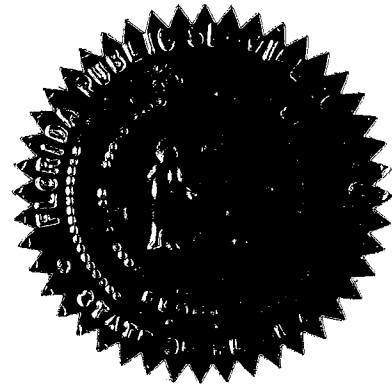


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060038-EI

In the Matter of:

PETITION FOR ISSUANCE OF A STORM
RECOVERY FINANCING ORDER, BY FLORIDA
POWER & LIGHT COMPANY.



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VOLUME 1

Pages 1 through 48

PROCEEDINGS: SPECIAL AGENDA CONFERENCE

BEFORE: CHAIRMAN LISA POLAK EDGAR
COMMISSIONER J. TERRY DEASON
COMMISSIONER ISILIO ARRIAGA
COMMISSIONER MATTHEW M. CARTER, II
COMMISSIONER KATRINA J. TEW

DATE: Monday, May 15, 2006

TIME: Commenced at 1:30 p.m.
Concluded at 5:40 p.m.

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

REPORTED BY: LINDA BOLES, RPR, CRR
Official Commission Reporter
(850) 413-6734

1 PARTICIPATING:

2 RICHARD MELSON, GENERAL COUNSEL, COCHRAN KEATING,
3 ESQUIRE, TIM DEVLIN, CHRISTINE ROMIG, JOHN SLEMKEWICZ, JIM
4 BREMAN, MARSHALL WILLIS AND KATHY KAPROTH, appearing on behalf
5 of the Florida Public Service Commission Staff.

6 ALSO PARTICIPATING: DEAN CRIDDLE, bond counsel.

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P R O C E E D I N G S

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2 CHAIRMAN EDGAR: Good afternoon. We will call this
3 Special Agenda Conference to order. Welcome.

4 As you're all aware, we're here today to consider our
5 staff's recommendation on Florida Power & Light's petition for
6 issuance of a storm recovery financing order. And just as a
7 reminder, this Commission did have customer service hearings, a
8 series of customer service hearings, and we also held three
9 days of technical hearings, lengthy technical hearings here in
10 this room recently, and those hearings and the record that was
11 developed thereby will serve as the basis for our deliberations
12 in the decisions that we have here today.

13 As I know you're also all aware, we have 90 issues to
14 address this afternoon. There are a few that have been
15 withdrawn, and I'll try to identify those as we come to them.
16 There are some issues that I expect will probably engender more
17 lengthy discussion and some that perhaps we will have the need
18 for little discussion in light of the customer meetings and the
19 technical hearing that we did have. So I will remind everyone
20 that this hearing is for questions from Commissioners, and our
21 staff is here and available to us to answer any questions for
22 us to have discussion amongst ourselves, and then for us to
23 take a vote on those issues that are before us. I will try to
24 do everything I can so that we can have a full discussion and
25 that any questions, Commissioners, that you have, that we will

1 have the opportunity to try to have them addressed. I also
2 though am going to try to move through so that we can address
3 all 90 issues during the business day here this afternoon. So
4 if we work together, I think we can accomplish that.

5 I'll ask here in just a moment for our staff to give
6 us an overview and then we will move into the items. As I
7 said, there are some that I think will engender greater
8 discussion, and for those I'll ask staff to give us an
9 introduction. For other items I'll just ask if there are
10 questions and, if so, please let me know and you certainly will
11 be recognized and we'll have discussion about that. And with
12 that, Mr. Devlin.

13 MR. DEVLIN: Thank you, Madam Chair. I think you
14 covered most everything I was going to cover in my preliminary
15 remarks and maybe I can just reiterate a few things. I mean,
16 we do have one oral modification we plan on making, and we'll
17 do that in sequence, and that's Issue 22.

18 Thanks to Commissioner Deason, our prehearing
19 officer, there's a logical sequence to our issues, and I don't
20 think there's any need to rearrange or move issues either to or
21 from where they are.

22 As you mentioned, there's 90 issues that we're going
23 to deal with. We've identified what we think are about 17
24 issues that probably warrant some introduction and explanation,
25 so staff is prepared to do that as we get to those issues. I

1 think we passed out Friday sort of an outline of what issues we
2 plan on talking about. There's nine stipulated issues, as the
3 Chairman mentioned, so we'll take them up in the order.

4 And the cases -- the recommendation is really grouped
5 into four areas, and we sort of followed the petition of the
6 utility, FPL. The first five issues or so deal with the 2004
7 storm costs. And then Issues 5 through 36 -- and that's really
8 a follow-up from the decision we already made last year with
9 2004 costs. FPL is asking that they be rolled into the storm
10 bonds. The second group of issues relate to 2005 storm costs,
11 and they range from Issues 5 through 36. And then the third
12 main issue is the level of the reserve, which is Issues 37 and
13 38.

14 Then after that, we have a whole slew of issues
15 regarding securitization and financing issues, and at this
16 point it may be an opportunity to introduce our bond counsel,
17 Mr. Dean Criddle, who will be advising the Commission with the
18 financial aspects of securitization and the related issues. I
19 think that's probably all I wanted to cover, Madam Chairman.
20 Yes. Yes, ma'am, that's it. I think we're ready for Issue 1.

21 CHAIRMAN EDGAR: Okay. Then, Mr. Slemkewicz, you're
22 recognized to present Issue 1 and get us kicked off here for
23 the afternoon. And that, I know, is on Page 14 of the material
24 that is before me.

25 MR. SLEMKEWICZ: Okay. Issue 1 involves the cut off

1 of the 2004 charges to the storm reserve, and there's basically
2 four parts to this issue. The first one is the \$21.7 million
3 charge to the storm reserve pursuant to the 2004 storm order.
4 The second is a change in the estimate for nuclear repairs.
5 The third is whether legal claims should be charged to the
6 storm reserve or to base rates. And the fourth is
7 consideration of the reimbursements for work done on non-FPL
8 poles. And staff recommends that the 2004 storm-related costs
9 be reduced by \$14.2 million as shown on Page 18. I'm prepared
10 to answer any questions.

11 CHAIRMAN EDGAR: Commissioners, are there any
12 questions for our staff on the information in Issue 1?
13 Commissioner Arriaga.

14 COMMISSIONER ARRIAGA: Good afternoon. On the
15 nuclear storm damages which have been reduced by \$6 million,
16 during the hearing I heard a lot of testimony that it was not
17 possible to complete this during the times that are allowed.
18 Is this affecting this reduction?

19 MR. SLEMKEWICZ: No. This, this reduction is simply
20 the difference between their estimate back then and their
21 current estimate of what the repairs are going to cost. So
22 their estimate now is \$6.1 million lower than it was in the
23 past.

24 COMMISSIONER ARRIAGA: It's not a disallowance on our
25 part?

1 MR. SLEMKEWICZ: It's not a disallowance.

2 COMMISSIONER ARRIAGA: Thank you.

3 CHAIRMAN EDGAR: Commissioner Deason.

4 COMMISSIONER DEASON: If there were no further
5 questions, I was simply going to move staff's recommendation.

6 COMMISSIONER CARTER: Second.

7 CHAIRMAN EDGAR: I have a motion and a second. Is
8 there further discussion? All in favor of the staff
9 recommendation on Issue 1, say aye. Opposed?

