

John T. Butler
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 304-5639
(561) 691-7135 (Facsimile)
E-mail: john_butler@fpl.com

October 19, 2007

-VIA OVERNIGHT DELIVERY -

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED-FPSC
07 OCT 22 AM 10:17
COMMISSION
CLERK

Re: Docket No. 070001-EI

Dear Ms. Cole:

I am enclosing for filing in the above docket the original and (15) fifteen copies of the prefiled rebuttal testimony of Florida Power & Light Company witnesses W.E. Avera and K.M. Dubin.

If there are any questions regarding this transmittal, please contact me at 561-304-5639.

Sincerely,

Karel M. Dubin
John T. Butler *for JTB*

CMP _____
COM 5
CTR 1
ECR 2 Enclosures
GCL 2 cc: Counsel for parties of record (w/encl.)
OPC _____
RCA 1
SCR _____
SGA _____
SEC _____
OTH _____

Dubin
DOCUMENT NUMBER-DATE
09591 OCT 22 08
FPSC-COMMISSION CLERK

Avera
DOCUMENT NUMBER-DATE
09590 OCT 22 08
FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE
Docket No. 070001-EI

I HEREBY CERTIFY that a true and correct copy of the Florida Power & Light Company's Rebuttal Testimony of W. Avera and K. Dubin has been furnished by overnight delivery (*) or U.S. Mail on the 22nd day of October, 2007, to the following:

Lisa Bennett, Esq. *
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Charles J. Beck, Esq.
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
Attorneys for Tampa Electric
P.O. Box 391
Tallahassee, Florida 32302

John T. Burnett, Esq.
Progress Energy Service
Company, LLC
P.O. Box 14042
St. Petersburg, Florida 33733-4042

John W. McWhirter, Jr., Esq.
McWhirter Reeves
Attorneys for FIPUG
400 North Tampa Street, Suite 2450
117 South Gadsden Street
Tampa, Florida 33602

Norman H. Horton, Jr., Esq.
Floyd R. Self, Esq.
Messer, Caparello & Self
Attorneys for FPUC
P.O. Box 1876
Tallahassee, Florida 32302-1876

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs & Lane
Attorneys for Gulf Power
P.O. Box 12950
Pensacola, Florida 32576-2950

Michael B. Twomey, Esq.
Attorney for AARP
Post Office Box 5256
Tallahassee, Florida 32314-5256

James W. Brew, Esq.
Brickfield, Burchette, Ritts & Stone, P.C
Attorneys for PCS Phosphate
1025 Thomas Jefferson Street, NW,
Eighth Floor, West Tower
32403
Washington, DC 20007-5201

Lieutenant Colonel Karen White
Captain Damund Williams
AFCESA/ULT
139 Barnes Drive
Tyndall Air Force Base, Florida

Cecilia Bradley
Senior Assistant Attorney General
Office of the Attorney General
The Capitol – PL01
Tallahassee, Florida 32399

By: Karl M. Butler
John T. Butler *for JB*

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 070001-EI
FLORIDA POWER & LIGHT COMPANY**

OCTOBER 22, 2007

**IN RE: LEVELIZED FUEL COST RECOVERY
AND CAPACITY COST RECOVERY**

REBUTTAL TESTIMONY OF:

W. E. AVERA

DOCUMENT NUMBER-DATE

09590 OCT 22 8

FPSC-COMMISSION CLERK

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **REBUTTAL TESTIMONY OF WILLIAM E. AVERA**

4 **DOCKET NO. 070001-EI**

5 **October 22, 2007**

6 **Q. Please state your name and business address.**

7 A. William E. Avera, 3907 Red River, Austin, Texas, 78751.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am a principal in Financial Concepts and Applications, Inc. ("FINCAP"), a firm
10 engaged in financial, economic, and policy consulting to business and government.

11 **Q. Please describe your educational background and professional experience.**

12 A. I received a B.A. degree with a major in economics from Emory University and a
13 Ph.D from the University of North Carolina at Chapel Hill. I have held the Chartered
14 Financial Analyst (CFA[®]) designation for 30 years. Upon receiving my Ph.D., I
15 joined the faculty at the University of North Carolina and taught finance in the
16 Graduate School of Business. I subsequently accepted a position at the University of
17 Texas at Austin where I taught courses in financial management and investment
18 analysis.

