BEFORE THE

 FLORIDA PUBLIC SERVICE COMMISSION

 DOCKET NO. 070098-EI

 In the Matter of

 PETITION FOR DETERMINATION OF NEED FOR

 GLADES POWER PARK UNITS 1 AND 2 ELECTRICAL

 POWER PLANTS IN GLADES COUNTY, BY FLORIDA

 POWER & LIGHT COMPANY.

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 VOLUME 12

 Pages 1765 through 1959

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 PROCEEDINGS: HEARING

 BEFORE: CHAIRMAN LISA POLAK EDGAR

 COMMISSIONER MATTHEW M. CARTER, II

 COMMISSIONER KATRINA J. TEW

 DATE: Monday, April 30, 2007

 TIME: Commenced at 11:39 a.m.

 Concluded at 3:10 p.m.

 PLACE: Betty Easley Conference Center

 Room 148

 4075 Esplanade Way

 Tallahassee, Florida

 REPORTED BY: LORI DEZELL, RPR, CCR

 APPEARANCES: (As heretofore noted.)

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 I N D E X

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 199 Rule 25-17.008 1823 1885

 200 Excerpt of PSC order 1823 1885

 201 EPA Clean Energy Environment Guide to

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 202 National Overview of the Status of

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 203 Blowup of Exhibit JJP-4 1837 1885

 204 Excerpt from FPSC Commission annual

 report on activities pursuant to the

 Florida Energy Efficiency and

 Conservation Act, February of 2007 1838 1885

 205 Presentation by Mark Futrell, FPSC,

 9/6/06 1840 1885

 206 BEBR document 1852 1886

 207 Report from Florida Solar Energy Center

 April 23, 2007 1863 1886

 208 U.S. Department of Energy document 1863 1886

 209 Florida Energy Commission document 1886

 210 USCAP "A Call for Action" undated 1876 1886

 211 (Late-Filed) USCAP "A Call for Action"

 dated 1886 --

 212 Governor Charlie Crist's 2007 State of

 the State Speech remarks as prepared 1941 --

 213 Century Commission report 1954 --

 214 FPL's RFP for renewable generation 1952 1953

 1768

 1 P R O C E E D I N G S

 2 (Transcript follows in sequence from

 3 Volume 11.)

 4 CHAIRMAN EDGAR: I think we can push through,

 5 so Mr. Anderson, your witness.

 6 MR. ANDERSON: FPL calls as its next witness

 7 Dr. Steven Sim.

 8 STEVEN R. SIM

 9 was recalled as a witness on behalf of FPL, and having

 10 been duly sworn, testifies as follows:

 11 DIRECT EXAMINATION

 12 BY MR. ANDERSON:

 13 Q Good morning, Dr. Sim, are you settled down

 14 there?

 15 A I think so.

 16 Q Have you been sworn previously?

 17 A Yes, I have.

 18 Q Would you tell us your name, business address,

 19 employer and position?

 20 A Yes. My name is Steven Sim. Business address

 21 is 9250 West Flagler Street, Miami, 33174, and I work

 22 for FPL as a supervisor in the resource assessment and

 23 planning department.

 24 Q Have you prepared and caused to be filed 36

 25 pages of prefiled rebuttal testimony in this proceeding?

 1769

 1 A Yes, I have.

 2 Q Did you file any errata in reference to that?

 3 A I have one change to make to that at this

 4 point. On page 31 of my rebuttal testimony --

 5 Q Okay. Go ahead.

 6 A -- the number 600 should be changed to 500 on

 7 line 11. And on line 12, the beginning phrase, "with a

 8 20 percent reserve margin criterion," it should be

 9 stricken in full. And those are the only changes.

 10 Q With the change you've just told us, if I

 11 asked you the same questions contained in your prefiled

 12 rebuttal testimony, would your answers be the same?

 13 A Yes, they would.

 14 MR. ANDERSON: FPL asks that Dr. Sim's

 15 prefiled rebuttal testimony be inserted into the

 16 record as though read with the correction that he's

 17 noted.

 18 CHAIRMAN EDGAR: The prefiled rebuttal

 19 testimony will be entered into the record as though

 20 read with the changes noted by the witness.

 21

 22

 23

 24

 25

 1806

 1 Q You're sponsoring one exhibit to your rebuttal

 2 testimony?

 3 A That's correct.

 4 Q Exhibit SRS-16?

 5 A Yes.

 6 MR. ANDERSON: FPL notes that Dr. Sim's

 7 exhibit has been premarked for identification as

 8 134.

 9 CHAIRMAN EDGAR: Thank you.

 10 BY MR. ANDERSON:

 11 Q Dr. Sim, have you prepared a summary of your

 12 rebuttal testimony?

 13 A Yes, I have.

 14 Q Please provide your summary to the Commission.

 15 A Okay. Good morning, Chairman Edgar and

 16 Commissioners. Overall, the comments made by

 17 Messrs. Furman, Schlissel and Plunkett in their

 18 testimonies exhibit certain common elements that

 19 significantly downgrade the usefulness and relevance of

 20 their testimonies in this docket.

 21 These common elements include: The three

 22 testimonies show a lack of knowledge about Florida

 23 specific conditions, the FPL system and even FPL's

 24 filing itself. The few comparisons offered by these

 25 witnesses generally appear not to have been based on

 1807

 1 information contained in FPL's actual filing but much on

 2 information previously obtained from or about other

 3 states.

 4 In addition, the key assumptions and

 5 methodologies used in their comparisons are generally

 6 not provided. Therefore, a reviewer cannot judge the

 7 accuracy of the assumptions in the methodologies, the

 8 vintage of the data used, and the relevance of their

 9 results to FPL's filing.

 10 In their testimonies, there are numerous

 11 misleading and incorrect statements and conclusions, and

 12 I'll touch on only a few of them in this summary.

 13 Mr. Furman offers a comparison that attempts

 14 to reach a conclusion that IGCC is more cost-effective

 15 than ultra-supercritical but actually shows that

 16 ultra-supercritical is lower in capital cost, has

 17 significantly higher availability and has lower total

 18 costs except in one special case in which he makes the

 19 unrealistic assumption that 2000 megawatts of new

 20 capacity should be fueled 100 percent with pet coke for

 21 40 years.

 22 In this comparison, his ultra-supercritical

 23 assumptions don't even relate to FPL's filing because he

 24 assumes the ultra-supercritical unit operates 100

 25 percent on coal when the FGPP units will operate 80

 1808

 1 percent on coal and 20 percent on pet coke.

 2 Finally, Mr. Furman states that the inclusion

 3 of a mission cost would make the FGPP units more

 4 expensive. He does not seem to realize that FPL's

 5 analyses used a wide range of environmental compliance

 6 cost as is clearly explained in the filing.

 7 In regard to Mr. Schlissel's testimony, he

 8 does not understand FPL's integrated resource planning

 9 or IRP process and even confuses the distinction between

 10 utility planning and utility operation. In doing so, he

 11 makes numerous misstatements, including the erroneous

 12 conclusion that base load units may not operate in

 13 winter.

 14 Mr. Schlissel suggests that FGPP approval be

 15 denied because a 15 percent reserve margin may be

 16 applicable if it guarantees a point one day per year

 17 LLOP standard. In doing so, he ignores the fact that

 18 the Commission has approved FPL's current 20 percent

 19 reserve margin criteria and also ignores the value that

 20 utilizing two reliability criteria -- in this case

 21 reserve margin and LLOP -- bring to utility planning and

 22 operation.

 23 Mr. Schlissel also fails to recognize that his

 24 desired outcome, delaying or avoiding the FGPP units,

 25 would leave FPL's customers with two undesirable

 1809

 1 outcomes. Number one, a less reliable system due to

 2 smaller reserves and/or number two, an increasing

 3 reliance on natural gas and its price volatility.

 4 In regard to Mr. Plunkett's testimony, he

 5 offers a comparison that attempts to reach a conclusion

 6 that DSM's cost is lower than FGPP's cost. However, his

 7 comparison uses a fundamentally flawed analytical

 8 approach, ignores significant system cost savings that

 9 FGPP will bring, and ignores critical aspects of DSM.

 10 Therefore, his comparison is incorrect and meaningless.

 11 He also makes the claim that DSM could do away

 12 with the need for FGPP. However, he offers no

 13 supporting analyses to back up how FPL, the national

 14 leader in conservation achievement, could cost

 15 effectively double its already very aggressive DSM plans

 16 to add 1,366 megawatts of additional DSM by 2015.

 17 His proposed method for addressing FPL's

 18 significant capacity needs through DSM is both

 19 unreaslistic and, more importantly, would do nothing to

 20 maintain fuel diversity on FPL's system.

 21 In conclusion, these witnesses provide nothing

 22 of substance with which to question FPL's conclusion

 23 that the FGPP addition is the best option for FPL's

 24 customers in regard both to addressing capacity needs

 25 and maintaining system fuel diversity. Thank you.

 1810

 1 MR. ANDERSON: Dr. Sims is available for

 2 cross-examination.

 3 CHAIRMAN EDGAR: Mr. Beck?

 4 MR. BECK: Thank you, Madam Chairman.

 5 CROSS-EXAMINATION

 6 BY MR. BECK:

 7 Q Good morning, Dr. Sim.

 8 A Good morning, sir.

 9 Q Could I ask you to turn to the very last line

 10 on page 10 of your rebuttal testimony.

 11 A I'm sorry, which page?

 12 Q Ten. Beginning on that line, you state that

 13 "In regard to potential CO2 compliance costs, FPL's

 14 analyses not only included a range of such costs, but

 15 also assumed that FPL would incur these compliance costs

 16 for all CO2 emissions; that is, no CO2 allowances would

 17 be granted to utilities, a pessimistic assumption in

 18 regard to potential costs of CO2." Do you see that?

 19 A Yes, I do.

 20 Q Are you familiar with the -- "A Call for

 21 Action" by the United States Climate Action Partnership?

 22 A Somewhat.

 23 Q Okay. And that's been introduced into

 24 evidence as Exhibit 159. FPL is a signatory to that; is

 25 it not?

 1811

 1 A That's my understanding.

 2 Q We'd like to read to you a paragraph from that

 3 and ask you how that affects your testimony.

 4 And on page 9, of Exhibit 159, it states, "New

 5 coal-based energy facilities and other stationary

 6 sources," it states, "that policies are needed to speed

 7 transition to low and zero emission stationary sources

 8 and strongly discourage further construction of

 9 stationary sources that cannot easily capture CO2

 10 emissions for geologic sequestration. Regardless of how

 11 allowances are generally allocated, they should not be

 12 allocated to such new sources." Are you familiar with

 13 that statement or do you need me to show you that from

 14 the --

 15 A I'm not familiar with it until you just read

 16 it to me.

 17 Q Okay. Let me ask you this. If legislation on

 18 CO2 costs ultimately adopted that statement from

 19 Exhibit 159, it would be true that there would be no

 20 allowances for the Glades Power Facility; is that right?

 21 A Based on what you've read to me, yes, that

 22 would be the case, if it were passed.

 23 Q Okay.

 24 A And if the regulations followed through on

 25 that, that vein.

 1812

 1 Q But the modeling that you've done, it makes

 2 that assumption also, does it not? That there be no

 3 allowances for the Glades plant?

 4 A I would answer that question yes in part.

 5 Commissioners, if you think back to the four-square

 6 matrix that we presented, the first row that FPL

 7 presented, row A, essentially was labeled as a no CO2

 8 compliance cost row. It can be viewed as one of two

 9 ways. At least in my opinion.

 10 Number one, you could take it simply at face

 11 value that there was no CO2 regulation and therefore no

 12 CO2 costs that were applied to either of the two

 13 resource plans that we analyzed.

 14 However, I view it a little bit differently as

 15 well in that I view that as being no net CO2 compliance

 16 cost. And in that sense, I look back at regulation for,

 17 say, SO2 and NOx and how that pertains to FPL systems.

 18 For SO2, there are -- SO2 regulation, there are SO2

 19 compliance costs. However, allowances have been granted

 20 and because FPL system is a very clean system, the

 21 allowances that have been granted far exceed the

 22 emissions that FPL system put out each year.

 23 Therefore we assume -- we realize not only no

 24 SO2 costs, we realized SO2 credits every year.

 25 A similar situation results also when one

 1813

 1 looks at NOx There are NOx costs to which utilities

 2 are -- which pertain to utility systems. But the --

 3 again because FPL is such a clean system, the NOx

 4 allowances granted to FPL system exceed the NOx

 5 emissions that we produce each year. Therefore, there

 6 is not only zero NOx cost for the FPL system, there is

 7 also a net credit for NOx.

 8 I think it is entirely possible that this row

 9 of FPL's in this matrix is a fair representation of what

 10 happens if allowances are granted for CO2. If that's

 11 the case, because FPL is again a very clean system and

 12 because the FGPP units will be designated as clean coal

 13 technology, I think it is entirely possible that FPL may

 14 see the situation occur in which we have no net CO2

 15 costs and, in fact, could even end up with net CO2

 16 credits, the same way as where they are for SO2 and for

 17 NOx.

 18 MR. BECK: Thank you, Dr. Sim.

 19 CHAIRMAN EDGAR: Mr. Gross?

 20 CROSS-EXAMINATION

 21 BY MR. GROSS:

 22 Q Thank you, Madam Chair. Dr. Sim, I'm

 23 Michael Gross and I represent the entities that have

 24 been referred to as "certain intervenors."

 25 A Good morning.

 1814

 1 Q Good morning. Late morning.

 2 Dr. Sim, in your rebuttal testimony you

 3 discuss Mr. Plunkett's conclusions regarding DSM as a

 4 means of voiding the need for FGPP; is that correct?

 5 A In general. Can you point me to a specific

 6 page and line?

 7 Q Well, your rebuttal testimony is replete with

 8 testimony disputing the contentions of Mr. Plunkett, and

 9 I'm just asking you that question generally. I will get

 10 some questions that are more specific. Is that

 11 satisfactory or do you --

 12 A I disagree with Mr. Plunkett's contention that

 13 DSM can cost effectively avoid the need for the FGPP

 14 units; that is correct.

 15 Q And you conclude that there isn't enough DSM

 16 potential to defer the need for FGPP, correct?

 17 A Based on our very thorough analysis of all

 18 cost-effective DSM known to FPL immediately before we

 19 began work on the FGPP analyses and filing, I would say

 20 yes, that's correct.

 21 Q And the cost-effectiveness, the issue of the

 22 cost-effectiveness of FPL's DSM program or that of any

 23 electric utility in Florida, for that matter, is

 24 evaluated in accordance with this Commission's

 25 cost-effectiveness manual effective July 17th, 1991; is

 1815

 1 that correct?

 2 A Not entirely, no. If -- if I may try to

 3 explain, Commissioners. The cost-effectiveness manual,

 4 as I recall it, I believe its title was something like

 5 "A primer on cost-effectiveness," was put out in 1991.

 6 And at the time it provided not only the approach to be

 7 used but actually included the actual formula that each

 8 utility would use in their cost-effectiveness

 9 calculation.

 10 In a later docket, I believe in the late 1990s

 11 or around 2000, the cost-effectiveness rules were

 12 changed somewhat to where the utilities were no longer

 13 required to follow the specific formula that was in the

 14 earlier primer document but it prescribed the columns

 15 that each utility must use in reporting both the cost

 16 and the benefits of DSM.

 17 But it left the utilities free to be a bit

 18 more flexible in their calculation, it left them to --

 19 with the ability to add additional columns, for example,

 20 which FPL has taken advantage of in order to more

 21 accurately calculate the costs and the benefits of

 22 demand side management programs, et cetera.

 23 Q Dr. Sim, I'd like to show you some excerpts

 24 from the cost-effectiveness manual. And I have copies

 25 to hand out including one for yourself.

 1816

 1 CHAIRMAN EDGAR: Mr. Gross, do we need to mark

 2 this?

 3 MR. GROSS: Yes, please.

 4 CHAIRMAN EDGAR: Okay. I am at 198.

 5 (Exhibit 198 was marked for identification.)

 6 Q Dr. Sim, may I proceed?

 7 A Yes.

 8 Q It cost it's the Cost-Effectiveness Manual for

 9 Demand Side Management Program and Self-Service Wheeling

 10 Proposals. But I don't intend to focus at all on the

 11 self-service wheeling proposals and the discussion of

 12 that in the manual. I'm focusing on demand side

 13 management programs solely.

 14 And if you would please look at the

 15 introduction in section 1, page 3, and I'm just going to

 16 read the first paragraph. "This manual describes the

 17 minimum data requirements for the cost-effectiveness

 18 analyses used by the Florida Public Service Commission

 19 to evaluate utility proposed conservation programs,

 20 direct load control programs," and then there's a

 21 reference to self-service wheeling. But "The use of

 22 this manual is authorized by FPSC rule 25-17.008,

 23 Florida Administrative Code.

 24 And are you familiar with that language, have

 25 you been previously familiar with it?