10 (Unanimous affirmative vote.)

11 Show Item 1 adopted.

12 That brings us to Issue 2. Commissioners, are there
13 any questions or discussion that you would like to have on
14 Issue 2?

15 COMMISSIONER DEASON: Madam Chairman, this appears
16 that this may be a moot issue. I don't know if we really
17 need a -- do we need a vote on this or is it -- just for
18 clarity? I can move staff's recommendation.

19 MR. SLEMKEWICZ: This was just, I think this was kind
20 of a catchall issue and there wasn't anything left after we got
21 finished with Issue 1. Everything was addressed there.

22 CHAIRMAN EDGAR: Commissioner Deason, I agree with
23 you. I think that for clarity for our staff as they're
24 preparing the final order that it probably will be helpful if
25 we go ahead and take a motion and move through the items.

1 COMMISSIONER DEASON: I can move staff's
2 recommendation on Issue 2.

3 COMMISSIONER CARTER: Second.

4 CHAIRMAN EDGAR: Thank you. I have a motion and a
5 second. Is there further discussion? Seeing none, all in
6 favor of the staff recommendation for Item 2, say aye.
7 Opposed?

8 (Unanimous affirmative vote.)

9 Show Issue 2 adopted.

10 That brings us to Issue 3.

11 MS. ROMIG: Commissioners, Issue 3 is more or less a
12 summary and a fallout of Issues 1 and 2. The only calculation
13 in there is, excuse me, we address the interest on the
14 adjustments which were made in Issue 1.

15 CHAIRMAN EDGAR: Thank you. Commissioners, questions
16 or a motion on Issue 3?

17 COMMISSIONER DEASON: Move staff.

18 COMMISSIONER CARTER: Second.

19 CHAIRMAN EDGAR: Motion and a second on Issue 3. All
20 in favor, say aye.

21 (Unanimous affirmative vote.)

22 Show Issue 3 adopted.

23 Issue 4, are there questions? Commissioners, a
24 motion on Issue 4?

25 COMMISSIONER DEASON: I move staff.

1 COMMISSIONER CARTER: Second.

2 CHAIRMAN EDGAR: Motion and a second. All in favor
3 of Issue 4, say aye. Opposed?

4 (Unanimous affirmative vote.)

5 Please show Issue 4 adopted.

6 Issue 5. Commissioners, is there a motion or a
7 question on Issue 5?

8 COMMISSIONER DEASON: I could move staff.

9 COMMISSIONER CARTER: Second.

10 CHAIRMAN EDGAR: A motion and a second on Issue 5.
11 All in favor, say aye. Aye.

12 (Unanimous affirmative vote.)

13 Show Issue 5 adopted.

14 And I'm going to ask staff to give us a brief
15 introduction on Issue 6.

16 MR. SLEMKEWICZ: Issue 6 involves the accounting
17 methodology used to define what costs should be charged to the
18 storm reserve and which would therefore be eligible for
19 recovery in this docket.

20 FPL filed their case using the actual cost
21 restoration approach. They modified that from what they'd used
22 in 2004 by adding the excluded normal capital costs that relate
23 to the storm restoration. Only the -- the other parties have
24 advocated an incremental approach, which just means that it's
25 only the costs that are incremental to normal costs should be

1 charged to the reserve. And the reason for that methodology is
2 that normal costs are assumed to already be recovered in base
3 rates and double recovery might occur if they weren't removed
4 from the storm charge. And staff recommends that we use the
5 incremental approach, which is consistent with what we did in
6 the 2004 order.

7 CHAIRMAN EDGAR: Commissioner Arriaga.

8 COMMISSIONER ARRIAGA: A quick question, which may be
9 more legal than anything else. As I read through Issue 5, it
10 proposes or suggests an unbinding precedent from a previous
11 order. That's what I read in Issue 5. Is Issue 6 suggesting a
12 going-forward precedent regarding methodology?

13 MR. SLEMKEWICZ: No, it doesn't. Everything is on a
14 case-by-case basis. And the -- I'm not recommending a
15 particular type of incremental. I'm saying we should take the
16 incremental approach and we're going to, you know, look at each
17 issue to see how that fits in with the incremental approach.

18 COMMISSIONER ARRIAGA: So next year we may not be
19 considering an incremental approach; we may be using any other
20 approach. We're not tied to a specific methodology.

21 MR. SLEMKEWICZ: That's correct.

22 MR. DEVLIN: Commissioner, I might point out that
23 staff is in the midst of rulemaking. I'm not sure what the
24 status it. Maybe John or Marshall can fill us in. But this
25 issue would be addressed in our rulemaking so we could have,

1 you know, generic policy from now on.

2 COMMISSIONER ARRIAGA: But right now there's no
3 specific policy on this issue?

4 MR. DEVLIN: Correct.

5 COMMISSIONER ARRIAGA: Thank you.

6 CHAIRMAN EDGAR: Commissioners?

7 COMMISSIONER DEASON: Move staff.

8 COMMISSIONER CARTER: Second.

9 CHAIRMAN EDGAR: I have a motion and a second. All
10 in favor, say aye.

11 (Unanimous affirmative vote.)

12 Show Issue 6 adopted.

13 Issue 7. Commissioners, any questions?

14 COMMISSIONER DEASON: I have a question, Madam
15 Chairman.

16 CHAIRMAN EDGAR: Commissioner Deason.

17 COMMISSIONER DEASON: I'm looking at Page 35 of the
18 recommendation, and there's reference to Issue 17(b) which has
19 to do with backfill work. What is the relation here and what
20 does, what effect does Issue 17(b), the decision there, have on
21 this issue, if any?

22 MR. SLEMKEWICZ: In 17(b) we've recommended that no
23 backfill work be allowed to be recovered through the storm cost
24 recovery, and this recommendation in this issue is consistent
25 with that one. So, I mean, it could have an impact if you

1 decide to allow backfill work to be included that this issue
2 might have to be revisited.

3 COMMISSIONER DEASON: And what would be the nature of
4 the, of the -- if we were to, just for the, for clarification,
5 if the Commission's vote were to disagree with your position on
6 17(b), what would be the effect on this issue?

7 MR. SLEMKEWICZ: It would, it would reduce our, it
8 would reduce our adjustment by -- excuse me. Commissioner, I
9 believe on Page 35 about midway down Witness Davis actually
10 testified that it would be a reduction of \$300,000. So you'd
11 have to reduce our adjustment by \$300,000.

12 COMMISSIONER DEASON: Okay. So we do have that
13 information in the record, in the recommendation that it is
14 \$300,000?

15 MR. SLEMKEWICZ: Yes, we do.

16 COMMISSIONER DEASON: All right. Thank you. That's
17 all the questions I have.

18 CHAIRMAN EDGAR: Thank you, Commissioner Deason.

19 Are there questions, other questions for our staff,
20 Commissioners? Seeing none.

21 COMMISSIONER DEASON: I can move staff, with the
22 recognition that there, depending upon the outcome of 17(b)
23 there may need to be an adjustment to this issue.

24 COMMISSIONER CARTER: Second.

25 CHAIRMAN EDGAR: I have a motion and a second. All

1 in favor, say aye.