19 In 1977, I joined the staff of the Public Utility Commission of Texas ("PUCT") as
20 Director of the Economic Research Division. During my tenure at the PUCT, I
21 managed a division responsible for financial analysis, cost allocation and rate design,
22 economic and financial research, and data processing systems, and I testified in cases
23 on a variety of financial and economic issues. Since leaving the PUCT I have been
24 engaged as a consultant. I have participated in a wide range of assignments involving

DOCUMENT NUMBER DATE

09590 OCT 22 5

1 utility-related matters on behalf of utilities, industrial customers, municipalities, and
2 regulatory commissions. I have previously testified before the Federal Energy
3 Regulatory Commission (“FERC” or the “Commission”), as well as the Federal
4 Communications Commission (“FCC”), the Surface Transportation Board (and its
5 predecessor, the Interstate Commerce Commission), the Canadian Radio-Television
6 and Telecommunications Commission, and regulatory agencies, courts, and
7 legislative committees in 39 states. I have testified in 250 regulatory cases, including
8 several before the Florida Public Service Commission (“FPSC” or “the
9 Commission”).

10 In 1995, I was appointed by the PUCT, with the approval of the Governor, to the
11 Synchronous Interconnection Committee to advise the Texas legislature on the costs
12 and benefits of connecting Texas to the national electric transmission grid. In
13 addition, I served as an outside director of Georgia System Operations Corporation,
14 the system operator for electric cooperatives in Georgia.

15 I have served as Lecturer in the Finance Department at the University of Texas at
16 Austin and taught in the evening graduate program at St. Edward’s University for
17 twenty years. In addition, I have lectured on economic and regulatory topics in
18 programs sponsored by universities and industry groups. I have taught in hundreds of
19 educational programs for financial analysts in programs sponsored by the Association
20 for Investment Management and Research (now the CFA Institute), the Financial
21 Analysts Review, and local financial analysts societies. These programs have been
22 presented in Asia, Europe, and North America, including the Financial Analysts
23 Seminar at Northwestern University. I was elected Vice Chairman of the National
24 Association of Regulatory Commissioners (“NARUC”) Subcommittee on Economics

1 and appointed to NARUC's Technical Subcommittee on the National Energy Act. I
2 have also served as an officer of various other professional organizations and
3 societies.

4 I have extensive experience with issues of fuel and purchased power recovery,
5 having led the PUCT staff review of the fuel adjustment clauses in Texas. Since
6 leaving PUCT I have been involved in a variety of issues relating to fuel and
7 purchased power recovery as a consultant and expert witness for regulatory agencies,
8 consumer groups, and utilities.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my testimony is to respond to the direct testimony of Mr. Aaron L.
11 Rothschild, on behalf of the Office of Public Counsel ("OPC"). Mr. Rothschild
12 recommends that Florida Power & Light Company ("FPL" or "the Company") not be
13 authorized to recover from customers \$6,163,000 of replacement power costs due to
14 an outage at Turkey Point Unit 3. He claims that investors assumed the risk of such
15 disallowances when they decided to invest in the Company. Mr. Rothschild states
16 that his recommendation would be the same whether or not the outage was caused by
17 management error.

18 **Q. Please summarize the conclusions of your rebuttal testimony.**

19 A. My rebuttal testimony demonstrates that Mr. Rothschild's recommendation would
20 represent a dramatic change in regulatory policy in Florida; one that would be
21 inconsistent with both established regulatory principles and investor expectations.
22 Mr. Rothschild's recommendation would result in significantly increased regulatory
23 risk and create perverse incentives against investment in generating resources with
24 low energy costs, such as nuclear, wind and solar. This would ultimately harm

1 customers and the economy of the state. I also show that Mr. Rothschild's
2 recommendation would have an adverse impact on FPL's ability to earn a fair rate of
3 return on equity ("ROE") and would impair FPL's ability to attract capital. Finally,
4 my rebuttal testimony makes clear that Mr. Rothschild's ruminations about the
5 Capital Asset Pricing Model ("CAPM") are neither accurate nor relevant to the
6 recovery of replacement power costs.