 1817

 1 A Yes, I recall when this manual was in use in

 2 the early 1990s.

 3 Q Okay. And then at the beginning of the third

 4 paragraph it says, "There are three tests contained in

 5 this manual: The total resource test, the participants

 6 test, and the rate impact test. In evaluating

 7 conservation and direct load control programs, the

 8 Commission will review the results of all three tests to

 9 determine cost-effectiveness." Is that the case, in

 10 your opinion?

 11 A In my opinion, no, that's not the case today.

 12 Commissioners, as a result of the first DSM goals

 13 docket, which I believe was in 1994, the Commission

 14 ruled that the appropriate test for use by utilities in

 15 Florida would be the RIM test and the participant test.

 16 This was an extensive hearing. It was actually the

 17 longest hearing in which I've participated in in my

 18 career at FPL. It lasted well over a month.

 19 We had over 50 witnesses representing all of

 20 the utilities in Florida; the Department of Energy;

 21 numerous environmental groups. We had a number of

 22 former commissioners and chairmen of public service

 23 commissions from other states come in as expert

 24 witnesses. It was an exhaustive hearing.

 25 And the record when it was over was that the

 1818

 1 Commission ruled that for Florida, the best tests to use

 2 were the RIM test and the participant test when

 3 evaluating DSM options for the utilities.

 4 Q There is a rule of the Florida Public Service

 5 Commission that adopts this manual, this

 6 cost-effectiveness manual, and the rule is still in

 7 effect and adopts it and incorporates it by reference.

 8 Are you familiar with this rule?

 9 A I don't recall the exact rule. My

 10 recollection is that this manual was largely superseded

 11 by a late 1990 rule or commission order which changed

 12 the formatting of the cost-effectiveness reporting.

 13 Q And are you saying that that order you're

 14 referring to no longer allows the flexibility for the

 15 Commission to consider tests other than the TRC test,

 16 for example?

 17 A I believe the Commission certainly has the

 18 flexibility to consider any cost-effectiveness test that

 19 they would wish to consider. But their order in the

 20 1994 DSM goals docket that came after this manual came

 21 into existence again directed the utilities that the

 22 primary tests are the RIM test and the participant test.

 23 Q We'll take a look at that order in a few

 24 minutes to see exactly what it said.

 25 I have another exhibit, I guess this will be

 1819

 1 199. It's a composite of rule 25-17.008, Conservation

 2 and Self-Service Wheeling Cost-Effectiveness Data

 3 Reporting Format. And then that -- that rule mentions

 4 25-17.001, General Information. So I've included both

 5 rules as a composite and we'll hand out copies right

 6 now.

 7 CHAIRMAN EDGAR: Okay.

 8 Q Dr. Sim, have you had a chance to familiarize

 9 yourself with the rule?

 10 A Not yet.

 11 Q Okay. Just let me know.

 12 A Okay.

 13 Q Well, in paragraph 1, the rule provides that

 14 it applies to all electric utilities whenever an

 15 evaluation of the cost-effectiveness of an existing, new

 16 or modified demand side conservation program is required

 17 by the Commission. And that's just the portion that

 18 applies to demand side management as opposed to

 19 self-service wheeling. Do you see that language there?

 20 A Yes, I do.

 21 Q Okay. And the purpose of the rule is to -- in

 22 paragraph 2 is to establish minimum filing requirements

 23 for reporting cost-effectiveness data for any demand

 24 side conservation program proposed by a utility,

 25 electric utility, pursuant to Rule 25-17.001, Florida

 1820

 1 Administrative Code; is that correct?

 2 A That's what it says, yes.

 3 Q Okay. And then more importantly, paragraphs 3

 4 and 4 provide for the purpose -- paragraph 3 provides,

 5 "For the purpose of this rule, the Commission adopts and

 6 incorporates by reference the publication 'Florida

 7 Public Service Commission Cost-Effectiveness Manual for

 8 Demand Side Management Programs,'" July 7th, 1991.

 9 So isn't it the case that the Commission

 10 having adopted this manual, that the provisions of the

 11 manual still apply and this rule is still in effect?

 12 MR. ANDERSON: Object to the extent it asks

 13 for a legal opinion.

 14 A Yes. I'm not an attorney and can't -- can't

 15 address that aspect of it.

 16 Q Okay.

 17 A I do know that the reporting format was

 18 changed sometime later in the 1990s.

 19 Q Okay. Paragraph 4 states that "nothing in

 20 this rule shall be construed as prohibiting any party

 21 from providing additional data proposing additional

 22 formats for reporting cost-effectiveness data." Doesn't

 23 that as a layperson, not an attorney, but doesn't that

 24 suggest to you that there's flexibility in the formats

 25 in which cost-effectiveness can be alleged and reported?

 1821

 1 A Yes. And FPL agrees with that aspect of the

 2 rule. In fact, we utilized this more than once in our

 3 discussions with staff in saying that we think we can do

 4 a better job in calculating the accuracy -- in

 5 calculating the costs and/or the benefits of DSM

 6 programs if we're allowed to include additional

 7 calculations. And that was one thing that led us to

 8 include not only additional columns but, in effect,

 9 additional pages to our cost-effectiveness reporting.

 10 So in that sense, we agree with this rule and have taken

 11 advantage of it for -- to the benefit we believe of our

 12 customers.

 13 Q Now, as I mentioned before, paragraph 2 of the

 14 rule we're discussing, 25-17.008, refers to 25-17.001.

 15 If you'll turn the page, please, I have a copy of that

 16 rule for your reference.

 17 A This is the document you just handed me?

 18 Q Yes.

 19 A Okay.

 20 Q And if you'll look at paragraph 4, it reads,

 21 "Another priority is increasing the efficiency of the

 22 end-use consumption of electricity to the extent cost

 23 effective." Correct?

 24 A That's what it says, yes.

 25 Q Okay. So these rules are cross-referenced to

 1822

 1 each other and they go hand-in-hand, do you agree?

 2 A Again, as a layman, my understanding is that

 3 they are consistent, yes.

 4 Q Okay.

 5 MR. GROSS: Madam Chair, I have another

 6 document for which we have sufficient copies to

 7 hand out, and what it is, it's the cover page and

 8 some relevant excerpts of this Commission's order

 9 on -- it says at the top, October 24th, 1994. That

 10 may be -- may have captured the date of another

 11 order, but this was October -- apparently issued

 12 October 25th, 1994. And it is from the adoption of

 13 numeric conservation goals docket, the big docket

 14 that Dr. Sim was referring to and that many of us

 15 in the room are very familiar with.

 16 MS. BRUBAKER: Madam Chairman -- I'm sorry,

 17 Mr. Gross, could I have you identify the order

 18 number?

 19 MR. GROSS: Yes. The order number is PSC

 20 94-1313-FOF-EG. And I have copies of the cover

 21 page and the excerpts.

 22 CHAIRMAN EDGAR: And while that's being

 23 distributed, Ms. Brubaker, we need to mark the rule

 24 or not since it is --

 25 MS. BRUBAKER: Well, it's really a matter of

 1823

 1 party's preference. The rule in Chapter 90 is

 2 clearly discretionary. We can take judicial notice

 3 of the rules that are published in the FAC. Unless

 4 the party feels strongly that that needs to be

 5 specifically identified as an exhibit, I would

 6 simply recommend that we take notice.

 7 Similarly with orders, the Commission practice

 8 has been the Commission can always take notice of

 9 its own orders.

 10 CHAIRMAN EDGAR: Mr. Gross?

 11 MR. GROSS: I agree with what Ms. Brubaker is

 12 saying. It would be my preference if -- if it

 13 caused no harm to mark these as exhibits just for

 14 ease of reference --

 15 CHAIRMAN EDGAR: Fine.

 16 MR. GROSS: -- in the record.

 17 CHAIRMAN EDGAR: That's fine. We will then --

 18 the first document, which is the Rule 25-17.008 on

 19 the first page will be 199. Which of course then

 20 we'll make the excerpt of the order No. 200.

 21 (Exhibits 199 and 200 were marked for

 22 identification.)

 23 BY MR. GROSS:

 24 Q Dr. Sim, I'd like to -- and certainly if you

 25 need more time to review this. I'm referring to the

 1824

 1 second page of the exhibit and paragraph B and the

 2 Commission's discussion at the -- under that section, at

 3 the bottom of the page, and it carries over to the top

 4 of the next page.

 5 But I'm not going to take all of our time and

 6 read this, but I'd like to just kind of paraphrase that

 7 this -- this is apparently the discussion where the

 8 Commission expresses its preference for the participant

 9 in the RIM test and found that by way of comparison with

 10 the RIM -- between RIM and TRC portfolios energy saving

 11 in this docket, this numeric conservation goal docket,

 12 is negligible.

 13 And the Commission also expressed concerns

 14 about TRC resulting in increased rates for

 15 nonparticipants in a utility DSM measure. Is that -- do

 16 you agree with that -- that I'm accurately paraphrasing

 17 what the order is saying?

 18 A I think the sentence actually reads, "Since

 19 the record reflects that the benefits of adopting a TRC

 20 goal are minimal, we do not believe that increasing

 21 rates even slightly is justified."

 22 And there's also a reference to the fact that

 23 the TRC programs end up for nonparticipating customers

 24 subsidizing customers who do participate.

 25 Q If you look at the last paragraph under

 1825

 1 section B of the -- on the page we're -- the first page

 2 we're looking at, the order reads, "Upon petition from a

 3 utility, lost revenue recovery and stockholder

 4 incentives shall be considered on a case-by-case basis

 5 for such TRC measures that result in large savings and

 6 small rate impacts." Doesn't that suggest to you or

 7 that does suggest flexibility on the part of the

 8 Commission to consider TRC measures in certain cases;

 9 isn't that correct?

 10 A It says, "On petition from a utility." So I

 11 believe it provides a utility the flexibility to come in

 12 and to discuss with the Commission lost revenue recovery

 13 and stockholder incentives.

 14 Q So -- and a -- an expressed concern of the

 15 Commission in this order about the TRC measure is a case

 16 where the savings are negligible and there are

 17 disproportionate rate impacts on nonparticipants,

 18 correct?

 19 A Well, there are rate impacts to all customers,

 20 both participants and nonparticipants. And what the

 21 Commission found is those rate impacts were significant

 22 enough to create cross subsidization problems for

 23 nonparticipants.

 24 Q But where the savings are large and the rate

 25 impacts small, that would be acceptable to the

 1826

 1 Commission, correct?

 2 A I think that would have to be in the eye of

 3 the beholder. And the ruling said that "upon petition

 4 from a utility." So the utility would have to evaluate

 5 that first, is the way I would read it.

 6 Q Well, there's a sentence right here, the

 7 second full paragraph, "Although we are setting goals

 8 based solely on RIM measures, we encourage utilities to

 9 evaluate implementation of TRC measures when it has

 10 found that the savings are large and the rate impacts

 11 are small." Is there anything ambiguous about that

 12 statement?

 13 A No, not at all. And if you continue reading,

 14 it says, "Some measures that may fall into this category

 15 are solar water heaters -- water heating, photovoltaics,

 16 et cetera. Let's take solar water heaters as an

 17 example.

 18 We have examined it for a number of years. In

 19 fact, in the early 1980s, FPL had a conservation water

 20 heating program of which solar water heaters were a -

 21 played a prominent role. At that point there was a

 22 federal energy tax credit of 40 percent on the cost of

 23 the installation itself.

 24 FPL provided a rebate, if memory serves me

 25 correct, up to about $400 for the solar water heaters.

 1827

 1 Over the time of approximately three years, I believe,

 2 FPL paid incentives for 48,000-odd solar water heaters

 3 in our service territory.

 4 However, two things happened. Number one, the

 5 federal energy tax credit went away and, number two,

 6 what we found was that the cost of solar water heaters

 7 just happened to increase at a steady rate to match the

 8 federal energy tax credits and the FPL incentives. And

 9 what happened when the federal energy tax credits went

 10 away, it was not cost-effective under any known

 11 cost-effectiveness test for solar water heaters to be

 12 implemented by utilities. It failed the RIM test, it

 13 failed the TRC test, it failed the participant test.

 14 So we have looked at a number of these items

 15 that are listed here.

 16 Q Thank you, Dr. Sim. I'm going to move on to

 17 another question. And I also have an exhibit.

 18 And I'd like to ask, Madam Chair, would it be

 19 acceptable to also mark that excerpt from the Commission

 20 order as an exhibit?

 21 CHAIRMAN EDGAR: We did that. It's 200.

 22 MR. GROSS: We did that? I'm sorry, I'm

 23 one -- hopefully not more than one step behind you

 24 at this point.

 25 BY MR. GROSS:

 1828

 1 Q Okay. This document that we're handing out is

 2 the EPA Clean Energy Environment Guide to Action, and

 3 it's -- a section 4.2, Public Benefits Funds for Energy

 4 Efficiency.

 5 CHAIRMAN EDGAR: Okay. So this will be 201.

 6 (Exhibit 201 was marked for identification.)

 7 BY MR. GROSS:

 8 Q Dr. Sim, I'd like to refer your attention to

 9 the second page and a paragraph in the right-hand column

 10 titled "Determining Cost-Effectiveness." Six lines

 11 down. I'd like to read this -- a couple of sentences

 12 here.

 13 "Cost-effectiveness tests commonly used by

 14 states are shown in Table 4.2.2" -- and that's on the

 15 next page. And I'm reading this as a foundation for

 16 some questions from that table. "Many states use a

 17 total resource cost test as the basic economic

 18 assessment tool. The TRC test assesses the net lifetime

 19 benefits and costs of a measure or program, accounting

 20 for both the utility and program participant

 21 perspectives." Did you see that language?

 22 A Yes.

 23 Q Okay. And if you turn the page -- actually

 24 just below the table is some language, if only -- "If

 25 using only one test, states are moving away from the

 1829

 1 rate impact measure (RIM) test because it does not

 2 account for the interactive effect of reduced energy

 3 demand from efficiency investments on longer-term rates

 4 and customer bills. Under the RIM test, any program

 5 that increases rates would not pass, even if total bills

 6 to customers are reduced. In fact, there are many

 7 instances where measures that increase energy use pass

 8 the RIM test." Do you disagree with that statement?

 9 A Completely. It's totally inaccurate.

 10 Commissioners, let me try to explain. I've run across

 11 this statement a couple of times, and perhaps this is

 12 the originating document that people are pointing to.

 13 What I disagree with is the following

 14 statement, "Under the RIM test, any program that

 15 increases rates would not pass even if total bills to

 16 customers are reduced." The key phrase is "under the

 17 RIM test, any program that increases rates would not

 18 pass." That's totally incorrect.

 19 What the RIM test does is it takes essentially

 20 the same view as we take when we look at generation

 21 option A versus generation option B. And let's start

 22 with that as an example.

 23 Let's say we have two power plants that are

 24 identical in every respect except one of them costs

 25 100 million, the other costs 150 million. Again

 1830

 1 identical. The $150 million generating option is going

 2 to cost more in terms of the cumulative present value of

 3 revenue requirements and it's going to raise rates more

 4 so than will the $100 million generating option,

 5 however, both generating options may raise rates, just

 6 one will raise them a little bit more than the other.

 7 The RIM test takes the same perspective. It

 8 looks at a generating option and it looks at a demand

 9 side management option. It takes a view of all of the

 10 costs that are incurred by the utility for the demand

 11 side management program and all of the costs and

 12 benefits connected with the generating unit and avoiding

 13 the generating unit. Both options on the utility system

 14 may raise rates from what they otherwise would be if you

 15 took no action. But what the RIM test does is it

 16 identifies which of the two options will raise rates the

 17 least.

 18 That's the accurate statement of what the RIM

 19 test does. It looks at resource options in as similar a

 20 way as is possible as to the way we evaluate two

 21 competing generating options, and that in large part is

 22 one of the reasons why the previous commission in 1994

 23 viewed that the RIM test was the more appropriate test

 24 to use in conjunction with the participant test in

 25 regard to evaluating demand side management programs.

 1831

 1 Q I have another document to be passed out, and

 2 this is the National Overview of the Status of Utility

 3 DSM, and it's one excerpt from a presentation given by

 4 Martin Kushler, Ph.D., director of utilities program,

 5 American Council for an Energy Efficient Economy, and it

 6 was presented at the Colorado DSM informational workshop

 7 on February 8, 2007.

 8 MR. GROSS: And would this be 202?

 9 CHAIRMAN EDGAR: Yes.

 10 MR. GROSS: Okay. Thank you.

 11 (Exhibit 202 was marked for identification.)

 12 BY MR. GROSS:

 13 Q I'd like you to just look at the -- I've

 14 included the cover page, Dr. Sim, but I really would

 15 like you to look at the second page of the exhibit. And

 16 it's a chart entitled "Of the 24 states that use B/C

 17 tests for EE" -- and the B/C stands for benefit/cost, is

 18 that your understanding?