2 (Unanimous affirmative vote.)

3 Show Issue 7 adopted.

4 I'll ask our staff to give us a brief introduction to
5 Issue 8.

6 MS. ROMIG: Excuse me. Issue 8 addresses ordinary
7 payroll costs. There are three areas of disagreement between
8 OPC and the company: One, whether nuclear payroll of \$2.49
9 million should be an offsetting adjustment; two, whether
10 additional capital payroll costs of \$2.2 million should be an
11 offsetting adjustment; and, three, the amount of payroll
12 benefits that should be removed.

13 CHAIRMAN EDGAR: Commissioners, are there any
14 questions for our staff on Issue 8?

15 COMMISSIONER DEASON: I move staff.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN EDGAR: A motion and a second. All in
18 favor, say aye. Opposed?

19 (Unanimous affirmative vote.)

20 Show Issue 8 adopted.

21 Issue 9. Commissioners, are there questions on
22 Issue 9?

23 COMMISSIONER DEASON: I can move staff.

24 COMMISSIONER CARTER: Second.

25 CHAIRMAN EDGAR: Motion and a second on Issue 9. All

1 in favor, say aye. All opposed?

2 (Unanimous affirmative vote.)

3 Show Issue 9 adopted.

4 Issue, excuse me, Issue 10 has been withdrawn.

5 So that will bring us to Issue 11. Are there any
6 questions for our staff on Issue 11?

7 COMMISSIONER DEASON: Move staff.

8 COMMISSIONER CARTER: Second.

9 CHAIRMAN EDGAR: A motion and a second on Issue 11.

10 All in favor, say aye. All opposed?

11 (Unanimous affirmative vote.)

12 Show Issue 11 adopted.

13 Issue 12. Are there any questions for our staff on
14 Issue 12?

15 COMMISSIONER DEASON: Move staff.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN EDGAR: Motion and a second on Issue 12.

18 All in favor, say aye. Opposed?

19 (Unanimous affirmative vote.)

20 Show Issue 12 adopted.

21 Issue 13. Are there any questions for our staff on
22 Issue 13?

23 COMMISSIONER DEASON: Move staff.

24 COMMISSIONER CARTER: Second.

25 CHAIRMAN EDGAR: Motion and a second on Issue 13.

1 All in favor, say aye. Opposed?

2 (Unanimous affirmative vote.)

3 Show Issue 13 adopted.

4 And I will ask our staff to give us a brief overview
5 of Issue 14.

6 MS. KAPROTH: Commissioners, Issue 14 addresses
7 advertising expense, and staff believes that \$1.1 million
8 should be disallowed because of being image enhancing expenses
9 and conservation expenses.

10 OPC recommended an adjustment to disallow
11 \$2.6 million. Staff did not disallow storm-related advertising
12 costs that were identified as providing information,
13 educational or were safety related. Staff is ready to answer
14 your questions.

15 COMMISSIONER DEASON: I can move staff.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN EDGAR: Motion and a second on Issue 14. Is
18 there any discussion? Seeing none, all in favor, say aye.
19 Opposed?

20 (Unanimous affirmative vote.)

21 Show Issue 14 adopted.

22 And I'll ask for a brief introduction to the
23 discussion in Issue 15.

24 MS. KAPROTH: Commissioners, Issue 15 addresses
25 uncollectible expense. Staff believes that the estimated

1 \$3.5 million in uncollectible expenses should be removed from
2 the 2005 storm reserve. Staff believes this because the
3 estimated 2004 uncollectible account expense was estimated to
4 be \$5.6 million and the actual uncollectible account expense
5 ended up to be \$1.4 million.

6 Also, staff believes that the sharing of these
7 expenses is appropriated -- appropriate, as testified by
8 Witness Jenkins. Staff is ready to answer questions.

9 CHAIRMAN EDGAR: Commissioner Arriaga.

10 COMMISSIONER ARRIAGA: Again, we're going away from a
11 2004 order? This is a brand new approach?

12 MS. KAPROTH: Yes.

13 COMMISSIONER ARRIAGA: And this is going to be on a
14 case-by-case basis. We're not setting here again -- the rule
15 issue that you just told me about, we're not setting a
16 precedent. We're just analyzing on a case-by-case,
17 year-by-year basis; correct?

18 MS. KAPROTH: Yes. This is on a case-by-case basis.

19 COMMISSIONER ARRIAGA: That's why we are departing
20 from the 2004 approach that we took last year.

21 MS. KAPROTH: That's correct.

22 COMMISSIONER ARRIAGA: Thank you.

23 COMMISSIONER DEASON: I have a question.

24 CHAIRMAN EDGAR: Commissioner Deason.

25 COMMISSIONER DEASON: Yes. I'm having a little

1 difficulty understanding staff's rationale for equating this to
2 some degree to Witness Jenkins' testimony about a sharing
3 concept. I need further explanation in that regard.

4 MS. KAPROTH: Go ahead.

5 MR. DEVLIN: Well, to the extent -- I guess I'll give
6 it a whirl, and Kathy can chime in. To the extent that there
7 are some adverse effects because uncollectibles went up, even
8 though looking at the 2004 case they didn't materialize as they
9 were projected, that's one of the reasons we're recommending
10 against this now. But to the extent there are, there is a
11 level of increasing noncollectibles in the, under the concept
12 of sharing and it doesn't directly relate to storm restoration,
13 the company should absorb those effects.

14 COMMISSIONER DEASON: I have, I have a problem
15 equating it to the concept of sharing. And maybe it's just
16 terminology over substance. I'm not sure. I believe I'm in
17 agreement with staff's conclusion that effects on
18 uncollectibles from weather, even extreme weather, is a normal
19 cost of doing business within the general risk profile of a
20 regulated utility. I can agree to that.

21 But if we talk, go to the point that this is somehow
22 part of Witness Jenkins' sharing concept, I may have some
23 difficulty with that. And maybe staff can give some further
24 explanation.

25 MR. DEVLIN: Well, actually my view is more in line

1 with yours. I feel like it is -- and Issue 17 really gets into
2 that concept, I guess, philosophy that increased
3 noncollectibles, lost revenues, some of these other aspects of
4 the storms is just part of the overall business risk. It's
5 part of the weather-related risk that the company absorbs and
6 is part of their cost of capital, it's part, implicit in the
7 return on equity that we give them, and, therefore, there's no
8 need to also allow recovery in this, in this storm proceeding.

9 COMMISSIONER DEASON: Madam Chairman, with that --
10 I'm sorry.

11 COMMISSIONER CARTER: I was just going to ask then do
12 we need to just strike that from the recommendation about
13 Witness Jenkins' testimony? Do we need to just strike that
14 from the recommendation?

15 COMMISSIONER DEASON: Madam Chairman, I think if we
16 could just clarify in the order what we're doing as opposed to
17 trying to strike something from the recommendation.

18 COMMISSIONER CARTER: Okay. That would be fine.

19 CHAIRMAN EDGAR: Commissioner Deason, I, I think, had
20 the same questions of staff when I went over this material over
21 the past few days as you have just asked. And I know I was
22 comfortable with the conclusion as well. But in the
23 discussion, you know, it kind of raised some questions, and
24 that's a good thing, and there was the opportunity to ask them
25 and have them answered.