7 **Q. Are there established regulatory policies related to FPL's ability to recover**
8 **replacement power costs?**

9 A. Yes. A fundamental tenet of the regulatory compact is that the utility is entitled to an
10 opportunity to recover from customers all reasonable and necessary costs prudently
11 incurred in providing service. In addition, it is common to make a distinction
12 between the regulatory policies for the recovery of costs associated with fuel and
13 purchased power from the other costs of a utility. Regulatory policy in Florida
14 recognizes this distinction, as an OPC witness stated earlier this year:

15 There is typically a distinction between base rates and fuel rates. Base
16 rates are set to recover a utility's non-fuel operating costs plus a
17 reasonable return on used and useful utility investment....Fuel rates
18 are established so that the utility recovers its *actual prudently incurred*
19 *costs no more and no less.* (Rebuttal Testimony of Dan Lawton,
20 Docket No. 060658-EL, March 6, 2007, p. 3, emphasis added)

21 Under regulatory policy in Florida (as in most state and federal jurisdictions) a utility
22 is allowed to recover prudently incurred fuel and purchased power costs without
23 profit or loss.

1 **Q. Given that a utility does not earn a profit on fuel and purchased power costs,**
2 **does Mr. Rothschild’s analogy of a card player who keeps winnings while being**
3 **reimbursed for losses (p. 2) apply?**

4 A. Not at all. The utility does not have “winnings” from a “good hand” in its recovery of
5 fuel and purchased power costs. The best outcome for the utility is that the dollars it
6 has paid are fully recovered from customers. If some of the utility’s expenditures are
7 deemed to have been imprudent, then those costs are not recovered from customers.
8 Mr. Rothschild would have the Commission change the rules of the game unfairly and
9 retroactively, preventing FPL from recovering the actual money paid for replacement
10 power costs due the Turkey Point outage even if FPL’s actions were prudent. This
11 would change the “game” of fuel and purchased power recovery to one with no
12 possibility of winning and an ever-present potential for losing, even when the
13 underlying causes of costs are not due to imprudent actions of the utility. Under Mr.
14 Rothschild’s proposed regulatory policy, if forces beyond the reasonable control of
15 the utility caused extra costs, the utility would have to pay out money with no hope of
16 recovering it from customers. He points to nothing that would compensate utility
17 investors for participating in such a one-sided wager. This would be a fundamental
18 and ill-advised shift in regulatory policy.

19 **Q. What are the economic implications of a policy that prevents utilities from**
20 **recovering prudently incurred replacement power costs?**

21 A. The rational economic response by utilities would be to avoid situations where high
22 replacement power costs are possible. In other words, utilities would have a major
23 disincentive to employ any generation technology where the energy component of
24 costs is very low relative to the generation resources that would provide replacement

1 power (typically fossil fuel plants). Therefore, Mr. Rothschild's proposed new
2 regulatory policy would create a disincentive for nuclear power because nuclear fuel
3 costs are low compared to fossil fuel plants. It would likewise create economic biases
4 against wind, solar, or any other generating resource with low energy costs. This
5 disincentive would thwart the development and utilization of low fuel cost generating
6 sources and undermine the environmental imperative of seeking low-emission
7 alternatives to fossil fuels. If utilities respond to the perverse signal implied by Mr.
8 Rothschild's recommendation by taking the rational response of avoiding low fuel
9 cost generating sources, utility customers in Florida will pay more than necessary for
10 utility service. The Florida economy would not only suffer from electric costs that
11 are higher than necessary, but the environmental impact could harm the quality of life
12 and limit the potential for economic growth in the state as well.