 19 A Yes, that's a common, common shortening of the

 20 moniker.

 21 Q And EE is energy efficiency?

 22 A Yes.

 23 Q And these 24 states that use B/C tests for

 24 EE -- for energy efficiency, it says, most of the states

 25 use more than one test. 15 of those use the total

 1832

 1 resource cost test, eight use the ratepayer impact or

 2 RIM test, and then it has another category of states

 3 that identified a primary test, three use the TRC and

 4 one specifies RIM. Are you aware that Florida is the

 5 one that specifies RIM as a primary test?

 6 A It does not say so in this document so --

 7 Q Okay. Well, I'm asking you if you're aware of

 8 that fact or not.

 9 A I think the document we just went through said

 10 that goals are set on both the RIM and the participant

 11 test. Therefore, I would view that as we use the dual

 12 test. Certainly FPL uses a dual test.

 13 Q Okay. Do you know of -- there are no other

 14 states though in the United States that use the RIM test

 15 as a primary or exclusive test other than the state of

 16 Florida; is that correct?

 17 A I have not surveyed all of the states, sir. I

 18 can't answer that question.

 19 Q Okay.

 20 A I do -- in my opinion, the state of Florida

 21 uses a dual test, the RIM and the participant test.

 22 Q Okay. Do you still have your copy handy of

 23 the Adoption of Numeric Conservation Goals exhibit?

 24 A This is the October 1994 order?

 25 Q Yes. Okay. We're going to be referring to

 1833

 1 that in this next line of questioning.

 2 Now, one of the issues of concern and that was

 3 addressed by the -- this Commission in this order was

 4 the fact that the savings between RIM and TRC portfolios

 5 were negligible in this particular docket, correct?

 6 A I believe the word is "minimal."

 7 Q Well, I mean, I'm reading the second sentence

 8 under B, cost-effectiveness criteria. "The record in

 9 this docket reflects that the difference in demand and

 10 energy saving between RIM and TRC portfolios are

 11 negligible." Do you see that?

 12 A I see that. The word "minimal" is the last

 13 line of that same paragraph, but I wouldn't quibble with

 14 either.

 15 Q Okay. And I won't quibble either. I stand

 16 corrected.

 17 And there the Commission said because of the

 18 benefits of adopting a TRC goal are minimal, we do not

 19 believe that increasing rates, even slightly, is

 20 justified.

 21 Now, assume that in a hypothetical case that

 22 there is a significant difference in the energy savings

 23 between a RIM -- when applying a RIM test and a DSM

 24 test. And I take it that you disagree vehemently with

 25 John -- oh, I'm sorry, I may have -- my mouth didn't say

 1834

 1 what the brain was thinking. But a difference between

 2 the RIM and the TRC test is what I intended. And I

 3 grant it that you disagree with John Plunkett's analyses

 4 and conclusions regarding end user efficiencies,

 5 correct?

 6 A I'm sorry, who are we referring to?

 7 Q Okay. I take it that you disagree with

 8 John Plunkett's analyses and conclusions regarding end

 9 user efficiency.

 10 A Can you point me to what analysis he provided?

 11 Because to my knowledge, he provided no analysis of any

 12 Florida specific demand side management potential,

 13 cost-effectiveness, et cetera.

 14 Q Okay. Well, you would disagree with his

 15 conclusions and recommendations then?

 16 A Absent any analysis provided by your witness,

 17 Plunkett, that used any Florida specific data, and just

 18 leaping to a claim that there are vast amounts of

 19 cost-effectiveness DSM out there in Florida with which

 20 FPL could avoid or defer the unit additions, yes, I

 21 would disagree.

 22 Q And I acknowledge that and -- but I know this

 23 is going to be difficult for you. But part of the

 24 hypothetical is that I'm going to ask you to assume that

 25 Mr. Plunkett is correct and that there is a significant

 1835

 1 difference in energy savings between application of the

 2 TRC test and the RIM test. So this is a hypothetical.

 3 I'm just asking you to assume that.

 4 A And again the assumption is, simply put?

 5 Q Simply put, that Plunkett is correct and

 6 there's a significant difference in the energy savings

 7 when applying the TRC test in this -- in this docket to

 8 FPL and when applying the RIM test.

 9 A I would rephrase the statement slightly

 10 differently in that DSM options that pass the TRC test

 11 but fail the RIM test generally provide higher energy

 12 savings but lower demand savings, all else equal.

 13 Q Okay. Do you agree that applying -- that a

 14 DSM program as proposed by Mr. Plunkett and the amount

 15 of energy savings that he projects would not meet the

 16 RIM test?

 17 A I do not know what Mr. Plunkett is proposing

 18 because he provided no specifics of any DSM program that

 19 I can recall in his testimony.

 20 Q Well, and I apologize, I don't have -- I can

 21 show you one paragraph from his testimony.

 22 MR. GROSS: And if I may approach the witness,

 23 I will.

 24 CHAIRMAN EDGAR: You may.

 25 Q On page 5, lines 18 through 23, he says, "If

 1836

 1 FPL exhibited the same spending depth dollar of program

 2 expenditures per kilowatt hour sold and savings yield

 3 kilowatt per dollar portfolio expenditure as

 4 Massachusetts did between 2002 and 2004, it would defer

 5 the need for both units by one year. If, however, FPL

 6 were to follow PG&E's footsteps and triple its annual

 7 savings, additional DSM would postpone the need date

 8 beyond 2023."

 9 Now I'm not asking you to agree with that. I

 10 know you disagree with that. But just as part of the

 11 hypothetical, assuming that there were that energy

 12 savings potential, it would not pass the RIM test?

 13 A I can't conclude that because I don't have any

 14 of the data upon which to run a RIM or a TRC test. I

 15 don't know what the -- most importantly, I don't know

 16 what the KW savings are for the types of programs he has

 17 in mind.

 18 FPL has a number of programs with a relatively

 19 high energy savings component but they're also

 20 relatively high in KW savings. It's the KW savings that

 21 avoid the power plant, it's not the kilowatt hour

 22 savings.

 23 For example, I can find a much more efficient

 24 street lamp that will save a lot of kilowatt hours but

 25 because it doesn't operate at FPL's peak hour of 4:00 to

 1837

 1 5:00 p.m. on an August afternoon, it's going to do

 2 nothing for me in regard to deferring power plants.

 3 Q Isn't it true that the RIM test limits how

 4 expansive a DSM program can be?

 5 A Would you define expansive, please.

 6 Q Well, how much energy savings there can be?

 7 A No. As I just explained, there are a number

 8 of DSM programs that FPL finds cost-effective under the

 9 RIM test that have fairly significant kilowatt hour

 10 savings but they also have very healthy peak hour KW

 11 savings. That's the key.

 12 Q I have a blown-up version of Exhibit JJP-4

 13 from John Plunkett's direct testimony, and I'd like to

 14 ask some questions about it and have that marked and

 15 we'll pass out copies.

 16 CHAIRMAN EDGAR: And so, Mr. Gross, although

 17 this is contained in a previously-marked exhibit,

 18 you'd like it to be marked again as --

 19 MR. GROSS: I would, if that's acceptable to

 20 you, Madam Chair.

 21 CHAIRMAN EDGAR: 203.

 22 (Exhibit 203 was marked for identification.)

 23 BY MR. GROSS:

 24 Q Now, Dr. Sim, I just call your attention to

 25 the bottom category, DSM Budgets (millions nominal $),

 1838

 1 and the 2008 projection for PG&E's scaled DSM is

 2 $537 million. I'd like you to make a note of that.

 3 A Okay.

 4 Q And I have another exhibit, it's an excerpt

 5 from the Florida Public Service Commission Annual Report

 6 on Activities Pursuant to the Florida Energy Efficiency

 7 and Conservation Act, February of 2007.

 8 MR. GROSS: I would like that marked as 204.

 9 CHAIRMAN EDGAR: Yes, sir.

 10 MR. GROSS: Okay.

 11 (Exhibit 204 was marked for identification.)

 12 BY MR. GROSS:

 13 Q Dr. Sim, would you please look at page 14,

 14 Table 6, the column for FPL for the year 2005, "DSM

 15 Expenditures Recovered Through the ECCR Clause."

 16 A Okay.

 17 Q And it shows a figure of 144,192,696. Is that

 18 a number that you were familiar with previously?

 19 A In general, yes. I know our current DSM

 20 expenditures are in the ballpark of 150 million a year.

 21 Q Okay. And that's significantly lower than

 22 PG&E's projection for 2008, correct?

 23 A It is certainly lower than the number that's

 24 on this page. However, I recall that Mr. Brandt's

 25 rebuttal testimony showed as an exhibit a dollars per KW

 1839

 1 reduced comparison of PG&E versus FPL. And where FPL's

 2 achievements of KW reduction were coming at a cost of

 3 approximately $500 a KW, PG&E's might have been as high

 4 as, memory serves me correct, $1,800 a KW. Certainly

 5 that would tell me that FPL is a lot more efficient

 6 perhaps because we have been doing this for so long and

 7 have been so successful in achieving demand side KW

 8 reductions as efficiently as possible.

 9 I don't think the goal is to see how much

 10 money one can spend on DSM. I think the goal is to find

 11 all of the DSM that can be found cost effectively to

 12 reduce the need for new power plants.

 13 Also, I would suggest that if FPL wished to

 14 triple or quadruple its expenditures on DSM, that might

 15 go a long way towards moving FPL's electric rates in the

 16 direction of those of PG&E. As Mr. Brandt's rebuttal

 17 testimony also showed, where we're at roughly 10 cents a

 18 kilowatt hour, they're almost 20 cents a kilowatt hour.

 19 I don't think that's the goal that FPL has in mind for

 20 its customers.

 21 Q All right. Wasn't FPL closer to -- was it 12

 22 cents and PG&E about 18 cents? I mean, I --

 23 A I believe it was closer to 10 or 11 cents for

 24 FPL and 19-point something for FPL in his exhibit. If

 25 you wish to quibble over –

 1840

 1 Q Well, I won't. I won't. Just seeing that

 2 there was some rounding up higher there.

 3 Now, on page 27, line 13 of your rebuttal

 4 testimony, you say that Florida's DSM successes are

 5 admirable.

 6 A I'm sorry, which page and line?

 7 Q Page 27, line 13.

 8 A Yes.

 9 Q Okay. I have another proposed exhibit,

 10 "Energy Efficiency, Integrated Resource Planning and the

 11 Role of the Public Service Commission." It's a

 12 presentation by Mark Futrell, Florida Public Service

 13 Commission, to the Southeast Energy Efficiency Alliance,

 14 Florida Outreach meeting September 6, 2006. And we're

 15 going to be handing out copies of this exhibit which I

 16 understand would be 205.

 17 CHAIRMAN EDGAR: Yes.

 18 (Exhibit 205 was marked for identification.)

 19 BY MR. GROSS:

 20 Q Okay. Dr. Sim, I'd like to back up just for a

 21 moment before I ask you any questions about this

 22 document. You were giving some figures from

 23 Mr. Brandt's testimony on DSM savings. Do you have

 24 documentation to support the figures that were used by

 25 Mr. Brandt or do you know -- do you have the

 1841

 1 documentation to --

 2 A I do not have Mr. Brandt's rebuttal testimony

 3 in front of me. If someone can provide that to me, I'll

 4 be happy to take a look at it. What I provided you was

 5 my recollection of what was in Mr. Brandt's rebuttal

 6 testimony.

 7 MR. GROSS: May I have just a moment, Madam

 8 Chair?

 9 CHAIRMAN EDGAR: Yes, sir.

 10 BY MR. GROSS:

 11 Q Dr. Sim, please look at Exhibit DB-3 to -- and

 12 it's page 1 of 1 to Mr. Brandt's rebuttal testimony. I

 13 see under FPL for 2005 -- and I can't tell. There's a

 14 number there, 39,119. Is that in millions?

 15 A I'm sorry, we're on page 161 of his Exhibit

 16 DB-3?

 17 Q Yes.

 18 A And which column?

 19 Q Under FPL conservation dollars. I'm assuming

 20 that's what that means. Has CON and a dollar sign and a

 21 column in the middle under FPL.

 22 A I would assume that would be -- actually the

 23 units I believe would be in thousands of dollars so it

 24 would represent for 1999, 42.7 million.

 25 Q Okay. And how -- how about for 2005 for FPL,

 1842

 1 39,119,000?

 2 A Yes.

 3 Q And that represents conservation dollars?

 4 That's a lot lower than the 144 million that you just

 5 agreed was in the ballpark of your understanding of

 6 FPL's conservation spending of $150 million annually?

 7 A No, sir, you're mischaracterizing it. The

 8 document that we saw that you passed out, the Florida

 9 Energy Efficiency and Conservation Act is total DSM

 10 expenditures recovered under the ECCR clause. It is not

 11 conservation only. It is conservation, research and

 12 development, demonstration programs as well as load

 13 management programs.

 14 Q Okay. So that accounts for this figure being

 15 that much lower. And do you -- so only a quarter of

 16 that 144 million is for conservation programs, correct?

 17 A Slightly more than a quarter. 144 and roughly

 18 40.

 19 Q I'd like to move on to -- in fact, thank you

 20 for that answer. And I'd like to move on to the

 21 document that we just marked, the presentation by

 22 Mark Futrell. I'd like you to look at page 20. And if

 23 you recall, I had just pointed your attention to

 24 statement you made in your rebuttal testimony on

 25 page 27, line 13, "Florida's DSM successes are

 1843

 1 admirable." And do you stand by that statement?

 2 A Yes, I do.

 3 Q Okay. Look at the graph on page 20 of

 4 Mr. Futrell's presentation and it shows -- and if you

 5 read it differently, please correct me -- but it shows

 6 that annual -- well, it's "DSM Program Achievements.

 7 Impact of DSM on Energy Consumption in the State of

 8 Florida." That's the title of the graph, correct?

 9 A Yes, it looks to be both.

 10 Q As of 2000?

 11 A As a projection, yes.

 12 Q As of 2005, it's showing virtually no annual

 13 energy avoided, and then from 2005 to 2015, a negligible

 14 amount of annual energy avoided.

 15 A Yes.

 16 Q Correct?

 17 A That's what it shows, but I would disagree

 18 with the data that's shown on this slide.

 19 Commissioners, in regard to the reporting of

 20 historical conservation, what we have discussed with the

 21 staff is that the formatting of the reporting is

 22 creating some problems in regard to capturing of

 23 cumulative DSM impacts. In this case, particularly in

 24 the area of kilowatt hour reduction. And I believe that

 25 the problems in the reporting format is what is leading

 1844

 1 this graph to appear historically the way that it

 2 appears here.

 3 I also would note on a going forward basis

 4 that if this graph were created -- well, the

 5 presentation itself is September 2006. In all

 6 likelihood, that does not reflect the significant

 7 increases in DSM that FPL and, to my knowledge, at

 8 least, Progress Energy Florida had approved by the

 9 Commission in mid to late 2006 after it was reported in

 10 the utility's 2006 ten-year site plans.

 11 Therefore, it would not be shown -- it would

 12 not be capturing those significant increases in both

 13 demand and for this graph, energy reduction.

 14 Q Okay. Well, in August 2006, FPL received

 15 commission approval for two new DSM programs and eight

 16 modified programs, correct?

 17 A I don't recall the exact date. It was

 18 somewhere mid 2006.

 19 Q And I'm sorry, I just misplaced my graph. And

 20 that predates this September 6th, 2006 presentation,

 21 correct?

 22 A Which date does?

 23 Q The August 6th date where FPL received

 24 Commission approval for two new DSM programs and eight

 25 modified programs.

 1845

 1 A Subject to check, let's assume your dates are

 2 correct. However, I doubt that Mr. Futrell took each

 3 utility's individual program approvals and attached them

 4 to what would have been a more readily available source

 5 of information. The year-end 2005, DSM filings by each

 6 utility or the individual utility site plans that would

 7 have been available in April of 2006.

 8 Q I'm getting right at the end of my questions.

 9 One -- you know, in the October 25th, 1994 order on

 10 adoption of numeric conservation goals -- do you

 11 remember that order? That's the order we discussed

 12 earlier.

 13 A The 1994?

 14 Q Yes, 1994.

 15 A Yes.

 16 Q And one of the concerns about the TRC test is

 17 that it might result in rate increases to

 18 nonparticipants, correct?

 19 A It would result in rate increases to all

 20 utility customers, whether they be participants or

 21 nonparticipants.

 22 Q So then is it fair to say then that the

 23 concern is not that -- it has a lower -- you're saying

 24 it has a lower rate impact across the board; is that

 25 what you're saying?

 1846

 1 A I'm sorry, I don't understand the question.

 2 Q Excuse me. The RIM test results in a lower

 3 rate impact?

 4 A Than -- let me try to provide a full answer to

 5 what I think was a partial question.

