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July 30, 2009

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VIA HAND DELIVERY

Ms. Ann Cole, Director
Division of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 080407-EG
In re: Florida Power & Light Company's Petition for Approval of Numeric Conservation Goals

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL"), please find the original and fifteen (15) copies of the rebuttal testimonies and exhibits of the following witnesses: (1) Eric Silagy; (2) Dr. Steven R. Sim; and (3) John R. Haney.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,


Jessica Cano

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. mail this 30th day of July, 2009, to the following:

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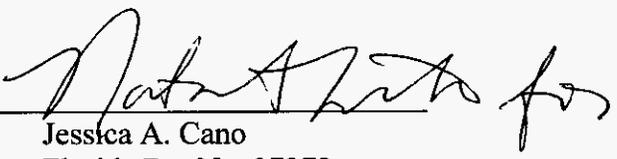
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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 080407-EG
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S
PETITION FOR APPROVAL OF
NUMERIC CONSERVATION GOALS**

REBUTTAL TESTIMONY OF:

ERIC SILAGY

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **REBUTTAL TESTIMONY OF ERIC SILAGY**

4 **DOCKET NO. 080407 - EG**

5 **JULY 30, 2009**

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

8 A. My name is Eric Silagy, and my business address is Florida Power & Light
9 Company, 700 Universe Blvd, Juno Beach, Florida 33408.

10 **Q. By who are you employed?**

11 A. I am employed by Florida Power & Light Company (FPL), and I serve as FPL's
12 Vice President and Chief Development Officer.

13 **Q. What are your responsibilities in your role as FPL's Vice President and Chief**
14 **Development Officer?**

15 A. I am responsible for managing FPL's DSM programs as well as overseeing the
16 development of other cost-effective resources. These responsibilities were
17 merged to reflect FPL's strong belief that DSM and energy efficiency programs
18 are the first options that we should pursue when designing a reliable, cost-
19 effective resource portfolio.

20 **Q. Please summarize your testimony.**

21 A. The Florida Public Service Commission ("FPSC" or "Commission") should be
22 gravely concerned with, the efforts of NRDC-SACE and GDS in this case. In this
23 proceeding, they are asking the Commission to disregard almost thirty years of

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1 reasoned implementation of FEECA and the significant success in DSM
2 acquisition that has been achieved. They ask this Commission to abandon the
3 proven practices of tying DSM goals setting to the utility planning process and
4 considering the rate impact of goals on customers. They ask this Commission to
5 accept their hurried “back of the envelope” goals proposals instead of the goals
6 proposal made by FPL that is based upon a rigorous analytical process performed
7 by a well-respected consultant, Itron, and which fully quantify and consider the
8 resulting rate impacts on customers. Apparently, they expect the Commission to
9 disregard goals that are based on utility resource needs and fully comply with the
10 DSM Goals Rule, FEECA and many years of well established FPSC and Florida
11 Supreme Court precedent. They also ask the Commission to disregard most
12 aspects of the DSM Goals Rule, which has produced the most successful program
13 in the nation. Finally, they ask this Commission to radically misconstrue the
14 recent modest amendments of FEECA into an implicit repudiation of the
15 Commission’s long-standing, successful policy and practice.

16
17 In contrast, FPL offers the Commission a fully-developed, analytically robust
18 DSM goals proposal that complies with the Commission’s prescriptive DSM
19 Goals Rule and which was developed through a vigorous, collaborative effort.
20 Those goals appropriately consider utility resource needs and the resulting rate
21 impacts to customers. The better choice is obvious and very compelling.

1 The recent, limited amendments to FEECA are more akin to the fine tuning of a
2 well running engine in a proven, reliable car rather than a radical rebuild of the
3 engine or the replacement of the entire car. The Enhanced – Rate Impact Measure
4 (E-RIM) test allows the Commission to appropriately and fully consider the likely
5 costs to be imposed “on the emission of greenhouse gases” as required by the new
6 amendments to FEECA. The E-RIM test, in conjunction with the Participant test,
7 fully complies with the recent amendments to FEECA and it has the documented
8 effect of resulting in more measures being cost-effective than the old RIM test it
9 would replace. In these very demanding economic times, it is not appropriate to
10 undertake a radical, expensive engine rebuild or wholesale DSM car replacement
11 when success can be guaranteed through the fine tuning of a well-established,
12 high performing vehicle such as RIM.