1 So as you have just described, in my opinion the
2 conclusion is where we need to be and I think that the order
3 can reflect that.

4 COMMISSIONER CARTER: That's fine.

5 CHAIRMAN EDGAR: Is there further discussion or is
6 there a question?

7 COMMISSIONER DEASON: Yes. Mr. Keating, you
8 understand how it should be worded in the order; is that
9 correct?

10 MR. KEATING: Yes. I believe I understand that the
11 Commission agrees with staff's conclusion. But to the extent
12 that it's based on the sharing concept as proposed by
13 Mr. Jenkins, that's not part of the basis for your decision.

14 COMMISSIONER DEASON: With that clarification, I can
15 move staff's recommendation.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN EDGAR: I have a motion and a second on
18 Issue 15. Is there further discussion? Seeing none, all in
19 favor, say aye. Aye. Opposed?

20 (Unanimous affirmative vote.)

21 Show Issue 15 adopted per our discussion.

22 That will bring us to Issue 16, Commissioners. Are
23 there questions?

24 COMMISSIONER DEASON: Move staff.

25 COMMISSIONER CARTER: Second.

1 CHAIRMAN EDGAR: I have a motion and a second on
2 Issue 16. All in favor, say aye. Opposed?

3 (Unanimous affirmative vote.)

4 Show Issue 16 adopted.

5 That will bring us to Issue 17. I will ask for a
6 description from our staff, and note that Issue 17 does have a
7 number of subparts.

8 MR. DEVLIN: Thank you, Madam Chair. Issue 17, yes,
9 it does. It has, I believe, nine subparts to it. And
10 essentially, like the 2004 case, this issue represents FPL's
11 sort of fallback position. In the event the Commission adopts
12 the incremental approach, as you did on Issue 6, FPL would like
13 the Commission to consider Issues 17(a) through 17(h). Now
14 17(i) is an issue that was proffered by the Office of Public
15 Counsel.

16 Staff's basic -- and some of these issues we already
17 have dealt with and decided. I think that's true with 17(d).
18 It was addressed in Issue 15. 17(f), (g) and (i) were all
19 addressed in Issue 8. So we need to address Issues (a), (b),
20 (c), (e) and (h) here.

21 17(a) is the lost revenue issue. Staff recommends
22 that lost revenues not be recognized basically for two reasons.
23 One, there was convincing evidence that there was offsetting
24 revenue gains during the year. I think OPC Witness Larkin had
25 evidence to that effect. And also staff agrees that, as we had

1 earlier discussion, that lost revenue or any kind of revenue
2 change, revenue changes due to weather is sort of part of the
3 business risk of the utility and incorporated in the cost of
4 the utility. So for those two reasons we would recommend that
5 lost revenues not be recognized in this case.

6 With respect to the other items, backfill work,
7 catch-up work, those are items that, those are costs that don't
8 directly relate to storm restoration, and this is a
9 philosophical question I think the Commission should decide
10 upon. But the staff's position is unless it's directly related
11 to storm restoration, they should not be recovered in this
12 case.

13 And vacation buy-backs I think is the one remaining
14 issue that hasn't been addressed, and that sort of falls into
15 the same category. It doesn't directly relate to storm
16 restoration and, in addition, it was based on a change in
17 company policy which they had complete discretion over, and
18 those costs should not be passed on in the storm case as well.

19 CHAIRMAN EDGAR: Commissioner Arriaga.

20 COMMISSIONER ARRIAGA: I think I agree with you and
21 I'm clear on the issue of business risk associated to this
22 issue. I think lost revenue could be part of a business risk.
23 No question about it.

24 But your first argument about the income being
25 greater than budgeted, what would happen if it's the other way

1 around, if it's less than budgeted? Would your argument lose
2 strength?

3 MR. DEVLIN: Well, I would only have one leg instead
4 of two legs to stand on, I suppose. But I still think my
5 recommendation would be the same because I think the business
6 risk position is the most persuasive to me, regardless of which
7 way revenues go. And it just happened to be in 2005 FPL really
8 wasn't harmed. But it could have gone the other way, but my
9 position would be the same. It's part of the weather-related
10 business risk that's incorporated in the rate of return when we
11 set the rate of return in a rate case.

12 COMMISSIONER ARRIAGA: Thank you.

13 CHAIRMAN EDGAR: Commissioners, is there a further
14 question? Commissioner Deason.

15 COMMISSIONER DEASON: I have some questions. First
16 of all, just for clarification, Item (e), as in Edward, the
17 incremental contractor, is there an amount associated with that
18 or is it just kind of included within backfill work and
19 catch-up work?

20 MR. DEVLIN: My understanding, it's included in the
21 catch-up work. But I may have to check on that to make sure.
22 Yes.

23 COMMISSIONER DEASON: Okay. So there's not a
24 separate amount, a dollar amount associated with (e). It's
25 already whatever is associated with incremental contractor is

1 somehow included within backfill or catch-up.

2 MR. DEVLIN: That's my understanding. Yes, sir.

3 COMMISSIONER DEASON: Okay. The, the question that I
4 have is -- well, it pertains to your characterization that
5 there are amounts that are not directly associated with storm
6 recovery, and you've included backfill work and catch-up work
7 in that category is not directly associated with storm
8 recovery.

9 And to me I guess it's a question of degree as to
10 where on that spectrum that falls. Obviously I think we would
11 agree that if it were not for the storms, there would not be a
12 need for backfill or catch-up work; correct?

13 MR. DEVLIN: That's correct.

14 COMMISSIONER DEASON: Yeah. And I think we all would
15 also agree that the, the desire to quickly restore service is
16 partly the reason why there becomes the need for backfill and
17 catch-up. Would you agree with that as well?

18 MR. DEVLIN: Yes, sir.

19 COMMISSIONER DEASON: Okay. The concern I have is if
20 we disallow the amounts associated with backfill and catch-up,
21 are we, are we sending a signal or a message to our utilities
22 that we, that we do not want to see all reasonable efforts made
23 to restore service as quickly as possible? And the reason I
24 ask that question is that if there's going to -- if there's a
25 gray area and management is having to look at the situation of

1 how to best utilize their resources and they look at a
2 situation where it may result in more backfill and more
3 catch-up work that has to be done but which can restore service
4 more quickly, is there a financial incentive not to utilize
5 those resources for, for storm recovery? That's the concern I
6 have. And has staff thought about that, and what is your
7 response?

8 MR. DEVLIN: Yes. And it's a philosophical -- it is
9 a difficult question. I mean, there's no easy answer one way
10 or the other. And I guess staff has taken a more conservative
11 approach and these are costs that, one, aren't directly related
12 to restoration. They're charged to the storm reserve, as I
13 understand it. They're based on some estimates. They're just
14 not as tangible, not as -- a little more difficult to get your
15 hands around. But I understand where you're coming from.

16 The theory is correct. I mean, there is an adverse
17 effect there to the utility to the extent they do this, do
18 these kind of, make these kind of efforts. And it was just a
19 way, and I don't want to overuse the word "sharing," but it was
20 a way of sharing perhaps some of the adverse effects between
21 shareholders and consumers because of what's happened in the
22 last year or two to consumer bills, et cetera. It isn't a lot
23 of money, but it's enough money that I think is a reasonable
24 sharing point for, for FPL to absorb these costs. But I think
25 that is a philosophical question because it's not -- these are

1 costs that don't directly relate to restoration, and I think
2 that's where we're coming from. I mean, it was a conservative
3 standard that we should only be looking at costs that directly
4 relate to restoration efforts.

5 CHAIRMAN EDGAR: I have a question, Mr. Devlin, on
6 that point because I know in my thinking I've tried to break
7 this down in my own mind between costs directly related to
8 restoration and costs that could be considered more indirect,
9 and that's, in some instances that's an easier distinction to
10 make than in others.

11 But with the analysis in the recommendation that's
12 before us, on the items that Commissioner Deason has raised
13 could you share with me the thinking of staff as to why they
14 would fall in the more indirect category in this instance?

15 MR. DEVLIN: Well, my way of thinking, direct would
16 be costs that are charged to the storm reserve account. I
17 mean, the work is clearly related to storm restoration efforts.
18 As I understand backfill and catch-up work, that could be quite
19 a period after storm restoration. It may be a little more
20 difficult to discern, you know, those kind of costs,
21 distinguish those kind of costs between storm restoration or
22 just regular O&M activities, and just the accounting might be,
23 in my mind, be more difficult.

24 So I'm just -- it's a philosophical position on my
25 part, but I take a conservative take and what should be

1 recoverable through the storm clause.

2 COMMISSIONER DEASON: Madam Chairman, may I ask
3 another question?

4 CHAIRMAN EDGAR: Commissioner Deason.

5 COMMISSIONER DEASON: I know in times of catastrophic
6 hurricanes resources are difficult to come by, and the ones
7 that are, that can be obtained sometimes are at a higher cost
8 and that's part of the overall process and consideration that
9 has to be made in responding.

10 But if, if this is the policy that we're going to
11 follow here, would we not be telling management that we want
12 you to not take your regular workers off of their regular
13 assignments and, therefore, do not incur any backfill or
14 catch-up work and just go out and contract as much as you can
15 with outside vendors and pay them whatever overtime and
16 transportation costs and meals and lodging and all of the other
17 things to restore the service quickly because that's going to
18 be a cost directly assignable to hurricane recovery, even
19 though it may be more expensive in the long run, but they're
20 going to get, you're going to get recovery through the reserve
21 by doing that? So are we telling them, don't, don't reassign
22 your existing personnel, have them do their, their normal jobs,
23 to the extent there are any normal jobs during hurricane time?
24 So this is kind of a philosophical question, too.

25 MR. DEVLIN: Sure.

1 COMMISSIONER DEASON: Do you understand where I'm
2 coming from, and what is your response?

3 MR. DEVLIN: I understand, Commissioner Deason. It
4 makes it -- it is a difficult question. And I just, I guess I
5 would hope, knowing FPL the way I do, that they would conduct
6 the restoration efforts in the most efficient way possible.
7 And if it meant using their own labor as opposed to contract
8 labor, they would do that. They would be prudent in that
9 regard regardless of what the decision is here.

10 COMMISSIONER DEASON: But we're not sending them the
11 financial incentive to make that --

12 MR. DEVLIN: No, we're not sending them a financial
13 incentive.

14 COMMISSIONER CARTER: Question.

15 CHAIRMAN EDGAR: Commissioner Carter.

16 COMMISSIONER CARTER: Thank you, Madam Chairman.

17 Just for staff, notwithstanding what we're saying
18 here, nothing within these recommendations will preclude them
19 from obtaining reasonable expenses, regardless of what
20 perspective they find them in; is that correct?

21 MR. DEVLIN: That's correct.

22 COMMISSIONER CARTER: Thank you.

23 CHAIRMAN EDGAR: Commissioners, is there further
24 discussion?

25 COMMISSIONER DEASON: Just a question as to

1 procedure. Are we going to take a separate vote on each item
2 within 17, Madam Chair? Is that your desire? How do you wish
3 to proceed?

4 CHAIRMAN EDGAR: My preference would be to take it up
5 as one item. But if we need to break it down into subparts, I
6 certainly am glad to do so.

7 COMMISSIONER DEASON: Okay. Well, just for my
8 purposes, maybe I could go ahead and make a motion -- well, I
9 have difficulty with subpart (b), (c) and (e), and so I could
10 not move those as is current within staff's recommendations.
11 The other subparts I can, I can agree with staff. So for, just
12 for my purposes I need to break it down at least to that
13 extent.

14 CHAIRMAN EDGAR: Okay. Give me a moment. Okay.
15 Commissioners, before we do that, is there further
16 question, further discussions? Commissioner Carter.

17 COMMISSIONER CARTER: Thank you, Madam Chairman. As
18 I understand it, Commissioner Deason is recommending that we
19 take Items (a), (d) and (h), as in hotel, as a group, and then
20 vote separately upon items (b), (c) and echo, (e); is that
21 correct?

22 COMMISSIONER DEASON: Yes. That's correct.

23 COMMISSIONER CARTER: Okay. Thank you.

24 CHAIRMAN EDGAR: That was my understanding. Okay.
25 So we are --

1 COMMISSIONER CARTER: I was listening this time.

2 CHAIRMAN EDGAR: Okay. Again, I just want to make
3 sure that I don't run over anybody here since we're dividing it
4 into, into pieces. Is there a question? No?

5 Okay. Commissioner Deason, you're recognized.

6 COMMISSIONER DEASON: Okay. I can move staff's
7 recommendation on, on all of the subparts other than (b), (c)
8 and (e).

9 COMMISSIONER CARTER: Second.

10 CHAIRMAN EDGAR: Okay. I have a motion to approve
11 the staff recommendation in Items (a), (d) and (h), with the
12 understanding that (f), (g) and (i) were fallout issues from
13 previous. So we will take up the motion, and, Commissioner
14 Carter, did I hear a second?

15 COMMISSIONER CARTER: Yes, ma'am.

16 CHAIRMAN EDGAR: Okay. The motion and a second on
17 Items (a), (d) and (h), and at this point withhold taking
18 action on (b), (c) and (e) and then take them up separately.
19 So with that, I have a motion and a second for the staff
20 recommendation on subparts (a), (d) and (h). All in favor, say
21 aye. Opposed?

22 (Unanimous affirmative vote.)

23 Show Items subparts (a), (d) and (h) of Issue 17
24 approved. And then that brings us to further discussion and
25 action required on subparts (b), (c) and (e).

1 Commissioner Tew.

2 COMMISSIONER TEW: Regarding the backfill cost, is
3 there some correlation between the amount of backfill cost and
4 the number of employees the company hires? Should I try again?
5 You look --

6 MR. DEVLIN: Is there a correlation between the
7 amount of backfill and the number of employees? I'm not sure.

8 COMMISSIONER TEW: Okay. I mean, if -- if I may
9 follow up, Chairman.

10 CHAIRMAN EDGAR: Commissioner Tew.

11 COMMISSIONER TEW: If FPL employed a larger number
12 of, of its team to respond to all utility matters, would there
13 likely be less backfill costs?