 6 Q Okay.

 7 A If I may. If you take a DSM program that

 8 passes the TRC test but fails the RIM test, its impact

 9 on rates will be greater than will a program that passed

 10 the RIM test.

 11 Q Okay. The Commission was concerned to the

 12 extent that it did state in the order that a TRC test

 13 could be acceptable on a case-by-case basis if the

 14 savings were -- energy savings were great and the rate

 15 increases were small. Do you recall that statement in

 16 the order?

 17 A Yes, words to that effect.

 18 Q Okay. Now, isn't it possible to shift the

 19 distribution of cost and benefits between groups of

 20 ratepayers to make each group ultimately pay costs in

 21 proportion to the benefits received?

 22 A Can you repeat the question, please.

 23 Q Isn't it possible to shift the distribution of

 24 cost and benefits between groups of ratepayers to make

 25 each group ultimately pay costs in proportion to the

 1847

 1 benefits received?

 2 A I would say it is possible but if we're

 3 talking about this in regard to the TRC test, you still

 4 are going to end up with higher rates overall. You

 5 can't avoid that.

 6 Q So even -- well, and I won't belabor this.

 7 But the Commission did say that if the savings are great

 8 and the rates are small, so they're at least

 9 contemplating the potential that TRC tests could yield

 10 great savings and lower rates?

 11 A No.

 12 Q Okay.

 13 A There is no DSM program that I have ever seen

 14 in which -- that passes the TRC test but fails the RIM

 15 test that will give you lower rates than will a program

 16 that passes the RIM test, all else equal.

 17 Q Now, couldn't the Commission reassign and

 18 reallocate cost of DSM recovered through rates to make

 19 adjustments for this fact, for the rate increases?

 20 A You could allocate the higher rates

 21 differently but you're still going to end up with higher

 22 rates. And you get into the question that the

 23 Commission specifically wished to avoid, the problems

 24 with the TRC test of cross-subsidization between groups

 25 of ratepayers. Therefore, it looked at the RIM test as

 1848

 1 being one that was consistent with how we do evaluations

 2 of generation alternatives that selects the one that

 3 ends up with the lowest rate for all ratepayers between

 4 the two competing options.

 5 Q So you disagree with the EPA's statement that

 6 the RIM test ignores the fact that there's -- under the

 7 TRC test, total rates are actually lower?

 8 A Yes, I disagree. Because every analysis that

 9 we have done or that I have seen confuses in that

 10 statement rates and total cost. Your total costs may be

 11 lower; however, you're dividing by a smaller number of

 12 kilowatt hours, therefore, your rates are higher.

 13 Q Isn't it true that assuming the TRC test is

 14 applied and there are -- and the participant test -- let

 15 me withdraw that question.

 16 One of the concerns that I've heard repeatedly

 17 about the TRC test is that there might be some

 18 ratepayers not participating who would nevertheless be

 19 paying increased rates. Is that your understanding as

 20 well?

 21 A That certainly is the case.

 22 Q Couldn't the Commission in a case where

 23 there's great -- greater energy savings make some kind

 24 of adjustments or allocations to eliminate that

 25 inequity?

 1849

 1 A You then get into the question of cross

 2 subsidization. If under one resource option your rates

 3 are going to be 7 cents and the other resource option

 4 your rates are going to be 8 cents, you can break up the

 5 8 cents and divide it among different classes of

 6 customers to favor one versus the other but you're still

 7 going to end up with customers paying higher rates.

 8 Q Now, isn't it true that the RIM test has the

 9 effect of rewarding ratepayers who refuse to participate

 10 in energy conservation measures?

 11 A I would disagree with the statement.

 12 Rewarding those that refuse to participant in DSM

 13 programs. No, there are in this state large numbers of

 14 customers that are on fixed incomes. There are large

 15 number of customers of relatively low economic means.

 16 There are also -- excuse me, that simply do not have the

 17 wherewithal or do not have the equipment at their house

 18 that can take advantage of DSM programs.

 19 There are also at the other extreme.

 20 Customers that have extremely energy efficient homes

 21 that have participated in virtually all of the programs

 22 that they are eligible for and at the moment can't do

 23 anything else at their home. Those customers, whether

 24 they're at the low end of the economic strata or the

 25 highly efficient home buyers cannot participant in

 1850

 1 programs that -- and if the TRC test were used, they

 2 would be penalized by higher rates. And that was not

 3 the objective of the utilities and the Commission coming

 4 out of the 1994 gold stock.

 5 Q But that would be true if the Commission

 6 didn't make some kind of shifting or reallocations to

 7 protect that class?

 8 A Again, you come back to the simple example of

 9 if one resource option, you end up with rates across the

 10 board at 7 cents and another resource approach you come

 11 up with 8 cents across the board. You can reallocate

 12 the 8 cents all you want. Somebody is going to pay

 13 higher rates.

 14 MR. GROSS: Thank you very much, Dr. Sim. I

 15 have no further questions.

 16 CHAIRMAN EDGAR: Mr. Krasowski?

 17 MR. KRASOWSKI: Yes, ma'am.

 18 CROSS-EXAMINATION

 19 BY MR. KRASOWSKI:

 20 Q Hello, Dr. Sim.

 21 A Good afternoon.

 22 Q Good afternoon. Dr. Sim, you made some

 23 alterations to your testimony in -- on page 31, line 9;

 24 is that correct?

 25 A No, sir. It was actually line 11 and 12.

 1851

 1 Q Could you explain that to me? I kind of

 2 missed it.

 3 A Yes, sir. On line 11, there's a number of 600

 4 there. That number should read 500. And then, sir, on

 5 line 12, the beginning words "with a 20 percent reserve

 6 margin criterion" should be stricken.

 7 Q Okay. Thank you. I would like to ask you to

 8 what extent does -- you're responsible for planning

 9 these facilities, right?

 10 A I supervise a group that's responsible for

 11 identifying what our resource needs are and for at least

 12 in part performing the analysis which identifies the

 13 best, most cost-effective options in which to meet that

 14 need.

 15 Q I would like to distribute the -- it's the

 16 Florida BEBR report --

 17 MR. KRASOWSKI: Jan, can I have one of those

 18 before you give them all away? I don't know if I

 19 have another. But this is a Florida Bureau of

 20 Economic and Business Research.

 21 CHAIRMAN EDGAR: Mr. Krasowski, give us just a

 22 moment so we can get it all in front of us.

 23 MR. KRASOWSKI: Okay. I'm sorry.

 24 CHAIRMAN EDGAR: That's okay. Okay. We will

 25 go ahead and mark, which would be 206 -- will be

 1852

 1 206. Mr. Krasowski.

 2 MR. KRASOWSKI: Okay.

 3 (Exhibit 206 was marked for identification.)

 4 BY MR. KRASOWSKI:

 5 Q Are you familiar with the BEBR report,

 6 Mr. Sim -- Dr. Sim?

 7 A I recognize the name but that's all.

 8 Q Mr. Green made reference to the -- Dr. Green

 9 made reference to his use of this report as part of his

 10 analysis of the population projections which this

 11 project is based -- partially based on. Are you aware

 12 of that?

 13 A I'm aware that Dr. Green uses the BEBR report

 14 in his load forecasting activities. And let me, if I

 15 can, try to clarify the last part of your question. You

 16 said upon which this project is at least partially

 17 based, I believe you said. It's not so much a project

 18 specific basis for this. The population forecast and

 19 Dr. Green's ensuing demand and energy forecast is what

 20 we use to identify the resource need for all of the FPL

 21 system, and we use it to address not only our DSM plans

 22 but our generation plans as well over a number of years.

 23 It's not just this one specific project.

 24 Q Okay. Fair enough. If I could direct your

 25 attention to the back page on the very last column on

 1853

 1 the bottom. It's a cumulation of all of these numbers

 2 that are -- organized by county. And each category has

 3 a low, a medium and a high estimate. So could you tell

 4 me which of these estimates were used by -- in -- by FPL

 5 to identify a forecasted need for additional resource,

 6 power resources for 2010, 15, 20, 20 and 25

 7 throughout -- throughout this report? Can you make a

 8 comment on that?

 9 A My only comment, sir, is I cannot answer the

 10 question. Dr. Green would be -- would have been the

 11 appropriate witness for that. I just do not know.

 12 Q You head up that department though, don't you?

 13 A No, sir, I do not.

 14 Q Does Mr. Silva?

 15 A Mr. Silva is the department head.

 16 Q Okay.

 17 A That is correct.

 18 Q So I'll -- if I can, I'll ask that question of

 19 Mr. Silva, saving this document for later. But that's

 20 not your concern.

 21 All right. Thank you.

 22 In your discussion you identify, the previous

 23 discussion and in your testimony you identify DSM as a

 24 method for accomplishing efficiencies and energy

 25 savings. What -- what -- what other factors external to

 1854

 1 the DSM programs which are very limited -- well, they're

 2 very bracketed to their definition and what you do with

 3 them -- influence your cost savings programs? Not cost

 4 savings. I'm sorry, if I could rephrase. Your energy

 5 savings, your efficiency programs? Is DSM the only

 6 thing that represents your efficiency efforts?

 7 A Sir, can you be a bit more specific as to what

 8 you mean by our efficiency programs, our efficiency

 9 savings?

 10 Q Well, let's use as an example your DSM program

 11 that encourages people to use efficient appliances.

 12 Okay? Now, you -- you encourage people to bring their

 13 plans up to a certain SEER standard. Is there anything

 14 beyond that? Do you encourage people to go to the

 15 maximum with the -- with the -- in their efforts to save

 16 energy? You don't -- do you go outside the DSM programs

 17 in any way to encourage energy savings?

 18 A Your question is a bit multi-part. Let me try

 19 to address it as best I can. In regard to your example

 20 of the air conditioning efficiency program, we typically

 21 introduce or offer various incentive levels with the

 22 incentive getting higher as the jump in efficiency for

 23 that air conditioner that a customer might choose also

 24 increases. So the higher the efficiency, the more we'll

 25 pay.

 1855

 1 So that's an example of how we try to push the

 2 envelope a bit in the DSM programs themselves. I'm sure

 3 I won't do justice to these answers, Mr. Brandt would

 4 have been a better source for it, but I will at least

 5 take a first cut at some of these.

 6 As Mr. Brandt indicated, there are a number of

 7 research and development projects and programs for our

 8 conservation activities that look at evolving

 9 technologies or new ways in which to apply existing

 10 technologies that we are constantly going through, and

 11 many of those have borne fruit and have been introduced

 12 as types of new programs.

 13 In the past, dating back to probably the late

 14 1980s, we attempted to push the building envelope a bit

 15 in the state of Florida by a solar passive home program

 16 in which FPL teamed with three different architectural

 17 firms as well as the Florida Solar Energy Center. We

 18 offered complete blueprint for $50 each for new homes

 19 that included the latest in passive solar design.

 20 That particular program was quite effective.

 21 A number of the blueprints were sold, some of the homes

 22 were built, a DOE efficiency award was granted the

 23 program and, more importantly, the Florida Energy

 24 Building Code took note of it and changed the building

 25 code appropriately to introduce one of the key features

 1856

 1 we highlighted which was radiant barrier insulation.

 2 So items like that are an indication of how

 3 FPL tends to try to push beyond the typical DSM programs

 4 of simply providing rebates to customers as they, as

 5 they change from one appliance to a more efficient one.

 6 Q On page 13 of your testimony, you -- down by

 7 line 17, you explain how your recent efforts have

 8 accounted for project saving of 560 megawatts,

 9 564 megawatts. And this was resulting from your

 10 re-evaluation of your DSM programs and also the addition

 11 of two other DSM programs. Where did you come up with

 12 the idea for the two new additional DSM programs?

 13 A Subject to check, I would say that those were

 14 ones that we were considering through our research and

 15 development programs and our analyses of other program

 16 ideas that are in the industry. As it happened in this

 17 increase of the 564 megawatts as I explained when I was

 18 up discussing the direct testimony, we had just finished

 19 the 2004 DSM goal setting. The next summer, 2005, we

 20 experienced this huge load in our -- increase in our

 21 load of about 1800 megawatts where we had been

 22 increasing at about 675 megawatts a year. This moved

 23 our capacity need not only much higher but moved it much

 24 closer to the present. This allowed a number of DSM

 25 activities that were either not cost-effective or not

 1857

 1 otherwise applicable to become cost-effective or

 2 applicable and therefore we were able to incorporate

 3 those.

 4 It also allowed us to increase incentive

 5 payments for existing programs. And that in large part

 6 is discussed here in the regard to the modifications of

 7 existing programs. So we take into account both the

 8 timing of our capacity need and how far off it is that

 9 affects the amount of money it's cost-effective to pay

 10 for DSM programs. So we're constantly looking at that

 11 year to year to see what might be possible, and the DSM

 12 programs are continually being re-evaluated.

 13 Q You did quite a bit of analysis in trying to

 14 stay on top of and ahead of the need or the opportunity

 15 for DSM?

 16 A Yes, sir, we certainly try to.

 17 Q And you -- and it was interesting to hear it

 18 from you just now that you look outside of your own

 19 house into the industry, and I suppose and beyond, like

 20 DSM and beyond, you know. So it's like -- so my

 21 question -- my question would be, that you do look

 22 out -- you do look outside the -- look out to the

 23 industry in general to learn new things?

 24 A We look both to other electric utilities both

 25 nationally and internationally as well as look outside

 1858

 1 the utility industry itself to see what ideas are out

 2 there, what new technologies might be emerging that we

 3 can make use of at FPL.

 4 Q Have you analyzed PG&E's programs?

 5 A At least several times, yes. I don't know

 6 what the most current evaluation of those are.

 7 Q Okay. How about the Tallahassee utility, are

 8 you familiar with what they're doing now, what their

 9 efforts are?

 10 A I am familiar with the fact that primarily

 11 through a review of the ten-year site plans, that they

 12 are showing a significant shift in their DSM activities.

 13 In reviewing their -- the 2007 ten-year site plan for

 14 the City of Tallahassee, I see that they have

 15 significantly increased their DSM over what they had the

 16 year before, and that I do have some questions about

 17 what they're doing. Namely I see that where they were

 18 planning in their 2006 site plan to a 17 percent reserve

 19 margin, they are currently showing that in -- for at

 20 least four years in the ten-year reporting time frame,

 21 in their 2007 site plan, they are reporting projected

 22 reserve margins of 49 percent for three years and

 23 47 percent for one year.

 24 I'm a little mystified by that. Can't quite

 25 explain it. However, in general, I would say that my

 1859

 1 knowledge of the DSM programs that the City of

 2 Tallahassee has offered over the last ten years or so,

 3 which I think were approved by this Commission in either

 4 '96 or '97, consists primarily of what I will term, and

 5 I don't mean this in any negative sense, more of a

 6 passive type of program in which they offer loans to

 7 customers, they offer information to customers, but the

 8 impetus as I would describe it would be it's more the

 9 onus is on the customer to take the first step.

 10 There's nothing wrong with those programs.

 11 They can be quite effective. But my understanding is

 12 that Tallahassee is now -- well, has -- has seen some

 13 unrealized DSM potential buildup over the last decade or

 14 so which they are going to now more aggressively pursue

 15 in the manner of which other utilities in Florida,

 16 including FPL, have by going directly to the customers,

 17 offering more rebates and getting contractors like HV/AC

 18 contractors to push for higher efficiency and in FPL's

 19 case, to push the fact that FPL is willing to pay

 20 incentives to make up at least partially the difference

 21 in higher cost for higher efficiency.

 22 Q Interesting. As I understand it, Dr. Sim --

 23 and if you could correct me, I'd appreciate it if I'm

 24 wrong -- the Tallahassee utility is customer owned and

 25 that's different from FPL; is that correct?

 1860

 1 A Yes, I'd say there's a fundamental difference

 2 there.

 3 Q Fundamental difference. Okay. So the

 4 Tallahassee utility isn't burdened, if you will, by the

 5 RIM standard?

 6 A I would never call the RIM standard a burden.

 7 Q Okay. Well, would you -- do you understand it

 8 to be true that the Tallahassee utility doesn't design

 9 its program based on -- of RIM standard evaluation

 10 process?

 11 A I simply do not know what their new -- I would

 12 call it their cost-effective -- cost-effectiveness

 13 metric is for their new projection of DSM. I simply

 14 have not had the time to sit down, meet with them and

 15 look through their analyses to find out exactly what

 16 they're doing, so I just don't know.

 17 Q Okay. Okay. Well, I appreciate that. You --

 18 you mentioned the programs over the last ten years.

 19 They have quite a new strategy and plan going on now

 20 so -- but you're not aware of that?

 21 A Well, they must be doing something quite

 22 different to show the change in projections from '06 to

 23 '07. But all I've seen is the ten-year site plan and it

 24 does not go into a description of the types of programs.

