by FPL witness Laney, the total estimated

1 impact of investments since the last test year on the 2026 revenue requirement is
2 approximately \$1.8 billion, which, when offset by O&M productivity
3 improvements and revenue growth, among other factors, results in a net revenue
4 requirement increase of approximately \$1.545 billion. Further, the following
5 factors also drive FPL's revenue requirements:

- 6 • **New Infrastructure for Growth:** FPL, which serves over half of the state,
7 has experienced significant growth in our customer base over the last four
8 years. We expect Florida's growth to continue and anticipate that we will
9 add approximately 335,000 customer accounts from 2025 through 2029.
10 While this growth will ultimately have a positive impact by spreading
11 existing fixed costs over a larger customer base, it also means that FPL must
12 invest significant capital to meet the needs of these additional customers by
13 building transmission and distribution infrastructure, including poles, wires,
14 transformers, substations, and other components. The costs of meeting these
15 obligations have substantially increased due to the impact of inflation. For
16 example, since 2021, the price of wires and cables has increased 30%, poles
17 49%, and transformers 101% on average. The cost of labor has also
18 increased by nearly 16% since 2021 according to the U.S. Bureau of Labor
19 Statistics.
- 20 • **Generation:** FPL must add new power generation and storage facilities to
21 serve our customers, due in part to the continued growth that FPL has
22 experienced and is expected to experience. Utility-scale solar and battery
23 projects are currently the lowest-cost form of new power generation,

1 providing not only clean and reliable energy to customers, but also
2 mitigation of fuel price volatility and savings in the form of reduced fuel
3 costs. Between 2026 and 2029, FPL's plan is to add 5,364 MW of new solar
4 generation facilities and 3,431 MW of new battery storage for the benefit of
5 our customers.

- 6 • **Critical Infrastructure and Cyber Security Requirements:** Reliability-
7 related regulatory requirements for physical and cyber security are
8 significant. The North American Electric Reliability Corporation currently
9 enforces numerous reliability standards that govern the operation,
10 maintenance, planning and security of the bulk electric system. To comply
11 with these regulations and address cyber security requirements, FPL must
12 increase its level of investment, compared to 2021.

13
14 As further described by FPL witnesses Coyne and Bores, FPL proposes to set the
15 Company's approved ROE midpoint at 11.9%, with an ROE band of plus or minus
16 1%. FPL also proposes to incorporate the continued application of FPL's
17 longstanding equity ratio approved in prior base rate cases, which is intended to
18 keep the Company in a position to continue to access capital as needed through
19 2029. A utility's ability to earn a fair rate of return and maintain a strong balance
20 sheet are crucial in obtaining capital under dynamic operational and market
21 conditions, which in turn provides us with the ability to continue to meet customer
22 needs in virtually all financial climates. FPL has shown its ability to wisely deploy
23 capital to benefit our customers over many years, enabling us to deliver best-in-

1 class or top-decile results across several key metrics representing enhanced
2 customer value.

3 **Q. Why can't FPL simply continue to provide excellent service under the terms**
4 **of its current rate agreement?**

5 A. At this point, there should be little debate that the Commission's approval of multi-
6 year plans for FPL has provided enormous value for customers. These multi-year
7 plans allow the company to maximize our efforts on cost reduction, innovation, and
8 efficiency, at low rates. FPL witness Reed's testimony demonstrates this by using
9 multiple comparative metrics to demonstrate FPL's superior performance and value
10 for its customers. As discussed by FPL witness Laney, however, FPL's current rates
11 will not be sufficient to cover the investments that FPL needs to make for the benefit
12 of its customers and the associated costs beginning in 2026 and thereafter.

13 **Q. Please describe the Company's request for a base rate increase in 2027.**

14 A. Similar to 2026, our 2027 projected test year reflects continued investment in
15 infrastructure growth and necessary technology upgrades across multiple systems,
16 including a new customer service platform, reflecting a net revenue requirement
17 increase of \$927 million. As described by FPL witness Fuentes, even with the
18 requested adjustment in 2026, the Company's ROE will fall about 170 basis points
19 below the requested ROE in 2027. Rather than file a separate case in 2026 for new
20 rates in 2027, we are requesting an increase for the 2027 projected test year.