13 **Q. Please elaborate.**

14 A. *FPL has serious concerns about NRDC-SACE and GDS attempts to have the*
15 *Commission (a) ignore its thirty year heritage of a rational, consistent and*
16 *successful interpretation of FEECA, (b) disregard FPL’s and Florida’s leadership*
17 *role in the implementation of DSM, and (c) abandon the time-tested and proven*
18 *tools that have helped FPL and Florida achieve DSM leadership without*
19 *adversely impacting the rates charged to customers. As is developed with*
20 *specificity in Witnesses Dean’s, Haney’s, Sim’s and Rufo’s rebuttal testimony,*
21 *NRDC-SACE and GDS propose a radical departure from the Commission’s well-*
22 *reasoned and thoughtful practices and advance an alternative which is legally*
23 *bankrupt and analytically baseless.*

1 They propose this abrupt change of regulatory course with total disregard of the
2 enormous impacts their proposals would have on customer rates. Their radical
3 proposals also completely fail to consider the utilities' resource planning
4 processes and the fundamental issue of whether the immense resources they
5 advocate purchasing with customer money are needed. The Commission should
6 not risk the electric reliability of FPL and the State of Florida and impose
7 hundreds of millions of dollars of unnecessary rate increases to mandate far more
8 DSM than is needed or cost-effective. The NRDC-SACE and GDS proposals are
9 reckless and irresponsible. They stand in stark contrast to the detailed,
10 analytically sound and thoroughly supported studies offered by FPL and its well-
11 respected consultant, Itron.

12
13 Commissioners, you face a basic choice the Commission has repeatedly faced
14 throughout the history of FEECA. You can either establish goals that disregard
15 customers' resource needs, raise customers' rates, result in cross-subsidies among
16 customers and creates DSM winners and losers, or you can set goals that acquire
17 the level of DSM needed to meet resource needs, avoid customer cross-subsidies,
18 and avoid DSM related rate increases. The better choice for FPL's customers has
19 been and continues to be clear. RIM and Participant test based goals have
20 historically produced industry leading results without customer cross-subsidies
21 and without DSM related rate increases. With the improved E-RIM test now
22 capturing the costs of air emissions and increasing the levels of cost-effective

1 DSM, the Commission would be well-served to reject the radical proposals of
2 NRDC-SACE and GDS and to adopt FPL's proposed goals.

3 **Q. But doesn't HB 7135 require the Commission to radically change its**
4 **approach?**

5 A. No, it does not, as is developed in detail by FPL's witnesses and as will be
6 addressed more fully by FPL in its brief. Most of HB 7135 addresses state
7 agencies other than the Commission. It only modestly amends FEECA,
8 intentionally leaving most of the language on which the Commission has based
9 thirty years of sound policy unchanged. It leaves unaltered the Commission's
10 primary responsibility of establishing just and reasonable rates. When you take
11 away this fundamental misconception of HB 7135's limited amendments to
12 FEECA, the house of cards built by NRDC-SACE and GDS comes tumbling
13 down. All they are left with are tired arguments heard and rejected numerous
14 times by this Commission.

15
16 Why would the Legislature want a fundamental change in the implementation of
17 FEECA? Under FEECA, Florida and FPL have become leaders in acquiring
18 DSM needed to meet resource needs while keeping rates lower than the national
19 average. FPL aggressively pursues the DSM that serves customers' interests in
20 lower rates and higher reliability. The Commission's consistent application of
21 FEECA has worked extremely well, particularly in contrast to the states that have
22 started, stopped and restarted DSM efforts and who now have to use tools that

1 have proven unnecessary for Florida to achieve its leadership role. So, I repeat,
2 let us fine tune the DSM engine not radically rebuild it or replace the car.

3 **Q. What is your reaction to the timing of the proposals by NRDC-SACE and**
4 **GDS?**

5 A. They offer the wrong proposals at the very worst time. The real price of
6 electricity has been rising for several years, for the first time in a long time. Three
7 of the four major investor-owned utilities have been forced to seek significant,
8 non-discretionary rate increases. The Commission has approved, and FPL has
9 begun, capital projects designed to result in significant fuel savings and
10 greenhouse gas emission reductions. So, what do NRDC-SACE and GDS
11 advocate – acquire seven times or more DSM than is needed to meet resource
12 needs while at the same time raising rates above the level they would be if the
13 approved generating units were built. This ill-timed discretionary rate increase to
14 acquire unneeded resources is insensitive to and out of touch with the needs and
15 best interests of FPL customers and should be summarily rejected.

16 **Q. Does this conclude your testimony?**

17 A. Yes.