 25 Therefore, something that FPL will, I'm sure, follow up

 1861

 1 with Tallahassee to gain a better understanding of

 2 exactly what they're doing.

 3 Q Something potentially to learn from in the

 4 future?

 5 A We're happy to learn from anybody.

 6 Q Yeah. I appreciate that.

 7 I believe -- do you know what the total

 8 resource cost test is, TRCT?

 9 A TRC. Yes, sir, I'm familiar with that test.

 10 Q And I believe that's a big part of the

 11 Tallahassee strategy?

 12 A I note with interest that in the 2006 ten-year

 13 site plan, the TRC test was mentioned, but I do not

 14 recall seeing that mentioned in the 2007 ten-year site

 15 plan. So again I simply have not talked to them to find

 16 out what their cost-effectiveness metric or approach is.

 17 Q Okay. I believe I showed you the last time we

 18 spoke this -- let's see, what was it -- it was the -- it

 19 was the Florida Solar Energy Center project document

 20 here, two-page thing.

 21 A Yes, sir.

 22 Q Okay. And so I'd like to distribute that now

 23 for everyone to see. And my apologizes that the third

 24 page is not copied in color so the graph on there is

 25 just a bunch of scriggly lines. But if anyone wants to

 1862

 1 go into it deeper, they can. It's available on the --

 2 on the web. But the -- essentially I'm just looking to

 3 point out information on the first two pages.

 4 Along the lines of what you said a minute ago

 5 as far as being open to learn from outside sources,

 6 which if I remember correctly was one of the statements

 7 that Mr. Olivera opened with when we first started this,

 8 you know, talking to your FP&L people. They were

 9 open -- he said you were very open to new things and new

 10 methods.

 11 But anyway, this is you. Along with -- let's

 12 see. Along with -- how does that relate to this -- so

 13 I'd just like to submit for your review this project

 14 that the Florida Solar Energy Center did in, I think it

 15 was, 1998 that you pointed out last time and how just by

 16 building -- if we were to implement the standards that

 17 are represented here into our building codes, the

 18 efficient home would represent a 70 percent savings in

 19 energy over the normal home, so to speak. And I

 20 understand this is dated from 1998, but in my

 21 conversations with the Florida Solar Energy Center

 22 it's -- this is still relevant.

 23 So I'd just like to submit this to -- for the

 24 record. And do you have any comments on this,

 25 Mr. Sim -- Dr. Sim? Sorry.

 1863

 1 A Only to the effect that I'm familiar generally

 2 with this. Mr. Brandt and his organization follow this

 3 more closely than I do. But that FPL has worked with

 4 the Florida Solar Energy Center and has provided funding

 5 on numerous occasions for their research work. We think

 6 their building design work in general is quite good.

 7 Q It is some of the best in the country -- well,

 8 I'm editorializing. I'm sorry. I apologize. It's not

 9 my turn to testify, right.

 10 I'd like to hand out another small document

 11 and this is --

 12 CHAIRMAN EDGAR: Before we do that so I don't

 13 get confused, this document, Florida Solar Energy

 14 Center April 23rd, 2007, that will be No. 207, and

 15 then the next document as follows will be 208.

 16 (Exhibits 207 and 208 were marked for

 17 identification.)

 18 Q And this document represents a concise

 19 explanation of the hot water heater program that

 20 Lakeland utilities has been working with. And if -- as

 21 Jan is passing these out, I might say that this was

 22 presented at the energy commission subcommittee on

 23 efficiency and conservation where I saw Mr. Brandt,

 24 which I'm not so surprised maybe. But he was there.

 25 You know. So kind of keeps in line with FPL's interest

 1864

 1 in looking outside of the ivory tower and learning new

 2 things.

 3 So here -- are you familiar with this, with

 4 this --

 5 A In general terms, yes, sir.

 6 Q Okay. And do you think it's something that

 7 FPL would be getting involved in of themselves, to

 8 increase efficiency and improve diversity? Well, the

 9 first question, to increase efficiency?

 10 A Well, as I mentioned before, FPL's

 11 conservation water heating program back in the 1980s was

 12 very successful in helping to incent the use of solar

 13 water heaters. But that died out with the demise of the

 14 federal tax credits as well as the pretty significant

 15 run up in solar water heater costs. And the solar water

 16 heating industry in my view took a significant hit when

 17 the tax credits went away.

 18 They have regrouped, they have come back, we

 19 have looked at a number of different proposals for solar

 20 water heater designs from them. We're looking at data

 21 for solar water heaters both from the industry itself as

 22 well as from the Florida Solar Energy Center. And, in

 23 fact, we're doing cost-effective analyses or were doing

 24 them right before I came up here to take another look at

 25 whether solar water heating would once again be

 1865

 1 cost-effective for FPL to design a program around. I

 2 don't know the status of that yet. I -- I'm sure we'll

 3 pick it up as soon as I get back.

 4 Q I'd like to draw your attention to the first

 5 paragraph of this document, the one that's in bold type,

 6 and ask you -- give you a second to look at that. I

 7 don't know if you've had a chance to.

 8 A Yes, sir, I've read it.

 9 Q Okay. This is very -- a very unique program,

 10 isn't it?

 11 A I don't know if it is totally unique. It is

 12 certainly innovative. Put it that way.

 13 Q Okay. Innovative is good.

 14 A Yes.

 15 Q And it's not totally unique because I think

 16 there's -- it's being done in California so it's not --

 17 but do you find it interesting -- well, let's see.

 18 This -- it says in that paragraph that this program --

 19 the hot water heaters are actually owned by the utility?

 20 A Yes.

 21 Q So -- and then the utility makes a profit off

 22 of operating it?

 23 A Yes.

 24 Q So it's kind of innovative. Innovative is

 25 fine. Thank you.

 1866

 1 A If I may make a comment. Around 1985 or

 2 '86 when the federal energy tax credits went away and

 3 the Solar Energy Industry Association was taking such a

 4 hit due to the downturn in solar water heater business,

 5 we met several times with the directors of the Solar

 6 Energy Industry Association and one of the ideas that

 7 was floated in our discussions was of FPL doing much the

 8 same thing as Lakeland is doing.

 9 And my recollection of those meetings was that

 10 this was not something that the Solar Energy Industry

 11 Association particularly wanted was an entity the size

 12 and the financial strength of FPL getting into the solar

 13 water heating business. Where it might be appropriate

 14 for a smaller entity like a municipal utility like

 15 Lakeland, it was not something that the SEIA members

 16 were looking to at that time for FPL to get involved in

 17 that manner. We ended up looking at, in large part, at

 18 their direction at other avenues that might prove more

 19 beneficial to both parties.

 20 Q I have another two-page -- three-page document

 21 I'd like to get your comments on, if I may.

 22 While these are being passed out, I'd like to

 23 ask you, aside from looking out to the industry, where

 24 else do you believe innovative thoughts and ideas could

 25 come from in terms of developing programs or processes

 1867

 1 or technologies to increase efficiencies?

 2 A Well, outside of the utility industry, we do

 3 pay close attention to developments in -- and let me

 4 step aside for just a moment in regard to efficiency.

 5 The company is continually looking for ways in which to

 6 generate energy more efficiently. So it's not just a

 7 look at efficiency only on the demand side but also on

 8 the supply side.

 9 But returning to the demand side as to how our

 10 product is used, we take a look at a number of

 11 industries such as the HVAC industry, the pump industry,

 12 et cetera. Some of this we do on our own but much of it

 13 we do in regard to -- excuse me, in concert with

 14 organizations such as the electric power research

 15 institute and their committees and working groups that

 16 we -- FPL plays a role in.

 17 Q I -- I have here in front of me something

 18 you're probably familiar with, but let me ask you.

 19 Issue number 4 regarding this whole procedure, it says,

 20 "Are there any conservation measures taken by or

 21 reasonably available to Florida Power & Light Company

 22 which might mitigate the need for the proposed

 23 generating units?"

 24 A I'm sorry, are we looking at the --

 25 CHAIRMAN EDGAR: Mr. Krasowski, I got lost

 1868

 1 there too.

 2 MR. KRASOWSKI: Sorry.

 3 Q This is from -- it's from the docket but

 4 it's -- it's -- what's the cover page? It's on the

 5 prehearing brief.

 6 A Okay.

 7 Q And these are the list of issues that were --

 8 CHAIRMAN EDGAR: Oh, okay. The prehearing

 9 order that lays out the issues. Thank you.

 10 MR. KRASOWSKI: And excuse me for not being

 11 clear.

 12 BY MR. KRASOWSKI:

 13 Q Issue 4 is -- raises the question that if

 14 there are any conservation measures taken by or

 15 reasonably available to Florida Power & Light Company

 16 which might mitigate the need for the proposed

 17 generating units. So I just wanted to bring that up,

 18 that what I'm doing is speaking to that.

 19 A Okay.

 20 Q Trying to elaborate on that. Okay. Here,

 21 this -- the most recent paper, and the next to last of

 22 what we'd like to submit are -- oh, second next to

 23 last -- how come I always get just before lunch? But

 24 okay. This is an explanation at least partially, but it

 25 identifies a source of innovation and information to

 1869

 1 FPL, I believe, from an outside source, and this is the

 2 Florida Energy Commission. And as it's mentioned in

 3 here, the Energy Commission newly formed by the

 4 Legislature in 2006. Are you aware of the Florida

 5 Energy Commission?

 6 A I'm aware it's been formed, yes, sir.

 7 Q Okay. Well, on page -- the third page which

 8 is the last page which is numbered page 1 of 2 -- where

 9 is -- let's see on the other side. We see Mr. Brandt is

 10 listed as a member, right? Which -- a member of the

 11 Energy Commission's -- Energy Efficiency and

 12 Conservation Advisory Group. There's four subcommittees

 13 of this larger group.

 14 And then also Mr. Olivera is serving under

 15 Energy Supply and Delivery Advisory Group. And then

 16 I'll just point out there's a Renewable Energy Advisory

 17 Group and Climate Change Advisory Group. And they're

 18 pretty new, but their mission is to develop a -- an

 19 energy plan for Florida, in a nutshell. That's my --

 20 okay. It's -- and you're somewhat aware of this but

 21 certainly FPL is aware of it because Mr. Brandt and

 22 Mr. Olivera are participants.

 23 Do you agree that this provides enormous

 24 opportunity for new and innovative ideas to come forward

 25 regarding every aspect of power generation and

 1870

 1 efficiency and its integrated implication for economics

 2 and environmental considerations?

 3 A I would certainly agree that it provides a new

 4 forum for all of that, and I would say I hope it's

 5 productive.

 6 Q Okay. Very good.

 7 MR. KRASOWSKI: Can I have a second here?

 8 Q So, Dr. Sim, in conclusion, do you agree that

 9 there's enormous -- I don't say -- okay. Do you agree

 10 that there is quite a number of opportunities and

 11 potential for innovation and redesigning your efficiency

 12 in DSM or other efficiency efforts on the horizon,

 13 including the production of electricity which you're

 14 trying right now. But, I mean, in the future as well?

 15 Maybe -- let me rephrase that because it's too

 16 complicated a question. I've been having my training

 17 here from FPL.

 18 Do we agree that there is -- there is a lot of

 19 opportunity on the horizon for refining efficiency

 20 practices of all utilities throughout Florida?

 21 A I think there is opportunity. I think there

 22 always will be opportunity. Some of it is near term,

 23 much of it is longer term, and FPL, and I'm sure most of

 24 the utilities in the state of Florida, if not all of

 25 them, continue to look at those that are cost-effective

 1871

 1 and applicable for their customers.

 2 Q Okay. And would you agree that there's a

 3 better chance than not that once these groups and

 4 efforts -- these efforts are concluded, that

 5 efficiencies, DSM or otherwise, will be identified that

 6 will totally remove the need for the Glades Power Park?

 7 A No, sir, I'm afraid I can't agree with that.

 8 Q Okay. Fair enough. And then I'm sorry, one

 9 last question. When you -- you were involved in the --

 10 in the planning -- were you involved in the site

 11 selection as well or just the planning after the site

 12 was selected?

 13 A I was not involved in the site collection.

 14 Q And who might I go to to -- Mr. Silva is the

 15 only person left.

 16 A To my knowledge, Mr. Silva was not involved in

 17 the site selection. That would have been Mr. Hicks.

 18 Q Mr. Hicks? Okay.

 19 MR. KRASOWSKI: Well, thank you very much for

 20 your comments and answers to my questions. I'm

 21 done, Madam Chair. Thank you.

 22 CHAIRMAN EDGAR: Thank you. Other questions

 23 from staff?

 24 MS. BRUBAKER: Staff has no question.

 25 CHAIRMAN EDGAR: Commissioners?

 1872

 1 Commissioner Carter.

 2 COMMISSIONER CARTER: Thank you, Madam Chair.

 3 I'll try to make it a compound question and get it

 4 done.

 5 You mentioned in your discourse about the

 6 solar water heaters, you said that when the tax

 7 credits were available, the cost of the solar water

 8 heaters went up with it. Did I hear you correctly

 9 on that?

 10 THE WITNESS: Yes, sir.

 11 COMMISSIONER CARTER: And you said also that

 12 once the tax credit was taken away, the

 13 participation in the program also ceased?

 14 THE WITNESS: Yes.

 15 COMMISSIONER CARTER: Is that correct? Is it

 16 a -- and I probably should have asked Mr. Brandt

 17 this -- is it your opinion that most of the DSM

 18 programs tend to follow where there's not some

 19 incentive given by government tax credits or

 20 et cetera, something along those lines, in order --

 21 and the basis of my question is such that is there

 22 any sustainability in DSM programs? I mean, I

 23 don't want a discourse, I'm just trying to put it

 24 in the context of your response.

 25 THE WITNESS: Sustainability, sir, without

 1873

 1 rebates or tax credits? I would say there's

 2 certainly some level of sustainability that will

 3 always be there. As innovation creates new

 4 products, as prices of fuel tend to increase, as

 5 prices of electricity tend to increase, there will

 6 always be opportunities for customers to wish to

 7 take advantage of, cost-effective for them, items

 8 that are on the market, whether sponsored by a

 9 utility, whether incentivized by government or not.

 10 And along those lines, I think there's at

 11 least for the foreseeable future as far out as I

 12 can see, there's going to be a role for utilities

 13 to play in regard to bringing in front of their

 14 customers items that are cost-effective not only

 15 for their -- for the customers themselves but also

 16 for the -- for the utility itself.

 17 And I think there will always be a role as

 18 innovation continues for building code groups to

 19 take a look at how homes and buildings may be

 20 designed to be more energy efficient.

 21 So in terms of general sustainability, I think

 22 there will always be opportunities. Again, as we

 23 just discussed, some of them fairly near term, many

 24 of them further out over the horizon. But as we

 25 get there, those will come forward and the

 1874

 1 opportunities hopefully can be taken advantage of.

 2 COMMISSIONER CARTER: Thank you, Madam Chair.

 3 CHAIRMAN EDGAR: Mr. Anderson?

 4 MR. ANDERSON: Thank you.

 5 REDIRECT EXAMINATION

 6 BY MR. ANDERSON:

 7 Q Dr. Sim, Mr. Krasowski asked you about the

 8 Lakeland water heating program. Do you remember that?

 9 A Yes, sir.

 10 Q What's the total subscription of that program?

 11 A To the best of my recollection, it's

 12 approximately 60 customers.

 13 Q About how many megawatts or kilowatts would be

 14 deferred from a program like that?

 15 A I believe an electric water heater load in --

 16 at least in our service territory is approximately one

 17 fifth of a KW. So replacing it with a solar water

 18 heater would knock off .2 KW. So 60 customers would get

 19 you, to put it simply, not much.

 20 Q Would you please distinguish between

 21 conservation programs and load management programs?

 22 A Yes. The -- I think the best way for me to

 23 distinguish the difference is conservation programs are

 24 non-dispatchable. The utility does not have its finger

 25 on the button. A change is made that's permanent or

 1875

 1 nearly permanent to a home or to an appliance whereas

 2 load management programs are those in which the utility

 3 either through direct control such as load control or

 4 through time of use rates shifts the load from one

 5 period to another, typically from high price peak

 6 periods to off peak lower price periods.

 7 Q Do both conservation and load management help

 8 defer new power plants?

 9 A Cost-effective conservation and cost-effective

 10 load management do because they are able to address

 11 significant peak hour demand savings.

 12 Q Are both considered demand side management?

 13 A Yes.

 14 Q Mr. Beck asked you some questions concerning

 15 Exhibit 159 in evidence which was the "A Call for

 16 Action," USCAP document. Do you recall that?

 17 A Yes.

 18 Q In particular, he singled out the portion of

 19 page 9 about new coal based energy facilities. Do you

 20 remember that?

 21 A Vaguely. Yes.

 22 Q Okay. I've handed you a revised and updated

 23 statement from USCAP which is the "A Call for Action."

 24 I draw your attention, please, to page 9.

 25 MR. ANDERSON: Can we mark this for the

 1876

 1 record, please.