14 MR. DEVLIN: Intuitively that would seem to be the
15 case.

16 COMMISSIONER TEW: Okay. Thanks.

17 COMMISSIONER DEASON: Madam Chairman.

18 CHAIRMAN EDGAR: Commissioner Deason.

19 COMMISSIONER DEASON: If there are no other questions
20 --

21 CHAIRMAN EDGAR: I had just one. Could I ask you to
22 hold for just a second? I was looking at the numbers here,
23 flipping the pages back and forth, and I note in the discussion
24 on Page 68 at the very top on Issue 17(c), it says that this
25 item relates to an estimated \$7.8 million of catch-up work.

1 And I'm just wondering how estimated is estimated or what items
2 perhaps is that 7.8 broken into?

3 MR. DEVLIN: I may have to get help on that. Anybody
4 know?

5 Mr. Breman says it's in Geisha Williams', FPL's
6 witnesses' exhibit. We could chase it down and look at it and
7 see what kind of detail is in there.

8 CHAIRMAN EDGAR: Chase it down as in right here or as
9 in that may take a while?

10 MR. KEATING: It may involve actual running.

11 MR. DEVLIN: Would you like to TP this and we'll look
12 into it and come back?

13 CHAIRMAN EDGAR: Commissioner Deason, I -- perhaps --
14 and thank you. I did stop you because I had that question, but
15 I don't know if, if --

16 COMMISSIONER DEASON: Whatever your pleasure, Madam
17 Chairman. I was, I was simply going to attempt to make a
18 motion on those remaining subparts, but whatever your desire.

19 CHAIRMAN EDGAR: All right.

20 COMMISSIONER CARTER: Madam Chairman.

21 CHAIRMAN EDGAR: Commissioner Carter.

22 COMMISSIONER CARTER: I would suggest or request or
23 whatever, humbly submit that we would, since we've broken these
24 items out, that we would vote on them individually. That would
25 give me a little more comfort as we have staff discussion on

1 that. Since we've taken them out of the recommendation, it
2 would be appropriate in my opinion for us to take them
3 individually.

4 CHAIRMAN EDGAR: Okay. And I'm glad to do so,
5 Commissioner Carter. I would like, since we are going through
6 them kind of individually, to have some additional information
7 on that 7.8, if indeed it is in the record and available. So,
8 Commissioners, if it's all right with you, let's TP our motions
9 on (b), (c) and (e). We will take them up individually as
10 Commissioner Carter has suggested, but we'll give the staff a
11 little bit of time and we'll come back to Item 17. And so I'll
12 move along and we will go to Item 18.

13 COMMISSIONER DEASON: I can move staff on 18.

14 COMMISSIONER CARTER: Second.

15 CHAIRMAN EDGAR: I have a motion and a second on Item
16 18. All in favor, say aye. Opposed?

17 (Unanimous affirmative vote.)

18 Show Item 18 adopted.

19 That will bring us to Item 19.

20 COMMISSIONER DEASON: Move staff.

21 COMMISSIONER CARTER: Second.

22 CHAIRMAN EDGAR: A motion and a second on Item 19.

23 All in favor, say aye. Opposed?

24 (Unanimous affirmative vote.)

25 Show Item 19 adopted.

1 Item 20. Are there questions? And I'll give you a
2 second so that we're all in the same place. Item 20, motion or
3 questions?

4 COMMISSIONER DEASON: I suppose I have a question,
5 Madam Chairman.

6 CHAIRMAN EDGAR: Commissioner Deason.

7 COMMISSIONER DEASON: What is, what -- if the
8 contingencies materialize as being actuals, what do we do at
9 that point?

10 MS. MARSH: I believe they would be trued up as part
11 of the cost. I hadn't really contemplated what would, what
12 would be the follow-up to it.

13 MR. WILLIS: Commissioners, if I could add to this.
14 If any of the costs actually are higher on these contingencies,
15 it's all going to be trued up to the reserve. They would be
16 allowed to take the excess amount to the reserve as part of the
17 true-up process.

18 COMMISSIONER DEASON: I can move staff, Madam
19 Chairman.

20 COMMISSIONER CARTER: Second.

21 CHAIRMAN EDGAR: A motion and a second on Item 20.
22 All in favor, say aye. Opposed?

23 (Unanimous affirmative vote.)

24 Show Item 20 approved.

25 Issue 21. Seeing no questions, is there --

1 COMMISSIONER DEASON: Move staff.

2 COMMISSIONER CARTER: Second.

3 CHAIRMAN EDGAR: Motion and a second on Issue 21.

4 All in favor, say aye. Opposed?

5 (Unanimous affirmative vote.)

6 Show Issue 21 adopted.

7 That will bring us to Issue 22, and we do have an
8 oral modification from our staff.

9 MS. MARSH: Commissioners, Item 22, the
10 recommendation should be changed to read, "Yes. Storm costs
11 should be reduced in the amount of \$6,407,769 for cost of
12 replacing either entities' poles. In addition, \$4,156,615
13 should be removed from rate base when reimbursement is
14 received."

15 CHAIRMAN EDGAR: Commissioners, are there any
16 questions of our staff on this item as modified?

17 COMMISSIONER DEASON: Move staff as modified.

18 COMMISSIONER CARTER: Second.

19 CHAIRMAN EDGAR: A motion and a second for Issue 22
20 with the oral modification that we've just heard. All in
21 favor, say aye. Opposed?

22 (Unanimous affirmative vote.)

23 Show Item or Issue 22 as modified approved.

24 That brings us to Item 23, which has been withdrawn.

25 And that will bring us to Item 24.

1 COMMISSIONER DEASON: Move staff.

2 COMMISSIONER CARTER: Second.

3 CHAIRMAN EDGAR: A motion and a second on Issue 24.

4 All in favor, say aye. Opposed?

5 (Unanimous affirmative vote.)

6 Show Issue 24 adopted.

7 Issue 25, which is a fallout issue.

8 MR. WILLIS: Commissioners, this issue is going to
9 have to reflect your vote on Issue 17, I believe, so you might
10 want to hold up on that.

11 CHAIRMAN EDGAR: Okay. We will show Issue 25 also
12 TP'd until after further discussion a little later in the day
13 on the rest of Issue 17.

14 That will bring us to Issue 26. Commissioners, any
15 questions or discussion for Issue 26? Seeing none, is there a
16 motion?

17 COMMISSIONER DEASON: Move staff.

18 COMMISSIONER CARTER: Second.

19 CHAIRMAN EDGAR: I have a motion and a second on
20 Issue 26. All in favor, say aye.

21 (Unanimous affirmative vote.)

22 Show Issue 26 approved.

23 That would bring us to Issue 27, and I'll ask for a
24 brief summary by our staff.

25 MR. DEVLIN: Madam Chair, I apologize that the lead

1 staff person for that issue and the next couple of issues just
2 left the room to chase an exhibit and I couldn't catch him in
3 time. And I have somebody going, trying to find him as we are
4 speaking.

5 CHAIRMAN EDGAR: Okay.

6 MR. DEVLIN: And that would be for Issues -- Jim
7 Breman for Issues 27, 28 and 33. Here he comes.

8 CHAIRMAN EDGAR: Okay. I'll give him a moment.

9 MR. BREMAN: I apologize.

10 CHAIRMAN EDGAR: That's fine.

11 MR. WILLIS: Commissioners, since Mr. Breman is back,
12 would you like to go back to Issue 17 and take that up now or
13 proceed forward? Mr. Breman was chasing down the lost exhibit
14 we needed to have to finish Issue 17.