21 **Q. Please describe FPL's request for SoBRAs in 2028 and 2029.**

22 A. As addressed by FPL witness Oliver, the Company's investment in building and
23 operating cost-effective utility-scale solar plants and battery storage projects will

1 continue in 2028 and 2029. The proposed cost recovery mechanism is consistent
2 with the methodology approved in FPL’s 2021 Settlement Agreement and its
3 previous SoBRA filings. FPL witness Bores explains that the proposed SoBRA
4 mechanism is an essential component of FPL’s multi-year rate plan.

5 **Q. Please describe the specific rate adjustments that FPL is requesting.**

6 A. As FPL witnesses Laney and Fuentes describe, and as is presented in the minimum
7 filing requirements, the Company is requesting approval of the four-year rate plan
8 summarized below:

- 9 • \$1.545 billion increase effective in January 2026;
- 10 • \$927 million increase effective in January 2027; and
- 11 • SoBRAs in 2028 and 2029 for 4,470 MW of solar and battery storage that
12 is determined by the Commission to be cost-effective for customers.

13

14 This structured approach will ensure continuation of the industry-leading value
15 proposition that we deliver to customers – high reliability and low bills.

16

17 **IV. INTRODUCTION OF WITNESSES**

18 **Q. Who will be testifying on FPL’s behalf in this proceeding?**

19 A. The following witnesses also will testify as part of FPL’s direct case:

- 20 • Scott R. Bores – Capital structure and financial policies, storm cost recovery
21 mechanism, four-year rate plan, and change in tax law;
- 22 • Ina Laney – drivers for the increase in revenue requirement, forecasting and
23 budgeting process, and the Tax Adjustment Mechanism;

- 1 • Eduardo De Varona – Power Delivery costs and performance;
- 2 • Dawn Nichols – Customer Service costs and performance;
- 3 • Thomas Broad – Power Generation costs and performance;
- 4 • Dan DeBoer – Nuclear costs and performance;
- 5 • Tim Oliver – Solar and battery development, pilot programs, and Property
6 Held for Future Use;
- 7 • Andrew W. Whitley – Resource planning process, solar and battery
8 additions in 2026 and 2027, and appropriate incentives for FPL’s
9 Commercial/ Industrial Demand Reduction and Commercial/Industrial
10 Load Control programs;
- 11 • John J. Reed, Concentric Energy Advisors – FPL’s operational and financial
12 performance relative to industry benchmarks;
- 13 • Jessica Buttress – Payroll and benefits expense;
- 14 • James M. Coyne, Concentric Energy Advisors – Cost of equity and capital
15 structure;
- 16 • Liz Fuentes – Calculation of the revenue requirements and requested
17 revenue increases, accounting issues and Company adjustments;
- 18 • Keith Ferguson – Company adjustments related to depreciation and
19 dismantlement, capital recovery schedules and affiliate transactions;
- 20 • Ned W. Allis, CDP, Gannett Fleming Valuation and Rate Consultants, LLC
21 – 2025 Depreciation and Dismantlement Studies;
- 22 • Tara DuBose – Cost of service and load research; and

- 1 • Tiffany C. Cohen – Rate design, tariffs, energy and peak demand forecasts,
2 and Large Load tariffs.

3

4 Some of these individuals, as well as others, also may provide rebuttal testimony
5 on behalf of FPL.

6 **Q. What conclusion should the Commission draw from your testimony and that**
7 **of the other FPL witnesses?**

8 A. We at FPL are proud of the achievements that allow us to consistently deliver
9 exceptional customer value – the lowest bills possible combined with high
10 reliability and excellent customer service. And consistent with our culture of
11 continuous improvement and innovation, we intend to continue to get even better.
12 These tenets underscore FPL’s request in this proceeding. Our request will enable
13 us to continue to invest in our system and deliver exceptional customer value today
14 and for generations to come.

15 **Q. Does this conclude your direct testimony?**

16 A. Yes.