 2 CHAIRMAN EDGAR: Okay. So you're telling me

 3 that this is a newer version of the same document

 4 that we had at 159?

 5 MR. ANDERSON: That's right.

 6 CHAIRMAN EDGAR: Okay. I am on 210.

 7 (Exhibit 210 was marked for identification.)

 8 BY MR. ANDERSON:

 9 Q Okay. So Exhibit 210, please turn to page 9.

 10 Are you there?

 11 A Yes, sir.

 12 Q Do you see the right-hand column under new

 13 coal based energy facilities and other stationary

 14 sources?

 15 A Yes.

 16 Q Okay. Do you see the -- could you please read

 17 for us that paragraph?

 18 A The paragraph reads, "Coal supplies over

 19 50 percent of our current electricity generation and

 20 will play a continuing role in our energy future.

 21 Policies are needed to speed transition to low and zero

 22 emission stationary sources that can cost effectively

 23 capture CO2 emissions for a geologic sequestration. We

 24 do not take a position as a group on any specific

 25 project even though as individual organizations, many

 1877

 1 USCAP members do have such position.

 2 Q And up in the header up above, there's a

 3 number 1 as a footnote. Do you see that?

 4 A Yes.

 5 Q What does the footnote say?

 6 A Footnote No. 1 reads, "The language contained

 7 in this section has been revised from the original

 8 version of this report to clarify the intent of the

 9 USCAP."

 10 Q And the section they refer to is what you just

 11 read, right?

 12 A Yes, sir.

 13 Q Mr. Gross read portions of the Florida

 14 Administrative Code, Rule 25-17.001 addressing DSM. Do

 15 you remember that?

 16 A Yes, sir.

 17 Q Do you recall -- referring to subsection 3 of

 18 that same rule, which was marked as Exhibit 199, do you

 19 have that there?

 20 A I have many, many papers here. Can you tell

 21 me what the title is, please.

 22 Q The title on the first page is 25-17.008,

 23 Conservation of Self Service, et cetera. It's the rule.

 24 A Yes, sir, I have that.

 25 Q Looking down at subsection 3 of the rule, are

 1878

 1 there other objectives of the Florida Energy Efficiency

 2 and Conservation Act stated there? Is, for example, is

 3 reduction of peak demand also a primary goal of the

 4 Florida Energy Efficiency and Conservation Act?

 5 A You're referring to the second page of this --

 6 Q Yes, I am.

 7 A Okay. Yes, reducing the growth rate of

 8 weather sensitive peak demand on the electric system to

 9 the extent cost-effective is a priority.

 10 Q Would increasing spending on DSM activities as

 11 suggested by Sierra Club witness Mr. Plunkett reduce

 12 peak demand?

 13 A If I could reduce a KW for $1, I don't see a

 14 benefit for reducing the same KW by spending $2.

 15 Q Would increasing spending on DSM activities as

 16 suggested by Sierra Club witness Mr. Plunkett defer the

 17 need for FGPP?

 18 A From everything I've seen in analyses, not

 19 only for this project but in the past 10 to 15 years, I

 20 would say no. Demand side management cannot cost

 21 effectively do away with the need for the FGPP units.

 22 Q Would increasing spending on DSM activities as

 23 suggested by Sierra Club witness Mr. Plunkett increase

 24 rates to customers?

 25 A All else equal, yes, it would.

 1879

 1 Q Regarding the 1994 DSM goals order that you

 2 discussed, the order said that the TRC test could be

 3 used where the savings are large and the rate impacts

 4 are small. Do you remember that?

 5 A Yes, I do.

 6 Q Has FPL encountered a situation where it has

 7 felt that the savings in the TRC test would be large and

 8 the rate impact small?

 9 A No, we haven't and we have looked.

 10 Q If FPL changed to the TRC test for cost

 11 effectiveness, do you think there would be substantial

 12 incremental demand or KW reduction?

 13 A I do not think there would be anything nearly

 14 substantial enough to do away with the need for the

 15 power plant. I think you would see rates increase, you

 16 would see some energy, some additional energy reduction

 17 but not a proportional increase in the amount of peak

 18 hour KW reduction.

 19 Q Mr. Gross asked you about new programs

 20 approved for FPL in 2006. Were the incremental savings

 21 from these new programs approved by the Commission

 22 incorporated into FPL's resource planning in determining

 23 whether FGPP was needed?

 24 A Yes. The projected number of megawatts over

 25 the ten-year period was 564 megawatts, and those were

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 1 included in all of our analyses.

 2 MR. ANDERSON: That's all that FPL has. We

 3 would offer Exhibit 134 and 210.

 4 CHAIRMAN EDGAR: Okay. Exhibit 134 will be

 5 entered into the record. Any objections to exhibit

 6 marked 210?

 7 MR. BECK: Madam Chair, maybe Mr. Anderson

 8 could represent. I don't believe either

 9 Exhibit 159 or 210 have dates on them. I was

 10 wondering if he could represent what the dates are.

 11 MR. ANDERSON: The documents do not state

 12 dates on their face. I agree they don't state

 13 dates.

 14 MR. BECK: Right. I'm just wondering for the

 15 record, do you know?

 16 MR. ANDERSON: We are checking if we know the

 17 answer to that.

 18 MR. GROSS: Madam Chair?

 19 CHAIRMAN EDGAR: Mr. Gross?

 20 MR. GROSS: We would like to independently

 21 determine when this document, this new USCAP

 22 document, when it was created and would like to

 23 supplement the record accordingly.

 24 CHAIRMAN EDGAR: Supplement beyond the date?

 25 MR. GROSS: Yes.

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 1 CHAIRMAN EDGAR: Or just the date?

 2 MR. GROSS: Just the date.

 3 CHAIRMAN EDGAR: Just the date?

 4 MR. GROSS: Just the date.

 5 CHAIRMAN EDGAR: Mr. Anderson?

 6 MR. ANDERSON: We do not -- we checked and we

 7 do not know the specific dates. We do know the

 8 sequence of the documents because the latter one

 9 refers to it being a revision. And of course the

 10 USCAP documents only came out after, for example,

 11 FPL and other -- FPL group and other companies

 12 announced their participation in USCAP which was --

 13 I'm just not recalling when we did that. Very

 14 recently.

 15 CHAIRMAN EDGAR: Ms. Brubaker, do you have a

 16 suggestion?

 17 MS. BRUBAKER: Well, I'm kind of struggling

 18 with the idea of how to authenticate the date for

 19 the -- what is presumably the newer document.

 20 Perhaps a late-filed would be the way to address

 21 that.

 22 MR. ANDERSON: We'll offer a late-filed on

 23 that.

 24 CHAIRMAN EDGAR: Mr. Beck, Mr. Gross, will

 25 that –-

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 1 MR. BECK: That's fine by me.

 2 MR. GROSS: This would be a

 3 late-filed exhibit?

 4 CHAIRMAN EDGAR: Dated.

 5 MR. GROSS: By FPL?

 6 CHAIRMAN EDGAR: Yes.

 7 MR. ANDERSON: And right.

 8 MR. GROSS: We would like to be able to

 9 independently verify it. And of course if it's the

 10 same, there would be no issue.

 11 CHAIRMAN EDGAR: Ms. Brubaker?

 12 MS. BRUBAKER: Well, I suppose the easiest way

 13 to address the question is to talk about how we're

 14 going to authenticate. Are you going to request a

 15 certified copy or --

 16 MR. ANDERSON: We'll have to ask and find a

 17 way that's sufficiently probative because it's not

 18 our document. It's a document by this group of

 19 companies and it was not, you know, produced under

 20 our control. So we'll have to ask and obtain that

 21 information.

 22 MS. BRUBAKER: To be quite frank,

 23 Commissioner, you know, there's the same problem

 24 with No. 159 that was submitted by Sierra. We

 25 don't have an authenticating date. So do we make

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 1 it commensurate and ask both parties to have some

 2 sort of confirmation or can we simply, you know --

 3 CHAIRMAN EDGAR: Mr. Guest, do you have a

 4 suggestion?

 5 MR. GUEST: Yeah. I think we should both do

 6 it. I mean, I couldn't agree more. We should have

 7 the dates for them both and see what they look

 8 like. And I think the way to do it is going to be

 9 to just maybe get an affidavit or something from

 10 the which we've been able to do fairly easily in

 11 various other forums.

 12 CHAIRMAN EDGAR: Mr. Anderson, can you

 13 accommodate that?

 14 MR. ANDERSON: We'll see what we can get.

 15 That's a reasonable approach. We just have to

 16 track it down and see what we can do.

 17 CHAIRMAN EDGAR: Okay. So 210 will be late

 18 filed by FPL.

 19 Then that brings us to, Mr. Gross, the

 20 exhibits that you have submitted which were 198

 21 through 205. Mr. Anderson? Mr. Anderson, any

 22 objections to Exhibits 193 through 205?

 23 MR. ANDERSON: I need to look at them very

 24 briefly. I'm sorry.

 25 CHAIRMAN EDGAR: Okay. How about we do this.

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 1 And let's take five minutes anyway because I would

 2 like to stretch. Ten? I see ten. So we will take

 3 ten minutes. When we come back, we will finish

 4 taking up the exhibits that have been put forth

 5 during Mr. Sim's testimony and then we will push

 6 on. We are going a little later than I expected

 7 but we will push on with our final witness. So

 8 let's clear the cobwebs, take ten minutes, and

 9 we'll be back.

 10 (Break taken.)

 11 CHAIRMAN EDGAR: Okay. We will go back on the

 12 record. On the break, Mr. Anderson distributed the

 13 relabeled -- is that correct?

 14 MR. ANDERSON: That's right.

 15 CHAIRMAN EDGAR: -- version of the exhibit

 16 that had previously been marked 178. So that has

 17 been distributed to Commissioners, staff, the

 18 parties and the court reporter. So that will be

 19 submitted into the record as we had discussed

 20 earlier.

 21 And that brings us then to the exhibits that

 22 had been submitted by Mr. Gross during Mr. Sim's

 23 testimony, Exhibits 198 through 205. Mr. Anderson,

 24 are there any objections?

 25 MR. ANDERSON: No.

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 1 CHAIRMAN EDGAR: No objections. Seeing no

 2 objections, okay, Exhibits 198 through 205 will be

 3 entered into the record.

 4 (Exhibits 198, 199, 200, 201, 202, 203, 204

 5 and 205 admitted into the record.)

 6 CHAIRMAN EDGAR: And that brings us to

 7 exhibits submitted by Mr. Krasowski, 206 through

 8 209.

 9 MR. ANDERSON: And then one other brief

 10 housekeeping matter. We talked about the dates for

 11 210, remember that.

 12 CHAIRMAN EDGAR: Oh, yes.

 13 MR. ANDERSON: And 159 which was counsel's --

 14 our thought would be if acceptable to counsel and

 15 the Commission, admit them both now and then also

 16 follow with a late-filed. That will keep it on the

 17 right footing. The late-filed will be just the

 18 date.

 19 CHAIRMAN EDGAR: And I'm seeing nods from

 20 Mr. Guest, Mr. Gross, Mr. Beck. Let me look to

 21 Ms. Brubaker.

 22 MS. BRUBAKER: And for the sake of clarity,

 23 would we make that Late-Filed No. 211?

 24 MR. ANDERSON: That will be fine.

 25 CHAIRMAN EDGAR: Okay. 211 to be late filed

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 1 by Mr. Anderson. Okay.

 2 (Late-Filed Exhibit 211 identified.)

 3 (Exhibits 206, 207, 208, 209 and 210 admitted

 4 into the record.)

 5 CHAIRMAN EDGAR: So then we can go ahead and

 6 admit 210? Okay. Then 211 will be late-filed, 210

 7 is admitted.

 8 And that brings us then to 206 through 209.

 9 Any objections? Ms. Brubaker? No objections.

 10 Okay. Mr. Krasowski, then we will enter 206, 207,

 11 208 and 209.

 12 (Exhibits 206, 207, 208 and 209 admitted into

 13 the record.)

 14 CHAIRMAN EDGAR: Mr. Sim, you are excused.

 15 Thank you for your patience.

 16 MS. SIMPSON: Thank you.

 17 CHAIRMAN EDGAR: Mr. Litchfield, your witness.

 18 MR. LITCHFIELD: Thank you, Chairman Edgar.

 19 FPL's next and last witness is Mr. Rene Silva. And

 20 Mr. Silva has previously appeared and been sworn.

 21 Thereupon,

 22 RENE SILVA

 23 was recalled as a witness on behalf of FPL, and having

 24 been duly sworn, testifies as follows:

 25 DIRECT EXAMINATION

 1887

 1 BY MR. LITCHFIELD:

 2 Q Good afternoon, Mr. Silva.

 3 A Good afternoon.

 4 Q Have you prepared and caused to be filed 38

 5 pages of prefiled rebuttal testimony in this proceeding?

 6 A Yes, I have.

 7 Q And did you also cause to be filed errata to

 8 your rebuttal testimony on April 13th, 2007?

 9 A Yes.

 10 Q Do you have any further changes or revisions

 11 to your prefiled rebuttal testimony?

 12 A No.

 13 Q Okay. Considering the errata that you filed,

 14 if I were to ask you the same questions contained in

 15 your prefiled rebuttal testimony today, would your

 16 answers be the same?

 17 A Yes.

 18 MR. LITCHFIELD: Madam Chairman, I would ask

 19 that Mr. Silva's prefiled rebuttal testimony be

 20 inserted into the record as though read.

 21 CHAIRMAN EDGAR: The prefiled rebuttal

 22 testimony with the errata will be entered into the

 23 record as though read.

 24

 25

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 1 MR. LITCHFIELD: And it's my understanding

 2 that there are no exhibits associated with

 3 Mr. Silva's rebuttal testimony.

 4 BY MR. LITCHFIELD:

 5 Q Mr. Silva, have you prepared a summary of your

 6 rebuttal testimony?

 7 A Yes, I have.

 8 Q Would you please provide that to the

 9 Commission at this time.

 10 A Yes. Thank you. Good afternoon,

 11 Chairman Edgar, Commissioners. Thank you for giving me

 12 this opportunity to summarize my rebuttal testimony.

 13 My rebuttal testimony explains why a number of

 14 statements presented in Mr. Schlissel's testimony is

 15 incorrect. First, the evidence presented by FPL clearly

 16 shows that FPL has appropriately considered all

 17 available alternatives to meet the resource needs of

 18 FPL's customers and maintain fuel diversity in the

 19 future; that FPL has performed an effective complete

 20 evaluation that addresses all issues that are relevant

 21 to the determination of the best resources to add to

 22 FPL's portfolio in 2013 and 2014; and that the results

 23 of FPL's evaluation presented to the Commission as part

 24 of this petition for determination of need demonstrate

 25 that the addition of FGPP in 2013 and 2014 is the best,

 1928

 1 most cost-effective alternative to maintain system

 2 reliability by maintaining adequate resource reserves

 3 and fuel diversity in FPL's system.

 4 Second, my rebuttal testimony demonstrates

 5 that FPL's 20 percent reserve margin reliability

 6 planning criteria is appropriate and necessary to ensure

 7 reliable service for FPL's customers. Specifically, my

 8 testimony shows that a reserve margin planning criterion

 9 of 15 percent as suggested by Mr. Schlissel would

 10 provide insufficient generation reserves to ensure

 11 reliable service even under unordinary conditions and

 12 would make it very difficult to perform necessary

 13 planned maintenance on FPL's advanced gas turbines.

 14 In addition, using such a lower planning

 15 criterion would result in excessive exercise of DSM

 16 which would lead to DSM cancellations and lower DSM

 17 descriptions in the future. Using such a lower

 18 criterion would also require excessive use of older,

 19 less efficient peaking units which would result in

 20 greater forced outages and higher fuel costs. In other

 21 words, the system would not be reliable.

 22 Third, my rebuttal testimony shows that

 23 denying FPL's petition for a timely determination of

 24 need, whether in the form of a rejection or delay, as

 25 Mr. Schlissel and Mr. Plunkett suggest, would not be in

 1929

 1 the best interest of FPL's customers because such a

 2 denial would result in a severe reduction in fuel

 3 diversity just when our customers need fuel diversity

 4 the most and would make our customers even more

 5 vulnerable to the very uncertainties that a delay would

 6 purport to mitigate.

 7 Furthermore, the only other possible

 8 alternative to FGPP, which would be adding gas

 9 generation exclusively, results in higher costs, lower

 10 reliability, and greater uncertainty.

 11 FPL's filing shows that only the addition of

 12 FGPP to FPL's portfolio can enable FPL to maintain the

 13 level of fuel diversity and generation reserves

 14 necessary to deliver service reliability and mitigate

 15 the effect of expected uncertainties in natural gas

 16 prices for the benefit of its customers.