15 CHAIRMAN EDGAR: I think we're on a roll here, so I'd
16 say let's keep going and we'll revisit 17 in a bit.

17 So we are on Issue 27.

18 MR. BREMAN: Thank you. I apologize.

19 Commissioners, 27 addresses whether or not FPL's
20 level of distribution and pole inspection and maintenance
21 contributed to the hurricane outages that FPL's customers
22 experienced during 2005 and the resulting cost to restore
23 service.

24 The record shows that FPL began funding a pole
25 inspection program in 1998 and had previously suspended that

1 activity. The activity initiated was limited in scope to
2 adjust poles treated with creosote. FPL's level of pole
3 inspection declined over the years subsequent to 1998, which
4 led to the basis for the disagreement between FPL and the
5 intervenors in this docket.

6 FPL believed -- FPL believes no adjustment is
7 warranted. The intervenors disagree with FPL and they came up
8 with a methodology. Staff agrees that some outages occurred
9 and costs were incurred that could have been avoided had FPL
10 undertaken a more aggressive inspection program.

11 Staff took the methodology that the intervenors
12 proposed with several adjustments. First of all, staff thinks
13 that all poles should be recognized in the calculations because
14 all poles provide service to customers, not just FPL-owned
15 poles. Staff also recommended a downward adjustment using the
16 normal cost of pole replacement rather than the, an estimate of
17 the costs that might have been incurred during storm
18 situations. Staff stands ready to answer your questions.

19 CHAIRMAN EDGAR: Thank you, Mr. Breman.

20 Commissioners, are there questions on Issue 17 -- or,
21 excuse me, on Issue 27?

22 COMMISSIONER DEASON: I have some questions.

23 CHAIRMAN EDGAR: Commissioner Deason.

24 COMMISSIONER DEASON: I'm looking at Page 102 of the
25 recommendation in the Table 27-1, and under the column entitled

1 "Staff" under -- well, for the number of poles it indicates
2 11,400, and this includes both company-owned poles as well as
3 noncompany-owned poles; correct?

4 MR. BREMAN: Yes, sir.

5 COMMISSIONER DEASON: Can you explain why you
6 included the nine company-owned poles?

7 MR. BREMAN: Yes, sir. The outages that customers
8 experienced were due to failures of both FPL-owned poles and
9 FPL-nonowned poles. And the scope of the issue is the level of
10 outages that the customers experienced during the hurricanes.
11 So, therefore, I started with all owned, all poles rather than
12 just FPL-owned poles, which is what Mr. Byerley, Witness
13 Byerley and Witness Williams suggested in the calculations that
14 they provided.

15 COMMISSIONER DEASON: But I suppose the question that
16 I have is we're trying to isolate a dollar amount of an
17 adjustment, if there is to be one, for an alleged lack of
18 appropriate inspections. And so how is it that -- well, let me
19 ask this question. If a non-FPL pole fails, whose
20 responsibility is that in terms of repairing it and who bears
21 the cost ultimately?

22 MR. BREMAN: If we just look at FPL, in my opinion,
23 Commissioner, through its agreements with the third parties, if
24 that pole is not maintained properly, then I hold FPL
25 accountable through its agreements with the third parties

1 because --

2 COMMISSIONER DEASON: I'm not saying who's
3 accountable. I'm talking about in terms of dollars
4 contractually, what is the flow of dollars? Who's, who's
5 responsible for repairing that pole and who, who bears the cost
6 of that?

7 MR. BREMAN: Well, I'm not sure that anybody other
8 than the ratepayers are really bearing the cost for that,
9 Commissioners. I really don't know. Right now I know that FPL
10 is incurring the cost to inspect poles and pass inspection
11 information to the, to the third parties. But FPL -- the
12 record shows that FPL doesn't really keep track of what the
13 third parties do to keep the poles in proper working order.

14 COMMISSIONER DEASON: Let me put this question very
15 simply as I'm looking at it, because apparently we're not
16 communicating here.

17 If a non-FPL pole falls over, who has to pay to
18 replace that pole?

19 MR. BREMAN: In theory it would be the third party.

20 COMMISSIONER DEASON: Not in practice?

21 MR. BREMAN: I can't say in practice -- the record
22 doesn't show that every single pole is fully paid for by FPL.
23 What the record shows is that all poles are replaced by FPL.
24 All costs to do that are then written to this work order which
25 essentially gets charged to the storm reserve. And then after

1 the fact, FPL and the third parties settle up who owns which
2 pole. Whether or not all the poles the company started with
3 are the same ones they end up with, I don't know. I can't, I
4 can't say that they don't agree to buy some of the poles at
5 that time, take over ownership of those poles at that time. So
6 I can't answer the question with any precision based on the
7 record.

8 COMMISSIONER DEASON: What's the difference between
9 the number utilized by OPC Witness Byerley and FPL Witness
10 Williams?

11 MR. BREMAN: According to my calculations,
12 Mr. Byerley has a number of 892 poles and Williams' math ends
13 up with 837 poles. So it's not very many.

14 COMMISSIONER DEASON: I'm talking about the number of
15 pole failures, the first line there. There's a difference of
16 425. What is the, what is the reason for that difference?

17 MR. BREMAN: Oh, I'm sorry. The reason for that
18 difference appears to be based on whether or not streetlight
19 poles were included in the calculation. There was a lot of
20 discussion that Mr. Byerley's number has streetlight poles.
21 Mr. Byerley was questioned on that, and his testimony was he
22 didn't see a wooden pole that didn't have distribution
23 facilities on it. It wasn't just a streetlight pole. So
24 that's the difference between the two numbers.

25 COMMISSIONER DEASON: Are there streetlight only

1 poles in FPL's system and, if so, who owns those poles?

2 MR. BREMAN: The first part of your question is yes.

3 COMMISSIONER DEASON: Okay.

4 MR. BREMAN: And I don't know that FPL owns all of
5 those poles.

6 COMMISSIONER DEASON: Some could be under private
7 ownership?

8 MR. BREMAN: Yes, sir. They wouldn't -- I don't know
9 that they would be wooden poles of the type that we're talking
10 about here. They would tend to be the luminars, stand-alone
11 things.

12 COMMISSIONER DEASON: The percent creosote, OPC and
13 FPL have a percentage of 28. You're using 45. What is the
14 difference there?

15 MR. BREMAN: The consolidated number has both
16 FPL-owned and nonowned poles in it.

17 COMMISSIONER DEASON: Okay. And the, the conductor
18 cost per replaced, replaced pole, there's a big difference
19 between Public Counsel and FPL witnesses, and you're at a
20 number not halfway between but between. Can you describe the
21 difference between OPC and FPL and how you obtained your .26?

22 MR. BREMAN: Sure. .88 is Mr. Byerley's, OPC Witness
23 Byerley's number, and that's the ratio of two account numbers.
24 The first account number would be the cost for conductor
25 replacement, all types. And the second number would be all

1 pole replacements. And he took the ratio of those two and came
2 up with .88.

3 Witness Williams said that .88 is too large and she
4 said that .1 is more reasonable. And there was very little
5 explanation about how she came up with .1. It's just in her
6 testimony and it's her expert opinion that .1 is more
7 reasonable.