13 **Q. Has the FPSC recognized the importance of the economic incentives inherent in**
14 **fuel and purchased power recovery?**

15 A. Yes. This commission has been a national leader in recognizing that the rules for fuel
16 and purchased power recovery create economic incentives for utility behavior. In
17 1979 when I was leading an effort at the PUCT to introduce incentives into the fuel
18 and purchased power mechanism, I visited with senior staff and commissioners in
19 Florida to learn from the policies implemented here. The FPSC has continued to be a
20 leader in mobilizing incentives. Mr. Rothschild would have this Commission adopt a
21 policy on replacement power that runs counter to Florida regulatory policy, creates a
22 perverse incentive that would encourage utilities to avoid generating sources that
23 have lower fuel costs, and distorts the economic and environmental imperatives that
24 would otherwise support alternatives to fossil fuels.

1

2 **Q. Is there any merit to Mr. Rothschild's position that FPL's investors have already**
3 **been compensated for bearing the risks associated with disallowance of**
4 **prudently incurred fuel and purchased power expenses?**

5 A. No. Regulators routinely shield utilities and their investors from exposure to cost
6 increases resulting from unforeseen events, including factors over which they have no
7 control, with respect to costs such as fuel and purchased power that are recovered
8 through pass-through adjustment clauses. Investors' required rates of return for
9 utilities are premised on this regulatory compact that allows the utility an opportunity
10 to recover reasonable and necessary costs. And by sheltering utilities from exposure
11 to extraordinary or catastrophic events that are beyond the control of management,
12 customers benefit from lower capital costs than they would otherwise bear. Of
13 course, the corollary is also true – shifting the burden of extraordinary risks to
14 shareholders would have the effect of considerably increasing investors' required rate
15 of return on FPL securities.

16 Contrary to Mr. Rothschild's allegation, there no indication that shareholders
17 included exposure to the costs of replacement power from events beyond the
18 reasonable control of the utility in their assessment of FPL's investment risks or their
19 required rate of return. Rather, investors expect that FPL will be able to recover its
20 fuel and purchased power costs unless they are shown to be imprudent. Investors rely
21 on established regulatory policies in deciding whether or not to commit capital to
22 utilities, and in Florida the policy supporting recovery of all prudently incurred fuel
23 and purchased power expenses is well-established. For example, OPC witness Todd
24 F. Bohrmann testified in Docket No. 060658-EI:

1 Accordingly, the Commission structured a program in which early
2 collections could occur, but in which the Commission would retain the
3 ability to review prudence and reasonableness until all facts had been
4 presented and fully adjudicated. The Commission initially established
5 the principles of the contemporary fuel clause in Order No. 12645, in
6 Docket No. 830001, issued November 3, 1983 (Order No. 12645).
7 (Rebuttal Testimony of Todd F. Bohrmann, Docket No. 060658-EI,
8 March 6, 2007, page 3).

9 **Q. How would investors likely react to the change in FPSC policy proposed by Mr.**
10 **Rothschild?**

11 A. Mr. Rothschild's policy would add an open-ended risk to stock and bond investments
12 in FPL. For example, while FPL's nuclear program is universally regarded as
13 exemplary, mandated shutdowns in response to security threats or a catastrophic event
14 elsewhere in the U.S. would impose significant reliance on wholesale power markets
15 to meet energy shortfalls. FPL's reliance on purchased power for a significant portion
16 of its power requirements also imposes increased vulnerability to supply disruptions,
17 especially in light of its relative geographic isolation on the Florida peninsula. At
18 present, investors understand that if FPL management acts imprudently, unreasonable
19 costs cannot be recovered. But Mr. Rothschild would introduce a new risk – the
20 inability to recover costs even if they were prudently incurred. Given the size of
21 FPL's nuclear program and purchased power commitments, the magnitude of the new
22 risk could be huge—having implications for the cost and availability of capital
23 urgently needed to meet growth and environmental challenges facing FPL.
24 Moreover, the effect of this new policy would likely spill over to other utilities

1 operating under the jurisdiction of the FPSC since Mr. Rothschild does not limit the
2 applicability of his new regulatory policy to FPL.