 17 For these reasons, the Commission should grant

 18 the determination of need for the addition of FGPP 1 and

 19 2 in 2013 and 2014 respectively. Thank you.

 20 MR. LITCHFIELD: Mr. Silva is available for

 21 cross-examination.

 22 CHAIRMAN EDGAR: Thank you. Mr. Beck? No

 23 questions. Mr. Gross?

 24 MR. GROSS: No questions.

 25 CHAIRMAN EDGAR: No questions? Mr. Krasowski?

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 1 MR. KRASOWSKI: Yes, thank you.

 2 CROSS-EXAMINATION

 3 BY MR. KRASOWSKI:

 4 Q Hello, Mr. Silva, how are you doing?

 5 A Hello, Mr. Krasowski.

 6 Q So, Mr. Silva, judging from your comments and

 7 your testimony, am I to understand that you think a

 8 delay in building this facility and giving an

 9 opportunity to all of the Commission's organizations,

 10 governmental agencies and the Governor, Governor's

 11 efforts a chance to -- to find alternatives for this

 12 facility would not be a good idea? Should I rephrase

 13 that? It's kind of long.

 14 A I think you phrased it very clearly. Yes,

 15 that's what I'm saying. To delay this project would not

 16 be in the best interest of FPL's customers because

 17 there's absolutely no assurance that any alternative

 18 could possibly defer the need for this unit.

 19 Q Mr. Silva, I'd like to call your attention

 20 to -- and I'll give you this if you don't have it with

 21 you. I don't think you do. May I approach the witness,

 22 ma'am?

 23 CHAIRMAN EDGAR: What is it?

 24 MR. KRASOWSKI: It's the BEBR report that was

 25 entered a moment ago.

 1931

 1 CHAIRMAN EDGAR: Yes.

 2 MR. KRASOWSKI: Mr. Sims suggested we ask you

 3 about this. Do you have another one? Thank you.

 4 BY MR. KRASOWSKI:

 5 Q My particular interest in this is to ask you

 6 to what degree did you consider the BEBR report for

 7 population projection when you decided on moving forward

 8 with this project?

 9 A As Dr. Sim indicated, Dr. Green used the BEBR

 10 report as part of his projection for need in the future.

 11 And that is a reflection of FPL's forecast. I will not

 12 be able to answer detailed questions, but I'd be happy

 13 to listen to questions that you have and as far as I can

 14 answer, I will.

 15 Q Okay. I appreciate that very much. My only

 16 question is, are you aware of whether or not

 17 Mr. Green -- it's on the back bottom -- Dr. Green,

 18 sorry -- Dr. Green used the low, medium or high

 19 forecast?

 20 A Yes. Dr. Green uses the medium forecast for

 21 population in Florida. And one interesting note is that

 22 we have used this for many years and not once in all the

 23 years that we have used it has the actual population

 24 growth come at or below the forecast. It has always

 25 uniformly been significantly higher than the forecast.

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 1 In the last three years, for example, the

 2 forecast that came seven years before, that was prepared

 3 seven years before, essentially the same lead-time that

 4 we have now to plan for FGPP averaged being lower than

 5 the actual by 6.9 percent. So population growth has

 6 outdone the forecast every year and in the last few

 7 years even more strongly than ever.

 8 Q I had other questions about population

 9 projections but Dr. Green has addressed those and it's a

 10 matter of record, as far as schools and all of that.

 11 But do you agree that the population

 12 projections are probably accurate even though there's a

 13 decline in economic growth and activity across the

 14 state?

 15 A I cannot agree that there's a decline in

 16 economic activity across the state.

 17 Q Thank you. Okay. On page 5 of your

 18 testimony, you mention that we would need 20 square

 19 miles of solar voltaic panels to provide the equivalent

 20 energy that would come from this project.

 21 A That's correct. The area that would have to

 22 be used for photovoltaic according to our experts, we

 23 would cover 20 square miles.

 24 Q Given that your service area is about -- spans

 25 about a third of the state, and so that would be like 23

 1933

 1 counties, that's not all that much when you consider the

 2 area covered by roof tops, wouldn't you say?

 3 A I am not commenting here about solar energy

 4 that homes or businesses might have on the roofs. My

 5 comment here is portable takes for the production of

 6 electricity at a central plant and this is our estimate

 7 of what it would take.

 8 I also wanted to indicate that the cost of

 9 solar installation in dollars per megawatt hour would

 10 be $250 per megawatt hour. More than two-and-a-half

 11 times what the only FGPP cost would be if you could do

 12 it using 20 square miles of land. And that's not the

 13 only statistics. The size of this facility would be

 14 equivalent to 100 times the total installation of

 15 photovoltaic in the United States in 2005.

 16 So if you use that as an average, in essence

 17 we've been saying that we would have to compress 100

 18 years of installation between now and 2017. It's just

 19 not a feasible alternative.

 20 And I might add, solar does not provide

 21 capacity. You cannot count on it when you have the peak

 22 load because of cloud cover, because of humidity, rain,

 23 et cetera.

 24 So if you were to add solar generation for

 25 energy, you would also have to add backup capacity in

 1934

 1 the form probably of simple cycle combustion turbines.

 2 So when you need to meet peak load and the sun is not

 3 able to produce the electricity, then you would have

 4 something to fall back upon.

 5 So the equivalent cost that I refer to does

 6 not even reflect the incremental costs of that backup

 7 capacity. That's the reason why we say that we have

 8 evaluated these alternatives or they simply in this

 9 magnitude do not make economic sense.

 10 Q Mr. Silva, do you not agree that when it's

 11 cloudy outside there's a diminished need for energy?

 12 A When it's cloudy in one location, there. But

 13 you could have wherever the plant is, which is affected

 14 by clouds but the rest of the state has a peak load

 15 because it's very hot. So you can't count on that.

 16 Q So distributive energy would be the way to go?

 17 A That is a possibility that can be pursued.

 18 But again, it is not something that is developed today

 19 to the point that our customers can count on it to meet

 20 their needs for capacity in this time frame.

 21 Q Let me ask you this. Would you agree that

 22 on-site electrical production and deferral of electrical

 23 need, solar hot water, is diversity, represents

 24 diversity?

 25 A Yes, it provides a measure of diversity. But

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 1 I -- but I think that it's relatively limited.

 2 Q Would you believe that on-site electricity and

 3 solar hot water -- well, do you -- would you agree that

 4 on-site solar hot water heating provides a greater

 5 degree of diversity and stability and security to

 6 customers being that, let's say, after disruption of

 7 service of the big centralized power plant, the local

 8 on-site hot water heater would be available in the case

 9 of a hurricane or something for people to clean

 10 themselves and be comfortable until the power company

 11 got back on line?

 12 A If you're asking for one or the other, then I

 13 would not agree that this gives you greater security.

 14 The hot water heating would only be a small portion of

 15 the electric demand. And I perceive that there's many

 16 other uses for electricity that would be of greater

 17 interest to customers.

 18 Q I should have phrased my question, to make it

 19 clear, that I'm talking about an integrated program.

 20 You're familiar with the Lakeland pilot program on solar

 21 hot water that the Lakeland utilities provides the hot

 22 heaters for their 60 -- I believe it's 90, now,

 23 customers. Are you familiar with that?

 24 A I've heard it in this forum.

 25 Q And you understand that that's a model

 1936

 1 experimental program that's being discussed?

 2 A Yes, I've heard that.

 3 Q Okay. Now, help me understand this. There's

 4 a lot of talk about alternative energies, like

 5 streetlights at night, efficient streetlights at night

 6 wouldn't affect the peak so they don't contribute to

 7 deferral of the need for a new power plant. But don't

 8 things like efficient air conditioners and efficient

 9 streetlights as far as the traffic lights, LED lights as

 10 opposed to what we usually use now, the regular bulbs,

 11 don't they operate continuously; therefore, they do draw

 12 down the amount of energy that's needed for peak, their

 13 efficiencies?

 14 A Anything that would draw down the load during

 15 the areas of peak would be helpful. But the issue is by

 16 how much and how effectively. The point is that in

 17 general, these -- these ideas are the type of ideas that

 18 FPL pursues and has pursued. We are in no way saying we

 19 shouldn't do this. In fact, we are saying we do these

 20 things. We do them to the extent that it's

 21 cost-effective to do them.

 22 However, the ultimate decider in how much can

 23 be done with these programs is the customer and

 24 cost-effectiveness. We're doing it to the extent that

 25 it's cost-effective and possible. And even with all of

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 1 that, even with all of the concepts that have been put

 2 forth, it is not nearly enough now or in the future in

 3 this time horizon of 2013 to 2017 to defer the need for

 4 generating capacity in the system. It just is not

 5 there.

 6 Q Let's see. On page 27, line 7 through 10 on

 7 your -- in your rebuttal testimony, you say that

 8 according to Mr. Brandt's testimony, there is still room

 9 for -- excuse me, you didn't say that. We said that.

 10 Let's see.

 11 You made the comment in relation to what you

 12 said, you said in answer to a question about

 13 Mr. Plunkett's recommendation, that the Commission

 14 directed FPL to design and develop an aggressive DSM

 15 portfolio capable of deferring the need for additional

 16 generation for at least five years, and that is through

 17 2018, to allow time for FPL and the Commission to

 18 evaluate a wide range of alternatives.

 19 And the question then was put to you, "Do you

 20 agree with Mr. Plunkett's recommendation?" And your

 21 answer was, "No. Mr. Brandt's rebuttal testimony

 22 explains that there is not sufficient achievable cost

 23 effective additional DSM measures that could defer the

 24 need for FGPP."

 25 And then you go, "I will address

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 1 Mr. Plunkett's implication that there are benefits in

 2 delaying the addition of" -- so my question to you, sir,

 3 is, according to Mr. Brandt's own testimony, there is

 4 still room for increased customer participation in your

 5 existing DSM program. So where is the FPL's plan to

 6 accomplish an increase in the participation?

 7 A I'm afraid that I'm not the witness to comment

 8 on those plans. Mr. Brandt would be the right person.

 9 Q Okay. On page 28, you were saying neither FPL

 10 nor the Commission -- I'm sorry, number -- line 20,

 11 page 28. Neither FPL nor the Commission need additional

 12 time to re-evaluate alternatives, nor is there any new

 13 information to require re-evaluation or to suggest that

 14 a different result would be obtained in addition -- in

 15 addition because, as Mr. Brandt explains, Mr. Plunkett's

 16 suggestions that the need for the FGPP could defer --

 17 that the need for FGPP could be deferred through the use

 18 of aggressive DSM is pure fantasy. A decision is needed

 19 now if FPL customers are to be reliably served."

 20 First thing, are you speaking for the

 21 Commission here? "Neither FPL nor the Commission need

 22 additional time." How do you know what the Commission

 23 needs?

 24 A That is my opinion. In response to

 25 Mr. Plunkett's information, the only evidence that has

 1939

 1 been presented -- and I'm referring to evidence and not

 2 unfounded claims -- points to the fact that the record

 3 is complete that we have presented a complete analysis

 4 of all the alternatives that are viable, that there's a

 5 real need for capacity, that the customers' reliability

 6 will depend on it and therefore it is time, based on

 7 that evidence, that a decision must be made. Even no

 8 decision is a decision.

 9 So we've been talking about -- in my testimony

 10 to put things in context, in my testimony I have also

 11 explained that this process of analysis and sharing

 12 information with all the parties began in 2003. During

 13 all of that time, we have been evaluating the various

 14 alternatives, the various factors that affect those

 15 alternatives and that -- all of that information has

 16 been shared in a public forum, more or less formal.

 17 Nothing that has been presented has added to

 18 FPL's petition in terms of providing a viable

 19 alternative. Nothing in the way of evidence or proof.

 20 So my point is that in the absence of any

 21 other concrete information, it is definitely time to

 22 make a decision.

 23 Q You refer to Mr. Plunkett's assertion that

 24 aggressive DSM could displace the need for this plant as

 25 pure fantasy. That's interesting. I thought that was

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 1 pretty interesting. Is that what you said?

 2 A Yes.

 3 Q Okay. Let's see. So -- so, Mr. Silva, you're

 4 familiar with the Florida solar energy research, one of

 5 the -- you're familiar with the Florida solar energy

 6 research, the house, the high energy efficiency house

 7 that maximizes all of the efficiencies from appliances

 8 to design of the home and the -- and the hot water

 9 heater, solar hot water, and with or without the PV.

 10 You're familiar with that, right? That's this document

 11 that we handed out earlier. Have you seen it at all?

 12 A No. And I'm not particularly familiar with

 13 the -- with that program.

 14 Q You're not familiar with it?

 15 A No.

 16 Q Well, these folks say -- and they're reputable

 17 scientists, have a huge staff. I mean, they're known

 18 around the world, they do work --

 19 MR. LITCHFIELD: I'll object, Madam Chairman.

 20 I think the witness is not able to comment on this

 21 document. I don't think that opens the door for

 22 Mr. Krasowski to testify.

 23 MR. KRASOWSKI: Excuse me. I got carried away

 24 for a minute.

 25 BY MR. KRASOWSKI:

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 1 Q Well, let's see if I can rephrase this -- if I

 2 can rephrase it. Are you familiar with the work of the

 3 FPL Solar Energy Research Center that identifies from 70

 4 to 92 percent energy efficiency compared to a regular

 5 home? Are you familiar with that?

 6 A No.

 7 Q No? Okay. Do you think the work of the

 8 Florida Solar Energy Center in general -- are you

 9 familiar with them at all?

 10 A No.

 11 Q Okay. We'd like to present a -- we'd like to

 12 distribute a document, if we may.

 13 CHAIRMAN EDGAR: 212.

 14 (Exhibit 212 was marked for identification.)

 15 Q My apologies, Mr. Silva, if I got a little

 16 excited there.

 17 A No apologies are necessary.

 18 Q What Jan just distributed is Governor Charlie

 19 Crist, our new Governor, his 2007 State of the State

 20 Speech. And I apologize that these pages are not

 21 numbered. But if you turn to the sixth page, at the

 22 very top it says, "I asked the Legislature to approve."

 23 Probably even easier to recognize, at the bottom of the

 24 page there's "no longer" underlined in the beginning of

 25 that paragraph. Are we on –-

 1942

 1 A Yes, I am.

 2 Q Okay. Well, the next to the last paragraph

 3 there, I -- I'd like to ask you about this -- just that.

 4 That's the only part of this document that I'm

 5 interested in knowing about.

 6 The governor is very concerned, he expresses

 7 it by saying, "With almost 1200 miles of coastline and

 8 the majority of our citizens living near the coastline,

 9 Florida is more vulnerable to rising ocean levels and

 10 violent weather patterns than any other state yet we

 11 have done little to understand and address the root

 12 causes of this problem or, frankly, even acknowledge

 13 that the problem exists."

 14 And he says, "No longer. Following this

 15 legislative session, I will bring together the brightest

 16 minds to begin working on a plan for Florida to explore

 17 groundbreaking technologies and strategies that will

 18 place our state at the forefront of a growing worldwide

 19 moment to reduce greenhouse gases." Of course,

 20 greenhouse gases includes some of the emittance from the

 21 coal technologies, even the best ones, right?

 22 "Florida will provide not only the policy and

 23 technical advances, but the moral leadership to allow us

 24 to overcome this monumental challenge."

 25 Do you have -- my question would be, do you

 1943

 1 see any -- a possibility of some big result as -- coming

 2 from this big effort that the Governor is advocating for

 3 starting next year?

 4 A I fully anticipate that from several sources,

 5 obviously the Governor's interest, from the perspective

 6 of the federal government and from many groups and

 7 industry, including FPL group, that a significant effort

 8 will be embarked on to address global warming and

 9 greenhouse gases.

 10 We don't know exactly what form it will take,

 11 but we believe that we have effectively addressed that

 12 concern. First in our record to date, in terms of our

 13 system and how it operates and how clean it is. And in

 14 the future, in the systems that we are putting forth

 15 with FGPP, to mitigate the effects of emissions and many

 16 other substances, not just those that cause global

 17 warming, we plan to continue to move in the direction of

 18 controlling and mitigating these emissions.

 19 So we believe that we are very consistent with

 20 the intent of this statement by the Governor as well as

 21 those that have been voiced at the federal level. But

 22 the fact still remains that neither the Governor nor

 23 anybody else has said we need to ignore the need for new

 24 generating capacity, we need to ignore the need for

 25 reliable service. So the burden has been placed on us

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 1 to find the best, most cost-effective alternative and

 2 make it work. And at this point in time, and in my

 3 opinion through 2018, this is the best alternative for

 4 FPL's customers in Florida.

 5 Q Mr. Silva, you told us a little while ago that

 6 you're not familiar with the Florida Solar Energy

 7 Center.

 8 A That's correct.

 9 Q Okay. So your comments are a bit -- so would

 10 you agree that you're speaking from a constrained frame

 11 of reference?