8 COMMISSIONER DEASON: And how did you come up with
9 .26?

10 MR. BREMAN: Okay. .26, I simply adjusted
11 Mr. Byerley's number downward to reflect that I was using a
12 \$2,000 per unit pole replacement as opposed to Mr. Byerley's
13 \$6,800, which is 1.7 -- 100 -- excuse me, 1,700 times four.

14 COMMISSIONER DEASON: So you were using the account
15 information but adjusted by the estimated cost of pole
16 replacement?

17 MR. BREMAN: Yes, sir.

18 COMMISSIONER DEASON: Okay. That's all I have.

19 CHAIRMAN EDGAR: Commissioners, are there further
20 questions on Issue 27? Seeing none, is there a motion?

21 COMMISSIONER DEASON: Madam Chairman, I have some,
22 some problems with all of the different positions that are
23 presented here in front of us, Public Counsel's position as
24 well as FPL's position as well as staff's position. And I'm
25 still looking at Table 27-1 on Page 102, and I'll be happy to

1 kind of discuss what I consider to be the pros or cons or the
2 what I consider to be problem areas, and maybe we could have
3 some discussion as to where we need to be on this issue.

4 As far as the number of pole failures, I'm inclined
5 to agree with Public Counsel's witness Byerley. I recall the
6 testimony about the wooden poles and the number that had
7 streetlight attachments on it. I think that to the extent
8 there's some ambiguity in the record, I'm more inclined to, to
9 go with Witness Byerley's number in regard to the number of
10 pole failures. I'm not inclined to agree with staff's
11 recommendation to include all poles, both FPL-owned poles as
12 well as non-FPL-owned poles.

13 I am in agreement that we should use the \$2,000 pole
14 replacement cost as recommended by staff. I'm also in
15 agreement that we should not use an escalation factor as
16 recommended by Witness Byerley. And I'm in agreement that we
17 should use the .26 conductor cost per replaced, replaced pole
18 as recommended by our staff.

19 Now what that combination of numbers results in, I
20 don't know what the bottom line number is, and I guess I would
21 need to ask staff is that -- if we were to use -- is there
22 any -- are there any internal inconsistencies with using Public
23 Counsel's number of poles with the \$2,000 pole replacement
24 amount and no escalation in the .26 conductor cost ratio?

25 MR. BREMAN: No, sir.

1 COMMISSIONER DEASON: There's no internal
2 inconsistencies with using those values?

3 MR. BREMAN: There is none.

4 COMMISSIONER DEASON: Okay. That's, Madam Chairman,
5 that's what I would suggest that we utilize, but I would
6 certainly welcome any comments from fellow Commissioners.

7 COMMISSIONER CARTER: Madam Chairman.

8 CHAIRMAN EDGAR: Commissioner Carter.

9 COMMISSIONER CARTER: I would think in view of, in
10 light of staff's perspective that it does not, you know, give
11 any problems or heartburn, nor is there a tremendous changing
12 of the process, it seems to make sense to me. I don't really
13 have a great deal of concern with that.

14 CHAIRMAN EDGAR: Commissioner Arriaga.

15 COMMISSIONER ARRIAGA: If we were to adopt
16 Commissioner Deason's recommendation, what happens to the
17 bottom line? Does it go up or down?

18 MR. BREMAN: Okay. Based on my anticipation of these
19 questions, I developed a matrix. And my estimate of the total
20 adjustment would be 2 point -- \$2,470,000. Excuse me. \$2.2
21 million. I'll just round it off.

22 CHAIRMAN EDGAR: Mr. Breman, one more time, please,
23 the number and --

24 MR. BREMAN: Two point -- it'd be \$2.2 million. I'm
25 rounding it off to that. And then, Commissioner Deason, would

1 you also go with the 25 percent capital offset adjustment?

2 COMMISSIONER DEASON: Yes.

3 MR. BREMAN: Okay. The resulting capital offset
4 amount would be \$562,000 and the expense amount would be the
5 difference.

6 CHAIRMAN EDGAR: You want to go ahead and do the math
7 on that for us?

8 MR. BREMAN: I didn't do it, no. Can I get back to
9 you?

10 CHAIRMAN EDGAR: Commissioner Arriaga, did you have
11 any further questions with that additional information from
12 Mr. Breman?

13 COMMISSIONER ARRIAGA: Did Commissioner Deason make a
14 motion?

15 CHAIRMAN EDGAR: No. We are at the discussion stage.
16 Commissioners?

17 COMMISSIONER CARTER: Do you have the number?

18 MR. BREMAN: No. I was just told by counsel that I
19 used the wrong calculation -- I did some rounding, I didn't
20 properly account into it. So the total amount would be
21 \$2.2 million, and then we'd have to adjust by 25 percent. So
22 I'm a little nervous. I apologize.

23 \$550,000 would be the capital offset.

24 COMMISSIONER DEASON: Resulting in \$1.65 million
25 adjustment; is that correct?

1 MR. BREMAN: Yes, sir.

2 COMMISSIONER CARTER: One more time with that number,
3 please.

4 COMMISSIONER DEASON: Yeah. \$1.65 million is, would
5 be the net amount of the adjustment.

6 COMMISSIONER CARTER: Okay. Thank you.

7 CHAIRMAN EDGAR: Noting for the record that
8 Commissioner Deason now has his calculator out.

9 COMMISSIONER DEASON: Madam Chairman, I used to be
10 able to do these calculations in my head, but I guess age
11 catches up with all of us.

12 Madam Chairman, if a motion is in order.

13 CHAIRMAN EDGAR: Commissioner Deason, I think we're
14 at that point.

15 COMMISSIONER DEASON: Okay. I would move that we
16 make an adjustment of \$1.65 million, and that may be a slightly
17 rounded number, but the rationale for that number is to
18 utilize the number of poles recommended by, excuse me, by OPC
19 from this matrix that we would use \$2,000 as the pole
20 replacement cost, that there be -- that there not be an
21 escalation due to price increases factor, and that we use a
22 .26 conductor cost ratio, and we also continue to use the
23 25 percent capital offset, and it should result in a number
24 close to \$1.65 million.

25 COMMISSIONER CARTER: Is that a motion?

1 COMMISSIONER DEASON: That is a motion.

2 COMMISSIONER CARTER: Second.

3 CHAIRMAN EDGAR: Okay. Commissioners, we have a
4 motion and a second as Commissioner Deason has outlined for us.
5 Is there further discussion? Seeing none, all in favor of the
6 motion, say aye. Opposed?

7 (Unanimous affirmative vote.)

8 Show the motion adopted.

9 (Transcript continues in sequence with Volume 2.)

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1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

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4 I, LINDA BOLES, RPR, CRR, Official Commission
Reporter, do hereby certify that the foregoing proceeding was
5 heard at the time and place herein stated.

6 IT IS FURTHER CERTIFIED that I stenographically
reported the said proceedings; that the same has been
7 transcribed under my direct supervision; and that this
transcript constitutes a true transcription of my notes of said
8 proceedings.


9 I FURTHER CERTIFY that I am not a relative, employee,
attorney or counsel of any of the parties, nor am I a relative
10 or employee of any of the parties' attorneys or counsel
connected with the action, nor am I financially interested in
11 the action.

12 DATED THIS 16TH DAY OF MAY, 2006.

13

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LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734

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