3 **Q. Should regulators and customers be concerned about investors' perceptions?**

4 A. Absolutely. Investors' assessment of regulatory support and risk has a direct impact
5 on FPL's financial strength and ability to attract capital. FPL faces a number of
6 potential challenges that might require the relatively swift commitment of
7 considerable capital resources in order to maintain the high level of service to which
8 its customers have become accustomed. Ultimately, it is customers and the service
9 area economy that enjoy the rewards that come from ensuring that the utility has the
10 financial wherewithal to take whatever actions are required to ensure a reliable energy
11 supply.

12 **Q. How does Mr. Rothschild's recommendation relate to the Supreme Court's *Hope***
13 ***Natural Gas Case* he cites at page 4?**

14 A. Mr. Rothschild cites this case, but his recommendation is contrary to its underlying
15 economic principles and policy. While it is true that regulation should not guarantee
16 the utility a specific return, utilities are entitled to the opportunity to earn a fair rate of
17 return under the terms of *Bluefield Water Works and Improvement Company v. Public*
18 *Service Commission of the State of West Virginia* (262 U.S. 679), the companion to
19 the *Hope Natural Gas* case cited by Mr. Rothschild;

20 The return should be reasonably sufficient to assure confidence in the
21 financial soundness of the utility, and should be adequate, under
22 efficient and economical management, to maintain and support its
23 credit and enable it to raise the money necessary for the proper
24 discharge of its public duties. (cited by David C. Parcel in *The Cost of*

1 *Capital—A Practitioner’s Guide*, prepared for the Society of Utility
2 and Regulatory Financial Analysts, 1997 Edition, p. 3-13)

3 Mr. Rothschild’s recommendation would violate this fundamental regulatory
4 principle, subjecting FPL to losses from replacement power costs for Turkey Point
5 even when management did all that reasonably could be expected to prevent
6 deliberate bad acts by a third party. FPL witness Jones describes in detail the
7 extensive, reasonable and rigorous measures FPL took to prevent improper access and
8 deliberate bad acts, as well as the swift and effective investigation that FPL undertook
9 when the drilled hole was discovered, so that the Turkey Point nuclear units could be
10 returned to service expeditiously. Mr. Rothschild not only does not contest Mr. Jones’
11 testimony; he does not even mention it.

12 Moreover, in the words of the *Hope* decision, the return to the equity owner
13 would be affected by a risk not incorporated by investors as a “corresponding risk”
14 because of their reliance on the long-standing regulatory policy to allow recovery of
15 reasonable and necessary fuel and purchased power costs. Allowing FPL to recover
16 its replacement power costs does not represent a “guarantee of net revenues” as used
17 in the *Hope* case, because FPL is merely recouping the cost of replacement power,
18 dollar-for-dollar, without any profit. This is entirely distinct from “net revenues” as
19 used in *Hope*, which is equivalent to the economic concept of profit.

20 **Q. Does Mr. Rothschild’s discussion of “risk and modern portfolio theory” at pages**
21 **5-11 support his position in this case?**

22 A. No. Modern portfolio theory provides insights into capital market behavior and is the
23 basis of the Capital Asset Pricing Model (“CAPM”), one method often used to
24 estimate the ROE for utilities. I routinely reference CAPM estimates in my cost of

1 equity testimony and use the CAPM extensively in my teaching. While an effective
2 teaching tool, I am careful to caution my students that the CAPM is only an
3 approximation of real world capital markets, one which requires a number of
4 simplifying assumptions.

5 Mr. Rothschild's CAPM analysis purports to show that only systematic risk
6 matters to investors. The most obvious flaw in his contention is that the data he uses
7 relates only to historical rates of return realized in the past, which are not equivalent
8 to investors' forward-looking rates of return that underpin the CAPM. Even if one
9 were to accept that past returns are an adequate proxy for investors' expected returns,
10 his results show only that beta is positively related to return, a fact well-established in
11 the literature. There is nothing in Mr. Rothschild's empirical results that shows that
12 beta is the *only* risk relevant to investors. There are many conceptual and statistical
13 problems with his study purporting to show that the only relevant risk to investors is
14 non-diversifiable or systematic risk, but there is no need to discuss those flaws in
15 order to demonstrate that his study is irrelevant and contrary to observable facts.