 12 A No, on the contrary. I have been taking into

 13 consideration as part of my role the inputs from many

 14 experts both within and outside the company in order to

 15 reach the recommended course of action that we have

 16 taken.

 17 The fact that I don't have the specific

 18 knowledge about one program that I relate or refer --

 19 defer to experts to provide that information is --

 20 doesn't mean that I have not taken that into

 21 consideration. But I am simply not the witness that can

 22 answer questions about that particular subject.

 23 Q Would you like to -- would you care to change

 24 your assessment of Mr. Plunkett's suggestion, being that

 25 you're not familiar with Florida Solar Energy Center,

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 1 from pure fantasy to something that you think is

 2 improbable? I mean, pull it back out of the realm

 3 of the --

 4 A Well, my characterization has to do with the

 5 fact of how the claim was presented. There was no

 6 explanation of how it could be done other than to say if

 7 you spent this much money as they do in California,

 8 you're going to get much better results.

 9 And there was no evidence of any sort. There

 10 was totally unfounded claim. Therefore, it's not

 11 realistic, it's not supported. And I think that the

 12 word that I used accurately portrays how I would refer

 13 to an unfounded claim like that, which I also think is

 14 irresponsible because it in essence implies do as I say

 15 and it's okay if the customer bears the consequences

 16 when it doesn't happen. I can appreciate that position

 17 given the constraints on your understanding of the issue

 18 and the peripheral issues involved in it. Thank you.

 19 Q Would you agree then that Mr. Plunkett did not

 20 do a very good job at representing DSM in energy

 21 efficiency strategies as they might relate to FPL's

 22 efforts?

 23 A I would definitively agree and I would also

 24 say that I think that our case presented primarily by

 25 Mr. Brandt and Dr. Sim have shown the extent to which we

 1946

 1 have gone in implementing DSM programs to the point

 2 where in 2016, 21 percent -- rather, DSM will represent

 3 21 percent of our projected peak load. I'm convinced,

 4 and there isn't another utility in the United States

 5 that can come close to that level. More than a fifth of

 6 the peak load in 2016 is the equivalent of how much

 7 demand side management we have in our system.

 8 Of our total resources that include DSM as

 9 well as the generation resources, DSM constitutes

 10 17 percent in 2016. That is a very significant level

 11 that I don't think Mr. Plunkett sought to understand or

 12 represent. And my opinion to arbitrarily say if you

 13 spend more money, you could double or triple without any

 14 foundation, without any basis, is not simply true and

 15 not founded and not supported.

 16 Q Did you find anything of value in

 17 Mr. Plunkett's testimony?

 18 A Not that I can recall.

 19 Q Okay. We have another -- our last and final

 20 exhibit to offer and to ask you questions about, if we

 21 may. While Jan is passing this out, Mr. Silva, I'd like

 22 to ask you, are you familiar with what the Tallahassee

 23 utility is doing in terms of their new DSM efforts?

 24 A I understand that they have projected a much

 25 higher use of DSM than they did project a year ago.

 1947

 1 Q Now, it's my understanding that Tallahassee is

 2 a customer-owned utility and Florida Power & Light is

 3 investor-owned. And because of this distinction, they

 4 can do more with DSM because they're not beholding to

 5 the RIM standard. Do you understand that at all or --

 6 A Well, I don't know what standard Tallahassee

 7 uses and I don't think that the fact that FPL is an

 8 investor-owned utility would limit how it looks at

 9 demand side management.

 10 Q They use a TRT standard. Are you familiar

 11 with that?

 12 A Somewhat.

 13 Q Is -- is there -- would there be a benefit to

 14 FPL being transferred to being a customer-owned utility

 15 if the Legislature would get together and do that? Is

 16 there a benefit in that, being that it allows for more

 17 flexibility and --

 18 MR. LITCHFIELD: I'm going to object to the

 19 form of the question. I think it -- first of all,

 20 I think it's a compound question. But secondly,

 21 and more important, it vastly exceeds the scope of

 22 Mr. Silva's rebuttal. In fact, a number of these

 23 questions I think as we've been listening far

 24 exceed the scope of Mr. Silva's rebuttal.

 25 MR. KRASOWSKI: I apologize and we'll withdraw

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 1 the question.

 2 BY MR. KRASOWSKI:

 3 Q Mr. Silva, could you turn your attention to

 4 the document that was just handed out that's the Century

 5 Commission material. Do you have it there?

 6 A I have it, yes.

 7 Q Okay. Well, if I may describe this, the first

 8 cover page is a printout that explains what the Century

 9 Commission is. And I apologize for all the blank pages,

 10 it wasn't my doing, but I wanted to include them. And

 11 then it goes on to give an overview of Century

 12 Commission for a Sustainable Florida.

 13 But if you can keep going through this until

 14 you get to the table of contents. I've printed out

 15 number 9, recommendations to the Governor and the

 16 Legislature. And then you go a few more pages and

 17 there's an introduction to the recommendations. And if

 18 you keep going, there's the -- on a page labeled B,

 19 specific recommendations, page 43 on the bottom right,

 20 is identified, it mentions how the Century Commission --

 21 and I'll go back to the first page here and explain the

 22 Century Commission is --

 23 MR. LITCHFIELD: Well, Madam Chairman, before

 24 Mr. Krasowski -- excuse me, if I might -- before

 25 Mr. Krasowski begins to lay on the record his

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 1 impression of this document, its source and

 2 origination, may I ask that he lay a few predicate

 3 questions with the witness in terms of the

 4 witness's familiarity with this document?

 5 MR. KRASOWSKI: Yes, I apologize.

 6 BY MR. KRASOWSKI:

 7 Q Mr. Silva, are you familiar with the Century

 8 Commission?

 9 A No, I am not.

 10 Q Okay. So then I suppose you don't understand

 11 anything about this document -- or you're not familiar

 12 with this document?

 13 A I have not seen this document before.

 14 Q Okay. So you're not aware of the fact that

 15 the Century Commission has recommended --

 16 MR. LITCHFIELD: Objection, Madam Chairman.

 17 CHAIRMAN EDGAR: Mr. Litchfield?

 18 MR. LITCHFIELD: I'll object. The witness has

 19 said he's not familiar with the Commission nor with

 20 its recommendation so I think any further question

 21 at this point would be improper.

 22 MR. KRASOWSKI: Apologies once again. We'll

 23 just stop it there with this document.

 24 CHAIRMAN EDGAR: Okay.

 25 MR. KRASOWSKI: Okay? Can I have a minute?

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 1 CHAIRMAN EDGAR: Yes.

 2 MR. KRASOWSKI: Thank you, Mr. Silva. We are

 3 done, Commissioners.

 4 CHAIRMAN EDGAR: Any further questions from

 5 staff?

 6 MS. HARRIS: Just a few.

 7 CROSS-EXAMINATION

 8 BY MS. HARRIS:

 9 Q Good afternoon, Mr. Silva.

 10 A Good afternoon.

 11 Q Has FPL submitted recently for approval to the

 12 Commission a series of proposed standard offer contracts

 13 that will be available to renewable waste energy plants?

 14 A Yes, we have. On April 1st of this -- of this

 15 year.

 16 Q And the proposed standard offer contracts

 17 submitted by FPL were based on natural gas, not coal,

 18 correct?

 19 A That's correct. It was consistent with the

 20 rule as we understood it. However, I might add that as

 21 we have indicated to any potential supplier of renewable

 22 resources, we would be willing to negotiate with them

 23 supply agreements based on either combined cycle, fuel

 24 with gas, which is what the standard offer contract is,

 25 but also simple cycle fuel with gas, but also against

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 1 FGPP costs. So we would give the potential resource

 2 suppliers to make the choice as to what is most

 3 beneficial for them.

 4 Q Thank you. And isn't it true that FPL

 5 recently issued an RFP for renewable generation?

 6 A Yes, that is correct, on April 23rd, I

 7 believe, a week ago, we issued a request for proposals

 8 for renewable generation in Florida essentially asking

 9 for any proposals to supply renewable resources to take

 10 effect or go in service by 2015. And of course we also

 11 expressed interest in knowing about any one who would

 12 want to do the same thing beyond 2015. But for the

 13 purpose of evaluation and prioritizing with whom we

 14 would negotiate, we needed to draw a line someplace and

 15 we chose 2015.

 16 But we are very interested in finding out just

 17 how many opportunities there are and to be able to

 18 pursue that with any suppliers. The due date for

 19 responses is July 1st. We felt that that was giving

 20 respondents sufficient time to prepare their responses

 21 and we will have, I believe, on May 18th an open forum

 22 meeting face-to-face or by phone with any interested

 23 parties that will want to get additional information.

 24 In addition to that, we have an open -- open

 25 forum for questions and answers through -- through the

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 1 website where we will respond for the next month to any

 2 questions that are posed to us by any prospective

 3 bidder.

 4 Q Thank you. And if you could, take a look at

 5 the documents that were just handed to you with the blue

 6 cover and take a moment to look through those.

 7 CHAIRMAN EDGAR: And this will be 214.

 8 MR. HARRIS: Yes, thank you.

 9 (Exhibit 214 was marked for identification.)

 10 A Yes.

 11 Q And you would agree that these documents were

 12 taken directly from FPL's website and include a copy of

 13 the RFP for renewable generation?

 14 A That's correct.

 15 Q Thank you. And Mr. Silva, if FPL is

 16 successful with this RFP, do you believe that the need

 17 for the Glades project will be affected?

 18 A No. We are doing this primarily because we

 19 want to make sure that any amount of renewable resources

 20 that is available to the state over the next few years

 21 is identified, and so we can try to integrate it into

 22 our system. But we already have done a significant

 23 evaluation that essentially confirms the results of a

 24 similar evaluation performed by the Commission staff in

 25 combination with the Department of Environmental

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 1 Protection only a few years ago that concluded that the

 2 range of technical capability for renewable resources

 3 is, as it pertains to FPL, assuming it would be to FPL's

 4 side of the service territory, it would be no more than

 5 300 to 500 megawatts over a ten-year period.

 6 Certainly not nearly enough on a system that

 7 is growing at 600 megawatts per year. As a result, even

 8 being optimistic that we can get all of this potential,

 9 it would not be enough to defer or delay the need for

 10 FGPP.

 11 MR. HARRIS: Thank you. We have no further

 12 questions.

 13 CHAIRMAN EDGAR: Mr. Litchfield?

 14 MR. LITCHFIELD: I have no redirect.

 15 CHAIRMAN EDGAR: No redirect. Okay. Let's

 16 take up the exhibits. Let's start at the end so it

 17 would be 214, which is the FPL renewable RFP

 18 distributed by staff.

 19 MR. LITCHFIELD: No objection.

 20 CHAIRMAN EDGAR: No objection. Okay. 214

 21 will be entered into the record.

 22 (Exhibit 214 admitted into the record.)

 23 And then I have 212 which was the copy of the

 24 prepared remarks, Governor Crist, State of the

 25 State Speech; 213, the Century Commission,

 1954

 1 January '07 first annual report. Any objections?

 2 (Exhibit 213 was marked for identification.)

 3 MR. LITCHFIELD: With respect to 212, Madam

 4 Chairman, I think that Mr. Krasowski indicated the

 5 only portions he was interested in he read into the

 6 record and he asked Mr. Silva questions about it.

 7 So I'm not sure that I see any merit into including

 8 the full remarks as prepared as an exhibit in this

 9 proceeding.

 10 CHAIRMAN EDGAR: Mr. Krasowski, do you have a

 11 comment?

 12 MR. KRASOWSKI: If what I read, which I

 13 believe -- if that includes the two paragraphs on

 14 the bottom of page 6 and the first two lines on the

 15 bottom -- on the top of page 7, I -- that would

 16 cover the material I was mainly interested in. But

 17 this is a good speech; it makes good reading.

 18 CHAIRMAN EDGAR: And I suspect we have all

 19 read it. Mrs. Brubaker?

 20 MS. BRUBAKER: I would simply note that I

 21 think the relevant portions are in the record at

 22 this point and, you know, we're going to have

 23 plenty to read through on the record so --

 24 MR. KRASOWSKI: Sorry.

 25 MS. BRUBAKER: With all due consideration, I

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 1 would simply suggest that the rest of the document

 2 is not needed in the record.

 3 CHAIRMAN EDGAR: Well, then, I concur with

 4 Ms. Brubaker's comments. And in recognition that

 5 Mr. Krasowski did read the portions that he has

 6 brought to our attention, that that has been spread

 7 across the record. So with that, we will not admit

 8 212. And 213 I think we did not lay the predicate

 9 or question on that.

 10 Okay.

 11 MR. KRASOWSKI: Madam Chair, quick question.

 12 CHAIRMAN EDGAR: Mr. Krasowski, yes, sir.

 13 MR. KRASOWSKI: That portion of 212, the

 14 speech, will that be admitted as something else

 15 or --

 16 CHAIRMAN EDGAR: It will be a portion of the

 17 record as part of the transcript from your reading

 18 of that into the record.

 19 MR. KRASOWSKI: Yes. Thank you.

 20 CHAIRMAN EDGAR: Okay. I think we are done

 21 with Mr. Silva, are we not? Mr. Silva, thank you

 22 very much.

 23 MR. SILVA: Thank you, Chairman Edgar,

 24 Commissioners.

 25 CHAIRMAN EDGAR: You're excused. Okay. We

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 1 are just about there. Ms. Brubaker, any other

 2 matters?

 3 MS. BRUBAKER: Just a few concluding matters.

 4 Just to sum up, we did address this at the

 5 conclusion of the hearing last week, but by my

 6 count, briefs are currently due May 7. The

 7 post-hearing staff recommendation is due on

 8 May 25th. Staff, please correct me if I'm wrong

 9 there. It should be a Friday.

 10 And the agenda is as it's been slated for

 11 June 5. I would ask that when parties file their

 12 briefs, that they please be sure to at the same

 13 time e-mail to us, to staff, a copy of your brief

 14 in Word format. I can't express to you how -- what

 15 a help that is to us to be able to incorporate that

 16 into the recommendation, to have that in that

 17 format through e-mail, so please don't forget to do

 18 that.

 19 We also by my count have a single late-filed

 20 that's currently outstanding. Would be

 21 Exhibit 211. And I would ask -- I know you haven't

 22 had a chance to examine or to make that request,

 23 but do you have any idea of what time frames we

 24 might be looking at for submission of that?

 25 MR. LITCHFIELD: I don't specifically,

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 1 Ms. Brubaker, but we will get it in just as quickly

 2 as possible. If we can get it tomorrow, it will be

 3 in tomorrow.

 4 CHAIRMAN EDGAR: Okay. Thank you.

 5 MS. BRUBAKER: And with that, I have nothing

 6 further at this time.

 7 CHAIRMAN EDGAR: Okay. Commissioner Carter?

 8 COMMISSIONER CARTER: I was trying to follow

 9 along here. Maybe I missed it. The Exhibits 135

 10 through 146, we entered those already?

 11 CHAIRMAN EDGAR: According to my sheet, we

 12 did. Do you have that as well, Ms. Brubaker?

 13 MS. BRUBAKER: Yes.

 14 CHAIRMAN EDGAR: You blink and you miss it.

 15 COMMISSIONER CARTER: One of those days.

 16 Thank you.

 17 CHAIRMAN EDGAR: Any other questions before we

 18 call it a wrap? No?

 19 MS. BRUBAKER: Just a quick note. Since I

 20 went ahead and mentioned the revised dates, we also

 21 discussed extending the brief page limit to 80

 22 pages with the understanding, of course, that you

 23 don't necessarily have to use all of those pages.

 24 CHAIRMAN EDGAR: Yes. To reiterate, last week

 25 Mr. Litchfield had asked for leave to extend the

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 1 page limit to 80 pages. That was granted with the

 2 understanding that 45, 50, 55, 60, there might be

 3 merit in there too so we'll see what we get.

 4 Okay. Anything else while we are all still

 5 gathered together? Mr. Krasowski?

 6 MR. KRASOWSKI: Thank you, if it's

 7 appropriate. I just appreciate your helping us

 8 along, whatever.

 9 CHAIRMAN EDGAR: We appreciate your

 10 participation. Thank you. Okay. Thank you to all

 11 of our parties and witnesses and our staff, and we

 12 are adjourned.

 13 (Hearing concluded.)

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 1 CERTIFICATE OF REPORTER

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 3

 4

 5 STATE OF FLORIDA )

 6 COUNTY OF LEON )

 7

 8 I, LORI DEZELL, RPR, CCR, certify that I was

 9 authorized to and did stenographically report the

 10 proceedings herein, and that the transcript is a true

 11 and complete record of my stenographic notes.

 12 I further certify that I am not a relative,

 13 employee, attorney or counsel of any of the parties, nor

 14 am I a relative or employee of any of the parties'

 15 attorney or counsel connected with the action, nor am I

 16 financially interested in the action.

 17 WITNESS my hand and official seal this 1st day

 18 of May, 2007.

 19 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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