16 Mr. Rothschild's claim that company-specific risks are irrelevant is
17 contradicted by practical observations. If Mr. Rothschild were correct that the only
18 relevant risk to investors were beta, then there would be no need for security analysts
19 and bond rating agencies to examine and render opinions on the specific facts and
20 circumstances of a utility in their reports to investors. Similarly, the Securities and
21 Exchange Commission would not require disclosures relevant to the specific risks of
22 a utility in its reports to investors. Surprisingly, Mr. Rothschild himself cites these
23 disclosures in his testimony, even though his discussion of modern portfolio theory
24 purports to show that such disclosures are irrelevant.

1 Moreover, even if one were to agree with Mr. Rothschild's contention that the
2 *only* relevant risk for investors is systematic risk, this would only serve to disprove
3 his contention that investors have already been compensated for the risks of
4 disallowing the replacement power costs at issue in this case. This is because, under
5 Mr. Rothschild's CAPM framework, the risk of disallowances is presumably
6 diversifiable and is therefore not a risk for which FPL's investors have been
7 compensated in the allowed ROE. As a result, if Mr. Rothschild were correct that the
8 return investors receive is without regard to diversifiable risk, then clearly investors
9 have not received any compensation for the diversifiable risk of not recovering actual,
10 prudently incurred replacement power costs. Accordingly, denying FPL recovery of
11 replacement power costs would represent a taking of value from the Company
12 without compensation.

13 **Q. Does Mr. Rothschild draw reasonable inferences from statements in FPL's**
14 **financial reports?**

15 A. No. Mr. Rothschild makes two references to FPL's annual reports at pages 3 and 10
16 of his testimony, and in both cases he draws incorrect inferences. First, at page 3 Mr.
17 Rothschild quotes a section related to hedging and refers to it as if it applies to the
18 risk of recovering replacement power costs. As Ms. Dubin addresses further in her
19 testimony, hedging relates to the mitigation of volatility in fossil fuel prices and has
20 nothing to do with replacement power costs.

21 Second, at page 10, Mr. Rothschild cites a disclosure of the risks of operating
22 power generating facilities in FPL's annual report and observes that the discussion
23 does not "tell investors not to worry about outage risks because the cost of such
24 outages would become the burden of ratepayers." The implication of Mr.

1 Rothschild's comment completely turns the notion of disclosure by public companies
2 to their investors on its head. Mr. Rothschild wants to read the absence of a statement
3 in FPL's annual report that a risk does *not* exist as tantamount to an affirmative
4 statement that the risk *does* exist. I am aware of no one in the financial community
5 that shares this misunderstanding of disclosure, and I do not know how public capital
6 markets could function effectively if those were indeed the rules of the game.
7 Utilities cannot possibly anticipate all the risks that might exist for a public company
8 and be expected to affirmatively advise investors of each such risk that does *not* exist.

9 What investors *do* recognize is that FPL must have FPSC approval to recover
10 costs and that it will not be permitted to do so with respect to excessive or imprudent
11 costs. The Company disclosed this very risk under "Risks Relating to FPL Group and
12 FPL's Business":

13 The FPSC has the authority to disallow recovery by FPL of any and all
14 costs that it considers excessive or imprudently incurred. (FPL Form
15 10K Annual Report, p. 10).

16 FPL has thus informed investors that there are risks of disallowance relevant to
17 investors; however, the Company tells investors that such disallowances will occur *if*
18 the expenses are found excessive or imprudently incurred. As demonstrated earlier,
19 this statement is consistent with regulatory policy in Florida, as recognized by OPC's
20 own experts. Mr. Rothschild would drastically change this policy and add a new risk
21 to investments in FPL by stating the FPSC can disallow replacement power costs
22 *without any finding that they were excessive or imprudently incurred*. This change in
23 policy is completely outside the scope of FPL's disclosure to investors, and it would
24 be unfair and contrary to the regulatory principles established by *Bluefield* and *Hope*,

1 create perverse incentives to avoid energy efficient and environmentally responsible
2 generation sources, alarm investors and raise the cost of debt and equity capital, and
3 ultimately prove harmful to utility customers and the economy of Florida.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes.