

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

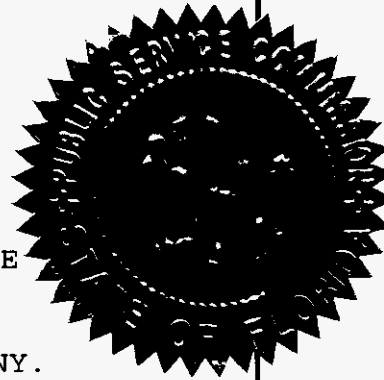
In the Matter of:

PETITION FOR INCREASE IN RATES DOCKET NO. 080677-EI  
BY FLORIDA POWER & LIGHT COMPANY.

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2009 DEPRECIATION AND  
DISMANTLEMENT STUDY BY FLORIDA DOCKET NO. 090130-EI  
POWER & LIGHT COMPANY.

VOLUME 13  
Pages 1435 through 1685

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PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

DATE: Friday, August 28, 2009

TIME: Commenced at 2:50 p.m.  
Concluded at 7:10 p.m.

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

REPORTED BY: RAY D. CONVERY  
Court Reporter  
(850) 222-5491

**ORIGINAL**

PARTICIPATING: (As heretofore noted.)

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

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12.)

ACTING CHAIRMAN EDGAR: All right, folks,  
we're going to get started. I'm sorry, but we're on the  
record, we're coming back from lunch break. We have  
taken a little extra time on the lunch break to try to  
allow everybody to have some time to eat, refresh,  
hopefully, and go through the proposed order of  
witnesses. I understand -- my understanding is that, as  
we kind of try to reorder in order to accommodate every  
possible schedule that we can try to accommodate, that  
we may be close, we may not. If we're at the point  
where we can come to some agreement at this point in  
time about order of parties, then let's do so. If there  
are still some issues or questions, I'd like to go ahead  
and get going with the taking of testimony, realizing  
that we will all still be together for the rest of the  
afternoon to work through whatever we need to work  
through.

So with that preamble, let me ask for the  
preliminary matters before we continue with our cross.

MR. BUTLER: I think we're in the second of  
your two choices, that we're close but not quite there.  
It probably does make sense to go forward with just the

1 order of witnesses we intend for this afternoon, and we  
2 will endeavor to work out the little wrinkles that exist  
3 on --

4 ACTING CHAIRMAN EDGAR: Okay. Does that cause  
5 a hardship or difficulty to any party?

6 Okay, then I think that where we left is for  
7 our staff to begin their cross of the witness.

8 MS. WILLIAMS: Yes, thank you, Madam Chairman.

9 MR. BUTLER: Madam Chairman?

10 ACTING CHAIRMAN EDGAR: Mr. Butler.

11 MR. BUTLER: Before we go on, I had asked to  
12 clarify something that Mr. Barrett had --

13 ACTING CHAIRMAN EDGAR: Staff, if you'll hold  
14 for just a moment. I apologize. Mr. Butler, you're  
15 recognized.

16 MR. BUTLER: Thank you, Madam Chairman.

17 FURTHER DIRECT EXAMINATION

18 BY MR. BUTLER:

19 Q. Mr. Barrett, you had testified in response to  
20 questions I think by Mr. McGlothlin concerning the  
21 amounts that comprised the \$89 million of additional  
22 depreciation expense that's reflected on page 24 of your  
23 testimony as part of the components for the  
24 \$1.044 billion rate increase for 2010, and I'd like to  
25 ask you if you have any changes to make to your

1 testimony concerning what the components of that  
2 \$89 million comprise.

3 A. Yes, I do. I'd like to clarify that in the  
4 \$89 million figure that is represented as the effect of  
5 the new depreciation rates, it does in fact include the  
6 capital recovery schedules that are part of the  
7 depreciation study that's been filed as part of this  
8 case. It is the complete impact of the new depreciation  
9 rate which include the capital recovery schedules.

10 MR. BUTLER: Thank you.

11 ACTING CHAIRMAN EDGAR: Okay. And so my  
12 understanding, Mr. Butler, for clarity of the record,  
13 Mr. McGlothlin, I believe that that was in response to a  
14 question that you had raised on cross?

15 MR. MCGLOTHLIN: Yes.

16 ACTING CHAIRMAN EDGAR: Do you have any -- a  
17 little out of order, but that's okay. We'll work  
18 through it. Do you have anything that --

19 MR. MCGLOTHLIN: I believe, given the exchange  
20 earlier, I'll reserve the questions for another witness.

21 ACTING CHAIRMAN EDGAR: Okay. Again, for  
22 clarity of the record.

23 MR. MOYLE: And just so I'm clear, was that  
24 Mr. Butler's redirect, or --

25 ACTING CHAIRMAN EDGAR: No, it was not.

1           MR. BUTLER: No, that was simply clarifying  
2 the record. No, I simply wanted it clarified at that  
3 point, because Mr. McGlothlin had asked that, if it was  
4 something that was indeed a concern for him and the  
5 questions that he intended to ask, I didn't want to get  
6 too far down the road before he had the opportunity to  
7 follow up.

8           MR. MOYLE: Okay. I was just a little unclear  
9 on what --

10          ACTING CHAIRMAN EDGAR: And again, and to make  
11 sure that Mr. McGlothlin, since it was a question that  
12 he had posed, would have the opportunity and we will  
13 have other witnesses that we can address.

14                 Okay, Ms. Williams, you're up.

15          MS. WILLIAMS: I'm back.

16                 Before I begin, I want to note that all the  
17 parties have represented to me that they have no  
18 objection to certain exhibits included in Staff's  
19 Composite Exhibit List No. 35, and based on that  
20 representation, at the conclusion of Mr. Barrett's  
21 testimony, staff would like to go through and check off  
22 each of those on our list so that at the conclusion of  
23 the proceeding we can enter those into the record.

24          ACTING CHAIRMAN EDGAR: We will take that up  
25 at that appropriate time.

1 MS. WILLIAMS: Staff also has several  
2 documents that are not included in our composite list  
3 that I've previously passed out to all the parties, and  
4 the Commissioners should have them in front of them,  
5 that we would like to enter, and I'm going to start by  
6 dealing with those.

7 CROSS EXAMINATION

8 BY MS. WILLIAMS:

9 Q. Good afternoon, Mr. Barrett.

10 A. Good afternoon.

11 Q. Now, I've placed in front of you a document  
12 entitled *2009 Approved Capital Budget, Other*, as  
13 referenced on Hospital Association Interrogatory 279.  
14 That's also Late-Filed Exhibit No. 1 to your deposition.  
15 Do you have that?

16 A. I do.

17 Q. Are you familiar with this document?

18 A. Yes.

19 Q. Was it prepared by you or under your  
20 supervision?

21 A. It was.

22 Q. Now, this late-filed exhibit asks FPL to  
23 provide the projects listed under the business unit,  
24 other, as referenced in FPL's response to South Florida  
25 Hospital Association's Interrogatory 279, does it not?



1 A. It does.

2 Q. And has anything changed that would alter the  
3 figures or projects that FPL has provided on this  
4 exhibit?

5 A. No.

6 MS. WILLIAMS: Madam Chairman, I'd like to  
7 mark that as exhibit, I believe we're on 416.

8 ACTING CHAIRMAN EDGAR: Yes, ma'am.

9 MR. MOYLE: This is Late-Filed Exhibit 1, is  
10 that right?

11 MS. WILLIAMS: Yes, that's correct.

12 ACTING CHAIRMAN EDGAR: And we will mark as  
13 Exhibit 416 *2009 Approved Capital Budget, Other*.

14 (Exhibit No. 416 marked for identification.)

15 MS. WILLIAMS: Thank you.

16 BY MS. WILLIAMS:

17 Q. Next, Mr. Barrett, I've placed in front of you  
18 a document called *2009 Capital Variances to Budget,*  
19 *Other*, as Referenced in REB 22. That's Late-Filed  
20 Exhibit No. 2 to your deposition. Do you have that in  
21 front of you?

22 A. I do.

23 Q. Are you familiar with this document?

24 A. I am.

25 Q. And was it prepared by you or under your

1 supervision?

2 A. Yes.

3 Q. And this late-filed exhibit asks FPL to  
4 provide the projects listed under the business unit,  
5 other, as referenced in REB 22, correct?

6 A. Correct.

7 Q. Has anything changed that would alter the  
8 figures or projects FPL has provided on this exhibit?

9 A. No.

10 MS. WILLIAMS: Madam Chairman, I'd now like to  
11 mark this one as Exhibit No. 417.

12 ACTING CHAIRMAN EDGAR: Just a moment. You're  
13 one step ahead of me.

14 Okay. 417, *2009 Capital Variances to Budget,*  
15 *Other*, REB 22, do I have the correct document?

16 MS. WILLIAMS: That's fine.

17 ACTING CHAIRMAN EDGAR: We will mark as 417.

18 (Exhibit No. 417 marked for identification.)

19 BY MS. WILLIAMS:

20 Q. And finally I have handed you a document  
21 entitled *2010-2011 Deferred Projects*, which is also  
22 Exhibit No. 3, Late-Filed Exhibit No. 3 to your  
23 deposition, and this consists of two pages, I believe.  
24 Are you familiar with this document?

25 A. I am.

1 Q. Was it prepared by you or under your  
2 supervision?

3 A. Yes.

4 Q. And this late-filed exhibit asks FPL to  
5 provide for each deferred or delayed project in 2010 and  
6 2011 the impact on rate-based accumulated depreciation,  
7 CWIP and depreciation expense, correct?

8 A. Correct.

9 Q. Has anything changed that would change the  
10 figures or projects that FPL has provided on this  
11 exhibit?

12 A. No.

13 MS. WILLIAMS: I'd now like to mark this  
14 exhibit as No. 418.

15 ACTING CHAIRMAN EDGAR: Okay. We will mark as  
16 418 -- is everybody clear?

17 Okay. And *2010-2011 Deferred Projects*?

18 MS. WILLIAMS: Yes, that's good.

19 (Exhibit No. 418 marked for identification.)

20 MS. WILLIAMS: I've also passed out to all the  
21 parties what I think has previously been marked by FIPUG  
22 as Exhibit 386, just for ease of reference, so everyone  
23 can have it in front of them.

24 BY MS. WILLIAMS:

25 Q. Now, Mr. Barrett, turning to your -- starting

1 off with your direct testimony, on page 19, lines 16  
2 through 18, you state that FPL has been able to reduce  
3 planned capital expenditures in 2008 by nearly  
4 530 million and has reduced its initial spending plans  
5 for 2009 by more than 450 million. Is that correct?

6 A. That's correct.

7 Q. How much has FPL reduced its capital  
8 expenditures for the test years 2010 and 2011?

9 A. If I could give the context for those  
10 statements, the context for the \$450 million reduction  
11 is the initial proposed budget at the beginning of the  
12 budget process to the final approved budget, so an  
13 apples-and-apples comparison, if you will. I believe  
14 that is -- let me see which exhibit. It is Exhibit No.  
15 386, I believe.

16 Q. Yes, that should be the one.

17 A. In total -- excuse me. In total the 2010  
18 approved budget was \$91 million lower than the 2010  
19 initial proposed budget, and as I explained yesterday --  
20 I don't remember if it was yesterday or today when we  
21 were discussing this document -- that's comprised of  
22 almost \$300 million of reductions in the operating  
23 units, and then there were some additions, notably in  
24 the energy secure pipeline down under the project  
25 development category of other expenditures, and Turkey

1 Point 6 and 7 new nuclear expenditures. So there were  
2 some new projects that were added in from the initial to  
3 the approved, giving a net total reduction of  
4 91 million, but I just did want to point out that there  
5 was a reduction of almost 300 million in the operating  
6 units in 2010.

7 And it's a similar story for 2011. I believe  
8 you asked me about 2011 as well. It's a bottom-line  
9 increase of \$88 million, which, again, is about a \$270  
10 million reduction in the operating units, and then the  
11 addition of some other projects down in the project  
12 development area of the budget here.

13 Q. So you would agree that in total for 2010  
14 there was a reduction of 91 million and in 2011 an  
15 increase of 88 million?

16 A. In total, I would agree with that.

17 Q. In total?

18 MR. MOYLE: Madam Chair, could I interrupt  
19 just briefly?

20 ACTING CHAIRMAN EDGAR: Mr. Moyle?

21 MR. MOYLE: Yeah, I would just move to strike  
22 the portion of the response to the previous question. I  
23 think the question was to confirm essentially capital  
24 expenditures in 2010 and 2011, and the witness responded  
25 by talking about reductions in operating expenses that I

1 don't think have anything to do with capital  
2 expenditures. I don't know that they were part of his  
3 direct testimony, and probably not appropriate.

4 MR. BUTLER: Madam Chairman, may I respond?

5 ACTING CHAIRMAN EDGAR: Mr. Butler.

6 MR. BUTLER: Thank you.

7 We can clarify with the witness if it's  
8 necessary, but I think what he was referring to was  
9 capital expenditures by the operating units as the  
10 company -- units such as power generation, nuclear  
11 transmission, distribution, et cetera. I did not take  
12 his answer to be referring to operating expenses but  
13 rather to capital expenditures within those operating  
14 units.

15 ACTING CHAIRMAN EDGAR: Ms. Williams?

16 MS. WILLIAMS: I think it's okay -- sorry. I  
17 think it's okay to strike that. I agree with Mr.  
18 Butler -- I mean, sorry, Mr. Moyle.

19 ACTING CHAIRMAN EDGAR: Let try it this way:  
20 I'm going to ask Ms. Williams if you would re-ask your  
21 last question and I'm going to ask the witness, whatever  
22 your answer is, to give your answer and let's see where  
23 that takes us.

24 MR. MOYLE: So we'll kind of start over, I  
25 guess, is --

1                   ACTING CHAIRMAN EDGAR: Yes, sir. Every once  
2 in a while you need a redo.

3 BY MS. WILLIAMS:

4                   Q. Could you tell me, for 2010, how much FPL  
5 reduced its capital expenditures by for the test year  
6 2010?

7                   A. For 2010 in total, the reduction shown on this  
8 sheet is \$91 million, and as I was explaining the  
9 composition of that 91, the capital expenditures for the  
10 operating units, the business units, power generation,  
11 nuclear transmission, distribution and customer service,  
12 which really represent the fundamental operations of the  
13 company, were reduced almost \$300 million, and then  
14 there were some specific project expenditures that were  
15 increased from the 2010 proposed budget to the approved  
16 budget, giving a net reduction of 91 million. So it's  
17 the operating units' capital expenditures. So we're  
18 talking about capital for all of that.

19                   Q. Okay. So, referring to Exhibit 386, for 2010,  
20 on the line entitled *Total* at the bottom, in parentheses  
21 it says 91 million decrease, is that correct --

22                   A. That is correct.

23                   Q. -- total? And for the 2011 test year it  
24 indicates on the line *Total* on the far right bottom  
25 88 million increase, is that correct?

1 A. That is correct.

2 Q. Were these amounts included in the revised  
3 revenue requirements?

4 A. I'm not sure what you mean by the revised  
5 revenue requirements. The 2010 and '11 approved budgets  
6 are reflected in the MFRs.

7 Q. Okay. Did FPL make any similar reductions  
8 with respect to expenses, number of employees or  
9 compensation for 2010 and 2011?

10 A. I don't have that information. We went  
11 through the budget process for O&M as we did for  
12 capital. I just have not prepared an analysis similar  
13 to this for those years.

14 Q. And that's fine.

15 Now, referring to Late-Filed Exhibit 3 to your  
16 deposition, which I believe is Exhibit 418, this shows  
17 the 2010 and 2011 deferred projects. I want to refer to  
18 that document and also Exhibit 386, the one we were just  
19 looking at, where you indicated that FPL had reduced its  
20 capital expenditures by 91 million in 2010. Are any of  
21 the deferred projects you listed on Exhibit 418 included  
22 in that -- in the 91 million identified in Exhibit 386?

23 A. Can you just clarify that, please? I'm sorry.

24 Q. One moment.

25 Can I have you turn to Exhibit 418, and it's



1 titled 2010-2011 Deferred Projects?

2 A. Yes, I've got it.

3 Q. These projects FPL has indicated were deferred  
4 from the 2010 projected test year, correct?

5 A. Yes.

6 Q. And are the amounts indicated here for these  
7 projects included in the 91 million of reduction in  
8 capital expenditures indicated on Exhibit 386?

9 A. No, they're not.

10 Just to be clear, Exhibit 418 reflects plant  
11 and service, accumulated depreciation, CWIP and  
12 depreciation expense, whereas the other exhibit is  
13 capital expenditures. So I just wanted to be clear what  
14 you're asking me.

15 Q. One second.

16 Mr. Barrett, I'm going to back up to a  
17 question I asked you previously. I asked if FPL had  
18 made any similar reductions with respect to expenses,  
19 and you said that you weren't aware of the answer to  
20 that question.

21 Do you know who would know about that?

22 A. No, what I said was we -- I did not prepare a  
23 schedule that looked like this schedule, but as we moved  
24 through the process, we did make adjustments to  
25 operating expenses as we were in the budget process and

1 finalizing the budget. This schedule on capital  
2 expenditures was prepared as an exhibit to my testimony  
3 to make some specific points regarding the actions that  
4 we took on capital expenditures.

5 Q. Do you know what the exact numbers would be  
6 with respect to reductions in O&M?

7 A. No.

8 Q. Do you know who would know?

9 A. I just don't have the information with me to  
10 answer the question.

11 Q. Would it be possible to get the total decrease  
12 in O&M as a late-filed exhibit?

13 ACTING CHAIRMAN EDGAR: Or, Mr. Butler, is  
14 there another witness --

15 MR. BUTLER: This is probably the right  
16 witness to cover the subject on. As I say, I don't  
17 think he's done that specific analysis that's the  
18 equivalent to what's been marked as Exhibit 386. We'd  
19 have to ask him as to the timetable and possibility of  
20 doing it, if that's the Commission's pleasure to have  
21 the late-filed exhibit, but I don't think there's  
22 somebody else down the line who would be able to put  
23 that together on -- the only thing that comes to mind is  
24 possibly that Mr. Barrett would be able to look into  
25 that before he returns on rebuttal.

1           ACTING CHAIRMAN EDGAR: Well, let me do this:  
2 Ms. Williams, can you -- you've probably got it, but so  
3 that I do -- state again specifically what it is that we  
4 would be asking him to -- Mr. Barrett to supply?

5           MS. WILLIAMS: Okay. We would like Mr.  
6 Barrett to quantify the amount of reductions made with  
7 respect to O&M expenses for 2010 and 2011.

8           ACTING CHAIRMAN EDGAR: Okay. And then let me  
9 ask this: Mr. Barrett, when do you think you would be  
10 able to provide that information, realizing that you are  
11 on the stand for a little while longer?

12          THE WITNESS: I would imagine, not knowing  
13 when this might be, but when I'm back up on rebuttal I  
14 would be able to address that. Is that the question?

15          MS. WILLIAMS: Madam Chairman, we'd be fine  
16 with doing that on rebuttal.

17          ACTING CHAIRMAN EDGAR: And is it the  
18 understanding of all parties that Mr. Barrett is coming  
19 back on rebuttal for combining and not combining --

20          THE WITNESS: Yes.

21          ACTING CHAIRMAN EDGAR: It is. So let me ask  
22 the Intervenors.

23          MS. BRADLEY: To be consistent, we'd object to  
24 the late-filed and ask that, if it is allowed, that it  
25 be restricted to specifically what has been requested,

1 and that we be allowed an opportunity to review it in  
2 time to provide cross-examination of this witness if we  
3 need to respond to the witness.

4 ACTING CHAIRMAN EDGAR: All right. That is my  
5 under -- I'm sorry, Mr. Moyle?

6 MR. MOYLE: FIPUG would like to, for the  
7 record, also note its objection primarily on the grounds  
8 that Mr. Butler said this is the witness that's supposed  
9 to have it. He's, you know, filed his direct. It's  
10 been in the record a long time, and this is, you know, I  
11 think supplementing their case-in-chief. It's their  
12 burden. It should have already been in the record. If  
13 it's not, you know, we would object, and we have due  
14 process and a whole bunch of things sort of evolving  
15 around the ability to all of a sudden create a document  
16 that hasn't been created today that's all of a sudden,  
17 you know, presumably, going to be offered next week.

18 ACTING CHAIRMAN EDGAR: My understanding of  
19 what has been requested is that it is a calculation, so  
20 the way I would have liked for us to proceed is to mark  
21 this request as it has been described as an exhibit to  
22 come, which will be 419 -- Ms. Williams, I'm going to  
23 ask you for a title in a moment -- and then we will  
24 approach it as I believe is consistent with what we have  
25 been doing throughout this proceeding, which is to try

1 to avoid late-filed, but if an issue arises, to deal  
2 with it as Ms. Bradley has outlined.

3 And so we will expect that to come in, for all  
4 parties to work with staff, and then to have it  
5 available when this witness is back on rebuttal, with  
6 FIPUG's objection so noted.

7 MR. MOYLE: Right. And I think -- and you  
8 have not been chairing -- I mean, my understanding is  
9 there has not been a ruling yet on any kind of late-  
10 filed exhibits, that the Attorney General made a motion,  
11 it was taken under advisement, but we don't have a  
12 ruling at this point.

13 ACTING CHAIRMAN EDGAR: And if I'm wrong, I  
14 appreciate the correction, always, and I may have  
15 misstated my understanding -- what I was thinking -- and  
16 I have not been chairing and nor did I want to, but  
17 sometimes we all have to pinch-hit -- is that there had  
18 been a late-filed -- a similar question that had arisen,  
19 and that the way we handled it was that it would come in  
20 during the course of this proceeding with the  
21 opportunity later in the proceeding, and if I have that  
22 wrong, then I will ask staff to correct me and I will  
23 thank you for the correction.

24 MS. HELTON: Madam Chairman, I think the  
25 process that you have laid out for this particular

1 late-filed exhibit, which is not really a late-filed  
2 exhibit because it will be discussed -- y'all will have  
3 the opportunity to cross-examine on it when Mr. Barrett  
4 comes back for rebuttal, is consistent with the  
5 Chairman's ruling on a previous, similar type item.

6 ACTING CHAIRMAN EDGAR: Okay. That's what I  
7 was trying to convey.

8 Yes, Ms. Bradley.

9 MS. BRADLEY: I would just note that, when we  
10 talk about late-filed, it's anything -- we're referring  
11 to anything that's filed after the deadline set in the  
12 prehearing order as the deadline for filing any  
13 exhibits, just to clarify what we're talking about.

14 MS. HELTON: Well, understood, and I'm sorry,  
15 old practices are hard to break.

16 ACTING CHAIRMAN EDGAR: Well, my phrase was  
17 "exhibit to come," so I'm going to stick to that one.

18 Yes, Mr. Moyle.

19 MR. MOYLE: And we can go back and look at the  
20 record on this conversation, which I think will probably  
21 set us straight, but it was my impression that the end  
22 of the conversation was, go ahead and prepare the  
23 exhibit but no ruling as to whether it would come in or  
24 not, so that would -- you know, with the idea that it  
25 was going to be admitted as evidence subject to cross,

1 that ruling had not yet been made.

2 ACTING CHAIRMAN EDGAR: You and I are saying  
3 the same thing, and if I am not being clear, my  
4 apologies, but what you are saying is what I thought I  
5 was saying. So -- and again -- and I'm glad for the  
6 opportunity to clarify.

7 Okay. So we have -- we're in the process of  
8 marking 419, an exhibit to come, to be titled --

9 MS. WILLIAMS: Reductions to O&M Expense for  
10 2010 and 2011.

11 MR. BUTLER: Madam Chairman?

12 ACTING CHAIRMAN EDGAR: Mr. Butler.

13 MR. BUTLER: Just to be clear on the record  
14 here what we're doing, what was done in 386 and what I  
15 believe we're going to be doing here, Mr. Barrett had  
16 compared what had been submitted by the business units  
17 initially as their capital expenditure budgets to what  
18 was actually approved as their capital expenditure  
19 budgets for 2010 and 2011, and that is, you know, the  
20 differences that are shown on that exhibit. That would  
21 be the same thing that we would be doing here for O&M  
22 expenses.

23 Is that staff's understanding?

24 MS. WILLIAMS: Yes, that's what we want.

25 ACTING CHAIRMAN EDGAR: Okay. We will look

1 forward to that from you, Mr. Barrett.

2 MR. BUTLER: Thank you.

3 ACTING CHAIRMAN EDGAR: Ms. Williams?

4 BY MS. WILLIAMS:

5 Q. Where were we?

6 Now, since the filing of your direct testimony  
7 in this case, has FPL taken any action or had  
8 discussions concerning overall employee compensation in  
9 response to the bleak economic climate?

10 A. Not to my knowledge.

11 Q. Given the economic recession experienced in  
12 Florida and the nation over the past year or more, could  
13 you explain how FPL justifies an increase in the overall  
14 rate of compensation for its executives for the test  
15 years 2010 and 2011?

16 A. I believe Ms. Slattery will be on the stand  
17 testifying to overall compensation.

18 Q. Since the filing of your direct testimony, are  
19 you aware if FPL has taken any actions or had any  
20 discussions concerning executive compensation in  
21 response to the economic downturn that aren't discussed  
22 in your direct testimony?

23 A. No, I'm not aware.

24 Q. Does FPL or FPL Group have any plans to  
25 outsource or contract out any work currently performed



1 by FPL employees of which you're aware?

2 A. Not that I'm aware.

3 Q. Just to clarify for the next few questions,  
4 this is since the filing of your direct testimony, I'm  
5 wondering if anything has changed, so I don't have to  
6 keep repeating myself.

7 Has FPL taken any actions or had any  
8 discussions concerning staffing issues in response to  
9 the economic downturn?

10 A. Not to my knowledge.

11 MR. BUTLER: I'm sorry, could you define a  
12 little bit more clearly what you mean by "staffing  
13 issues"?

14 BY MS. WILLIAMS:

15 Q. What I'm looking for is whether FPL has had  
16 any discussions or taken any actions about any kind of  
17 staffing changes or alterations that would impact the  
18 composition of the workforce at FPL.

19 A. Not that I'm aware.

20 Q. Okay. I think I know the answer to this  
21 question, but I'm going to ask it anyway. Have there  
22 been any discussions within FPL or FPL Group concerning  
23 layoffs or downsizing of its workforce in 2009 or 2010?

24 A. No, not that I'm aware.

25 Q. Does FPL or FPL Group have any plans for

1 decreasing the workforce in Florida specifically in 2009  
2 or 2010?

3 A. No, not that I'm aware of.

4 Q. Mr. Barrett, were you here for Mr. Olivera's  
5 testimony?

6 A. I was not here, no.

7 Q. Are you aware that he stated that FPL had  
8 implemented a hiring freeze?

9 A. I did not hear him say that.

10 Q. Are you aware that FPL has implemented a  
11 hiring freeze?

12 A. Yes.

13 Q. When does the company plan to lift the hiring  
14 freeze?

15 A. I don't know.

16 Q. The 2010 business plan used by FPL indicates  
17 that the company is going to add employees in 2010, does  
18 it not?

19 A. I'm not familiar with the document you're  
20 referring to.

21 Q. Mr. Barrett, Mr. Butler passed out a handout  
22 at the beginning of your testimony that shows a total  
23 requested increase in base rates of 1,300.3 million. I  
24 believe it was entitled *Revenue Increase Requested,*  
25 *Including KO-16.* Do you still have that?

1 A. Give me just a minute.

2 Yes, I have it.

3 Q. Did you say you have that in front of you now?

4 A. I do.

5 Q. Okay. This indicates a total requested  
6 increase in base rates of 1,300.3 million, correct?

7 A. The year total of 2010 and '11 is, yes,  
8 1.3 billion, roughly.

9 Q. And this amount does not include the increase  
10 in base rates FPL has requested through the GBRA  
11 mechanism for the West County Unit 3, correct?

12 A. That's correct.

13 Q. How much is FPL requesting for the West County  
14 Unit 3 through the GBRA mechanism?

15 A. I believe the annualized revenue requirement  
16 is 182 million.

17 Q. So what would be the total increase in base  
18 rates including this amount?

19 A. On an annualized basis with the full effect of  
20 the West County 3 GBRA, it would be 1,482 million,  
21 1.4 billion.

22 Q. And are you aware what the immediate increase  
23 in base rates was from the 2005 settlement that was  
24 previously discussed?

25 A. I'm sorry, can you repeat the first part of

1 that?

2 Q. Are you aware what the immediate increase in  
3 base rates was from the 2005 settlement?

4 A. I don't believe there was any increase in base  
5 rates from the 2005 settlement.

6 Q. Thank you.

7 You mentioned earlier in your testimony that  
8 amortizing the depreciation surplus over four years  
9 would harm the company's cash position. Do you recall  
10 that statement?

11 A. I do.

12 Q. And the company has identified a \$1.25 billion  
13 depreciation surplus, correct?

14 A. I believe that's the calculation of the  
15 theoretical reserve surplus.

16 Q. Can I have you refer to MFR Schedule D-9?

17 A. I don't have that with me.

18 MR. BUTLER: We'll have to get him a copy.  
19 Hold on for a minute.

20 MS. WILLIAMS: Okay, thank you.

21 ACTING CHAIRMAN EDGAR: Do we need to take a  
22 break?

23 Okay, good.

24 MS. WILLIAMS: My fault. I should have  
25 mentioned that earlier.

1           ACTING CHAIRMAN EDGAR: We'll learn as we go.  
2           Mr. Butler? Okay. Let's take -- Mr.  
3 Barrett, feel free to stretch. All of us will take five  
4 minutes, and again I do mean five minutes, and we'll get  
5 the documents in order. We are in recess.

6           (Brief recess.)

7           ACTING CHAIRMAN EDGAR: Okay. We are going to  
8 get started here in just a moment.

9           Okay. We are back on the record.

10           When we took a short break, we were going to  
11 have a document provided to the witness. It's my  
12 understanding that he has it, and so, Ms. Williams, you  
13 are back on cross.

14           MS. WILLIAMS: Thank you.

15 BY MS. WILLIAMS:

16           Q. Now, in front of you you have MFR Schedule  
17 D-9. According to this schedule, FPL had an interest  
18 coverage ratio of 4.5 times in 2008, correct? It's the  
19 top line under Historic Base Year, the second column.

20           A. Yes, the interest coverage ratio including  
21 AFUDC is 4.5 for the historic base year.

22           Q. And under current rates, FPL projects an  
23 interest coverage ratio of 4.58 times in 2009, correct?  
24 That would be in column 3.

25           A. Prior year 2009, yes.

1 Q. Based on the rate increase requested in this  
2 proceeding, FPL projects an interest coverage ratio of  
3 6.04 times for 2010, correct? That's in column 4 --  
4 excuse me, column 5.

5 A. The number in column 5 is 6.04, but I do want  
6 to just say I didn't prepare this schedule, so I'm not  
7 going to be able to tell you how we got there.

8 Q. That's fine. I just want to indicate the  
9 2008, 2009 and 2010 interest coverage ratios that are  
10 based on my previous question that you had mentioned  
11 that amortizing the depreciation surplus over four years  
12 would harm the company's cash position. That's the  
13 extent to which I'll be asking you about this MFR.

14 Now, assuming a four-year amortization of the  
15 1.2 billion theoretical depreciation reserve, what would  
16 FPL's interest coverage ratio be in 2010?

17 A. I don't know.

18 Q. As the V.P. of Finance, you're familiar with  
19 Standard & Poor's, right?

20 A. I know who they are, yes.

21 Q. Are you familiar with the financial ratios  
22 that S&P considers when assigning credit ratings?

23 A. Not all of them, no. I have not dealt with  
24 them directly. I believe Witness Pimentel could address  
25 your questions there.

1 Q. I'm sorry, I didn't hear your answer. You  
2 said you were not familiar with the financial ratios  
3 that S&P considers?

4 A. Correct.

5 Q. So you don't know S&P's guidelines for  
6 interest coverage ratios for a single-A-rated vertically  
7 integrated utility?

8 A. I do not.

9 Q. Okay, thank you.

10 MS. WILLIAMS: That's all of my questions.

11 ACTING CHAIRMAN EDGAR: Are there questions  
12 from Commissioners? Commissioner Skop?

13 COMMISSIONER SKOP: Thank you, Madam Chairman.  
14 Good afternoon, Mr. Barrett.

15 THE WITNESS: Good afternoon.

16 COMMISSIONER SKOP: In response to the FPL  
17 request for a rate increase, Public Counsel and the  
18 other Intervenors have alleged that a substantial rate  
19 reduction is more appropriate, and, as you know, the  
20 burden on FPL is to prove its case.

21 With that in mind, and given the two different  
22 stories that I'm hearing as I listen to the record  
23 evidence before me, I'm trying to gain a better  
24 understanding for each of the respective positions of  
25 the parties, and what I'd like to do, even though it's

1 somewhat redundant and there's been a lot of questioning  
2 asked, but at least from my perspective it's important  
3 that as a decision-maker I have a clear understanding of  
4 what FPL's alleging as the basis for its requested  
5 increase, and what I'd like to do is briefly review the  
6 chart behind you to better understand the basis for the  
7 proposed increase, and I'd like to start with the  
8 depreciation charges.

9           And with respect to that, can you just briefly  
10 explain -- and I know it's covered in your direct  
11 testimony, I've read through that, but briefly, in a  
12 snapshot, concisely articulate what that charge relates  
13 to or that proposed driver relates to?

14           THE WITNESS: Certainly. The 266 million  
15 depreciation changes driver has three basic components.  
16 We are currently, through the end of this year,  
17 recording a \$125 million credit to depreciation that  
18 would end at the end of this year. So that's  
19 125 million in 2010 of additional depreciation expense.  
20 There is another component that is the cumulative effect  
21 on revenue requirements of having taken that credit for  
22 four years, and that's about \$52 million. The last  
23 piece, the \$89 million that I referred to in my  
24 testimony, is the effect of the new rates for  
25 depreciation that the company's proposing as part of



1 this case when compared with the current rates that are  
2 in effect right now. So if you take the 2010 plant  
3 balances, the difference in rates, multiply it out, you  
4 get \$89 million. So those three components together  
5 would suggest \$266 million.

6 COMMISSIONER SKOP: Okay, thank you.

7 And I guess in this case before us Public  
8 Counsel and Intervenors, and as also just mentioned by  
9 staff, have alleged that FPL has a substantial  
10 depreciation reserve surplus, and I know that FPL  
11 alleges it's 1.25 billion whereas OPC alleges it's  
12 2.7 billion. In light of the discussion, how does  
13 FPL -- in light of the discussion and assuming a surplus  
14 does in fact exist, how does FPL effectively rebut the  
15 intergenerational inequity argument advanced by Public  
16 Counsel with respect to depreciation?

17 THE WITNESS: Well, we do have several  
18 witnesses that are a lot more expert on depreciation  
19 than I who will be testifying after me.

20 As I understand it, we believe that the proper  
21 treatment is to take that surplus into account, that  
22 theoretical surplus, and reflect it over the remaining  
23 lives of the assets, and we review depreciation every  
24 four years and kind of pull up in four years and take  
25 another look and see if things are where we thought they

1 would be and make adjustments accordingly and move  
2 forward.

3 That's the extent of my knowledge on the  
4 subject.

5 COMMISSIONER SKOP: Okay, fair enough.

6 With respect to the reserve surplus, I believe  
7 in your testimony it was discussed, as well as another  
8 witness, that basically it's an accounting entry, not  
9 cash, so refunding it would essentially be a problem to  
10 the extent that it doesn't represent a pot of money. Is  
11 that generally correct?

12 THE WITNESS: That's generally correct. It is  
13 just an accounting entry, it's not a, as you said, a pot  
14 of cash.

15 COMMISSIONER SKOP: Okay. And it's also  
16 correct to understand that the prior collection that may  
17 have resulted in a depreciation reserve surplus, that  
18 represented cash flow that was actually used for  
19 operations?

20 THE WITNESS: For operations or to reinvest in  
21 the capital needs of the business.

22 COMMISSIONER SKOP: From a ratepayer's  
23 perspective, assuming the surplus exists, why would that  
24 not represent the asymmetric risk argument to the extent  
25 that on the front end, for cash flow purposes, the

1 company has arguably overcollected the cash and maybe  
2 invested it along the course of normal operations, but  
3 when a surplus exists, it really is hesitant to want to  
4 provide the credit that I believe that Public Counsel  
5 and the other Intervenors are arguing should be applied  
6 and inure to the benefit of the ratepayers?

7 THE WITNESS: Well, I don't believe it's an  
8 issue of reversing that theoretical surplus. I believe  
9 the disagreement has to do with over what period of  
10 time, and we've proposed, as I understand it -- and  
11 again, I'm not the witness on that particular issue, but  
12 as I understand it, we're proposing that to be over the  
13 remaining life of the assets.

14 COMMISSIONER SKOP: Okay, fair enough.

15 If the record evidence in this case does  
16 demonstrate, however, that a surplus exists, then why  
17 would FPL not want to amortize the excess reserve over a  
18 short period of time and decrease the new depreciation  
19 rates to further reduce the near-term rates for its  
20 customers?

21 THE WITNESS: Well, I believe generally any  
22 accelerated amortization of a theoretical surplus is, in  
23 effect, going to be adding to rate base and it's going  
24 to be increasing the likelihood of a future large rate  
25 increase.

1           COMMISSIONER SKOP: Well, I understand that,  
2 and I don't mean to cut you off, but it seems to be --  
3 this is what I'm struggling with, because, you know, I'm  
4 not an accounting expert, but, you know, I try and dig  
5 in and understand. But it seems as though there's a  
6 circular argument, because you fall back to a future  
7 rate increase, but that's the same intergen -- you know,  
8 that effectively seems to be rebutted by the  
9 intergenerational inequity argument.

10           It's almost like, we can't do this because it  
11 will cause rates to go up later, but we don't want to do  
12 anything at all because, you know, we can't give it back  
13 now, and to me it seems to be, if you're asking to hold  
14 a credit or a surplus, then it does have those  
15 intergenerational inequities that come forth.

16           So I'm trying to get a better perspective on  
17 that because I'm struggling to -- you know, I hear it,  
18 but it seems to be like just a circular argument.

19           THE WITNESS: Right, and maybe a depreciation  
20 witness would be better able to articulate it. I do  
21 know that the fact that there is a theoretical reserve  
22 surplus actually provides a present benefit to customers  
23 because the rate base is lower than it otherwise would  
24 be, so any current customers are getting a benefit of  
25 that surplus.

1                   COMMISSIONER SKOP: Okay, fair enough, and  
2 I'll reserve some of those questions for later.

3                   Are you generally familiar with the FPL Group  
4 pension plan?

5                   THE WITNESS: Not really.

6                   COMMISSIONER SKOP: Okay. Do you know if  
7 under that pension plan FPL Group -- and assume that the  
8 plan was overfunded. To your knowledge, have they  
9 ever -- I know you said you don't have knowledge, so if  
10 you don't, I'll just reserve my question, but with  
11 respect to the pension plan, if it was overfunded, are  
12 you aware that, subject to check, FPL Group has  
13 transferred pension plan assets to fund claims  
14 associated with retiree medical benefits in the past?

15                   THE WITNESS: I'm not aware of that.

16                   COMMISSIONER SKOP: Okay, let me move on to  
17 the next item, which is inflation, if I could, and if  
18 you could briefly just do a snapshot as to what drives  
19 that component of the requested increase? And I'm  
20 trying not to be redundant, but I'm trying to make sure  
21 I've got a full understanding here.

22                   THE WITNESS: Certainly.

23                   Essentially all of these drivers are taking a  
24 walk from 2006, which was the test year in the last  
25 proceeding, to 2010, the test year in this proceeding,

1 and saying, what's causing the increase of a billion  
2 dollars of rate request. For inflation, during that  
3 period there has been a compound effect of actual and  
4 projected inflation of just over 11 percent, and so  
5 really this driver, this 236 million, is a  
6 quantification of the revenue requirement impact of that  
7 cumulative amount of inflation.

8 So, said very simply, it's the effect on the  
9 revenue requirements, O&M and capital, due to about  
10 11 percent of compound effect of inflation through 2010.

11 COMMISSIONER SKOP: But the rates that the  
12 Commission's asked to set are forward-looking, and am  
13 I -- why would it not be appropriate just to put an  
14 adder in for depreciation on a year-by-year basis based  
15 upon the expected CPI instead of trying to get the  
16 compounding effect? Am I missing something, or --

17 THE WITNESS: I think I'm maybe not explaining  
18 it clearly.

19 The costs that we're putting forward in 2010  
20 are what we believe to be the appropriate costs for the  
21 business for 2010. What I'm merely trying to suggest is  
22 that part of those costs are there because of the effect  
23 of inflation since 2006, so if we were to rewind the  
24 tape four years to 2006, we would expect there to be  
25 236 million less costs because of the effect of

1 inflation.

2 So it's really just trying to explain why part  
3 of the costs have increased since the last time we  
4 looked at costs.

5 COMMISSIONER SKOP: Okay, fair enough.

6 With respect to the next category, regulatory  
7 commitments, it's my understanding, looking at your  
8 testimony -- and I'll let you summarize it, but if you  
9 could just briefly explain that?

10 THE WITNESS: Certainly. This has to do with  
11 commitments that have been made either to this  
12 Commission or other regulatory bodies or other  
13 governmental agencies, and as I explained in another  
14 part of my testimony, a large portion of that is the  
15 revenue requirement increase from 2006 to 2010 related  
16 to storm hardening and other storm secure- related  
17 activities, and that was close to \$100 million of that  
18 177.

19 There are other items that are in there. I  
20 believe Mr. Stall talked about some of the nuclear  
21 commitments that we've made. We had a series of  
22 investments to remediate some alloy 600 issues at the  
23 requirement of the NRC, and that's included in there.  
24 That's about \$40 million. And there are other fees that  
25 we pay for compliance to the regulatory bodies, and

1 those have just increased through the passage of time  
2 and for other reasons, and that makes up pretty much the  
3 difference.

4 So those are really -- those are items that we  
5 kind of view as outside of our control to comply with  
6 either regulation or, you know, legislative mandate.

7 COMMISSIONER SKOP: Fair enough.

8 With respect to the nuclear component that you  
9 just mentioned that Mr. Stall spoke to, why would that  
10 not be essentially an infrastructure investment? That's  
11 what I'm trying to better understand, because I  
12 understood the regulatory commitments, but the nuclear  
13 part of that seemed to be, you know, a justified expense  
14 of doing business, but perhaps in a wrong category.

15 THE WITNESS: Fair enough.

16 There are nuclear investments in both of those  
17 categories. This specifically referred to the  
18 replacement of the reactor vessel head which had alloy  
19 600 issues, and there are some other components that  
20 Mr. Stall was a lot more capable of talking about than I  
21 am.

22 COMMISSIONER SKOP: Fair enough.

23 THE WITNESS: There are some nuclear  
24 investments down in the long-term infrastructure  
25 investments that had enabled us to extend the license



1 for an extra 20 years on those plants, and so we do view  
2 those as long-term infrastructure investments. I just  
3 want to differentiate things that we chose to do for  
4 customer benefit versus things that we were basically  
5 mandated to do.

6 COMMISSIONER SKOP: Fair enough. Thank you.

7 Moving to the next category, with respect to  
8 growth, can you briefly explain that?

9 THE WITNESS: Certainly. Again, just for  
10 context, this is looking from 2006 through 2010, and  
11 while we may be in a period of basically no growth right  
12 now, that was not the case in 2006 and '07 and even the  
13 early part of 2008. In fact, we've invested over a  
14 billion dollars in our transmission and distribution  
15 infrastructure during that time with about 200,000  
16 customers added during that time, and so I'm looking at  
17 a four-year snapshot here, and so that is reflective of  
18 those investments that have been made for growth during  
19 the period.

20 COMMISSIONER SKOP: Okay, let's move on to the  
21 next category, which is infrastructure investment, and I  
22 think the majority of that, and I'll let you explain,  
23 had to do with AMI or advanced metering infrastructure.  
24 If you could --

25 THE WITNESS: That is a significant component,

1 and actually the majority of it is nuclear-related  
2 projects that helped us to extend the license life,  
3 including the replacement of steam generators. There is  
4 the AMI project that contributes to that as well, as  
5 well as some other information management projects that  
6 are being implemented that I believe Witness Bennett's  
7 going to be talking about.

8 COMMISSIONER SKOP: Okay. And just briefly  
9 with respect to AMI, and if you don't know the answer,  
10 just point me to the appropriate witness, but has there  
11 been a -- there was a lot of discussion I think on day  
12 one with respect to the payback analysis to the extent  
13 that the AMI, the new advanced meters, were supposed to  
14 provide a benefit of decreased labor costs associated  
15 with meter readings and such.

16 Is there -- has there been any payback  
17 analysis viewed in terms of looking at when they would  
18 expect to see those reductions in labor costs and how  
19 those would translate through the current rate case?

20 THE WITNESS: I believe that Witness Santos  
21 would be able to take you through the business case on  
22 AMI.

23 COMMISSIONER SKOP: Okay, thank you.

24 Let's go back to the next category, which is  
25 storm reserve accrual, and you've given testimony, I

1 believe, to a line of questioning, but -- I'm trying to  
2 remember who it was at the present time, but I'll skip  
3 that. But anyway, why is such a reserve accrual  
4 necessary, in light of prevailing economic conditions  
5 and in light of the Commission's past history of  
6 allowing prudently incurred cost recovery necessary for  
7 storm-hardening, that the Commission had securitization  
8 and storm-hardening costs and such, but my understanding  
9 is that that reserve is a funded reserve, not  
10 necessarily just like a cash flow reserve. So if you  
11 could elaborate on that briefly?

12 THE WITNESS: I'll try. We do have Witness  
13 Pimentel who can probably go through all of the policy  
14 issues around our belief in the storm reserve accrual's  
15 appropriateness.

16 But essentially we see it as one component of  
17 a comprehensive approach to storm cost recovery. It  
18 clearly is not intended to be the only component. We do  
19 rely upon the ability to come before the Commission if  
20 we have a catastrophic event such as we had in  
21 2004-2005. It could be a big hurricane, a series of  
22 small hurricanes. This 150 is really intended to  
23 represent the expectation of the annual loss or the  
24 annual cost of doing business in Florida, and you look  
25 at your system, this is the expected annual loss. So we

1 feel it's an appropriate component of a comprehensive  
2 approach to handling storm cost recovery, other  
3 components obviously being the ability to come into this  
4 Commission and seek for recovery of amounts in excess of  
5 the fund, and then the other component, obviously,  
6 being, to the extent we don't need the \$150 million in  
7 any given year, the ability to put that into a fund to  
8 then have that to draw upon for immediate liquidity to  
9 fund restoration events. So we see it as one component  
10 of a comprehensive approach.

11 COMMISSIONER SKOP: Okay. With respect to the  
12 next category, economic conditions, can you briefly  
13 elaborate on that?

14 THE WITNESS: Certainly. Actually, if you  
15 don't mind, could I get a exhibit up on the easel here?

16 COMMISSIONER SKOP: Yes.

17 THE WITNESS: This is Exhibit 18 in my direct  
18 testimony, and it represents one component, but the  
19 largest component, of what we've quantified as the  
20 economic deterioration impact on the billion dollars.  
21 And it represents essentially a \$98 million reduction in  
22 base revenues in 2010 when compared to 2006.

23 So historically we have seen annual growth in  
24 customers and in usage per customer, so the top line  
25 sales historically have grown about three percent or so,

1 and that's kind of been the environment we've been  
2 operating in until this current economic downturn where  
3 we've seen growth basically stop and we've seen usage  
4 per customer decline.

5           What this exhibit indicates is, if we were to  
6 look at 2006 and just used kind of the average usage in  
7 2006 and then apply our historic growth rate, we would  
8 have seen an increase in revenues of about \$350 million,  
9 353 on the chart. However, because we didn't get that  
10 growth, about 237,000,000 of that didn't show up. When  
11 you combine that with the lower usage per customer that  
12 we've experienced in large part due to the downturn in  
13 the economy, it's another \$214 million of impact to the  
14 company, so the bottom line is we have about \$98 million  
15 less revenue in 2010 than we had in 2006, a period in  
16 time in which we would have expected about 350 million  
17 more revenue, so it's been a decline of over \$400  
18 million.

19           Now, all I tried to do in the driver analysis  
20 was suggest that the 98 million net reduction is very  
21 conservative to attribute that to economic conditions  
22 deterioration. So that's the biggest piece of the 128  
23 is the 98 million of lower base revenues.

24           Then we also quantified just a couple of  
25 things that we could directly attribute to

1 deterioration. One was the increase in pension expense.  
2 Our pension fund, as all equities in the market did last  
3 year, even though we did better than the market, we  
4 substantially underperformed the expectation for the  
5 fund. So that has increased our pension expense, and  
6 Witness Pimentel can walk you through that, but that's  
7 about \$20 million of additional expense in 2010 versus  
8 2006 directly attributable to a decline in the stock  
9 market.

10 And then there's been various cost increases  
11 in the customer service area related to the  
12 deterioration, whether it be collection -- additional  
13 collections activities and fieldworkers and things like  
14 that that deal with this deteriorating condition.

15 So those are the three principal components of  
16 the 128.

17 COMMISSIONER SKOP: Okay, so just in a  
18 snapshot, if I were to understand that, is that the  
19 company has reduced revenues but the same fixed expenses  
20 on less revenue, so it has to make up for that to meet  
21 its revenue requirement? Is that a good  
22 characterization of --

23 THE WITNESS: I think that's a good  
24 characterization.

25 COMMISSIONER SKOP: All right. The last

1 category, and I'll skip the other two in the interests  
2 of time, productivity improvement, can you briefly speak  
3 to that?

4 THE WITNESS: Sure. This represents -- and  
5 there's a couple of examples, I believe, in my  
6 testimony.

7 One, I'll just throw out an example of  
8 distribution restoration activities, and this is not  
9 related to storm restoration. This is just the normal,  
10 everyday restoration, you know, lightning strikes,  
11 thunderstorms, whatever may cause an outage where we  
12 have to go out and fix. If you were to take the cost of  
13 doing that in 2006, adjust it for inflation it to 2010  
14 and apply it to the number of customers that we have in  
15 2010, it would represent about \$30 million more than  
16 we're projecting it will cost us to perform that  
17 activity in 2010, so I attribute that to productivity  
18 savings. We're able to -- if you look at restoration  
19 costs per customer, adjusted for inflation, we've been  
20 able to drive out about \$30 million of productivity  
21 savings.

22 There's a large piece of that, though, that is  
23 related to capital efficiency, and the way I would  
24 explain that is, the cash flow that's provided through  
25 depreciation we reinvest in the business. Well, we've

1       been able to do that in a way that -- we've been able to  
2       maintain our system in such a way that we have actually  
3       been able to use less than the cash provided by  
4       depreciation to maintain and reinvest in the system, and  
5       that's provided a benefit to customers that I alluded to  
6       earlier, which is this -- you know, the depreciation  
7       that's gotten us to where we are today has allowed us to  
8       reduce rate base and provide savings to customers. So  
9       that's a little over 100 million of that 178 million.

10               COMMISSIONER SKOP: Okay, just a quick  
11       clarification on that. If FPL is funding operations  
12       from internal cash flow based upon theoretical reserve  
13       which represents a theoretical overrecovery from the  
14       ratepayers, and it has that source of funding available,  
15       why would it need such a high return on equity if that  
16       is a stream of cash flow available to the company for  
17       its operations?

18               THE WITNESS: I can't comment on how that  
19       specific element affects the ROE. I'd really rather  
20       defer that to Mr. Pimentel or Mr. -- or Dr. Avera. It  
21       is one component of the risk profile of the company, and  
22       there are a lot of components that really play into the  
23       ROE.

24               COMMISSIONER SKOP: Okay, fair enough.

25               With respect to your position as vice-



1 president of Finance for Florida Power & Light, is part  
2 of your job functioning -- excuse me. Is part of your  
3 job function managing the net income and earnings from  
4 the Florida Power & Light business segment?

5 THE WITNESS: Please clarify what you mean by  
6 "managing the earnings."

7 COMMISSIONER SKOP: Well, essentially, I  
8 guess, looking at the operating revenues over the past  
9 three years, those revenues have been flat or declining  
10 over the periods of 2006 to 2008, subject to check and  
11 based upon the data that I saw, is that correct?

12 THE WITNESS: Yes.

13 COMMISSIONER SKOP: But net income expressed  
14 as a percentage of operating revenue has essentially  
15 been maintained constant at about seven percent, is that  
16 generally correct?

17 THE WITNESS: Subject to check.

18 COMMISSIONER SKOP: I guess the point I was  
19 trying to get at is, in terms of the proposed rate  
20 increase and not scrutinizing the operating units, but  
21 looking at the compensation on the non-operating support  
22 functions, essentially, if reductions were made in those  
23 areas or scaled back, wouldn't that in fact enhance the  
24 net income of the FPL, Florida Power & Light business  
25 segment?

1 THE WITNESS: Reductions in operating expenses  
2 certainly would enhance the net income of the company.

3 I do think it's important to keep in mind -- I  
4 mean, you've asked me about net income kind of remaining  
5 flat. During that period, we've invested billions of  
6 dollars into the company. In fact, our return on equity  
7 has declined from about 12 percent in 2006 to a  
8 projected nine percent this year and 4.7 percent next  
9 year, in the test year, absent any rate relief. So I  
10 think we need to keep in context that it's the return on  
11 investment that really is a measure of profitability.  
12 Having flat income while investing billions of dollars  
13 is not indicative of financial health.

14 COMMISSIONER SKOP: I understand, but, like I  
15 say, at least from a regulated perspective, you know,  
16 that the regulated entities are typically viewed as  
17 basically stable and, you know, they generate a lot of  
18 cash for operations from other things to -- I won't at  
19 this point go down that path, but anyway, I'm trying to  
20 stay on point because we're time- limited.

21 With respect to the drivers in the previous  
22 chart, the drivers of the proposed increase in revenue  
23 requirements for 2010, this chart is basically a --  
24 basically assumes GBRA treatment for all new generation  
25 placed in service during the period of the proposed

1 rates, is that correct?

2 THE WITNESS: You are referring to the 2010  
3 drivers chart, correct?

4 COMMISSIONER SKOP: Yes.

5 THE WITNESS: It does assume that GBRA was in  
6 effect as it was for Turkey Point 5 in '07 and for West  
7 County Units 1 and 2 in 2009. So they're not part of  
8 this equation, and GBRA treatment for West County 3 is  
9 outside of this time frame.

10 COMMISSIONER SKOP: Okay. And if this chart  
11 were not to assume that GBRA treatment was in effect,  
12 then one would reasonably expect that the infrastructure  
13 investment category would be much higher, is that  
14 generally correct?

15 THE WITNESS: Yeah. I think that's where I  
16 would put those types of -- well, we could debate  
17 whether they were there for growth or there for  
18 infrastructure investment, but yes, they would be  
19 reflected on the chart.

20 COMMISSIONER SKOP: Okay. Madam Chair, just a  
21 few more questions and I'll wrap up.

22 With respect to GBRA treatment, if I could  
23 refer you to page 34 of your prefiled testimony, please?

24 THE WITNESS: I'm there.

25 COMMISSIONER SKOP: Okay. And starting on

1 line 20, ending on line 22, you state that the GBRA  
2 mechanism is also subject to review and true-up based  
3 upon differences in actual versus projected costs at a  
4 new plant, is that correct?

5 THE WITNESS: That's my understanding, yes.

6 COMMISSIONER SKOP: Okay. Now, with respect  
7 to West County 3, there was an estimated cost in the  
8 need determination. There will be an actual cost, is  
9 that correct?

10 THE WITNESS: That's correct.

11 COMMISSIONER SKOP: Okay. And I'll refer one  
12 question to Ms. Ousdahl, because there seems to be some  
13 sort of a small discrepancy on the estimated cost, but  
14 that statement would generally not hold true for the two  
15 conversion plants, Riviera and Cape Canaveral, to the  
16 extent that there is no estimated cost on the basis that  
17 the Commission waived its rule requirement, is that  
18 correct, and therefore the numbers presented, the need  
19 determination -- the company would not be held to those  
20 numbers?

21 THE WITNESS: I'm not familiar with that.

22 COMMISSIONER SKOP: All right.

23 THE WITNESS: I believe there were estimates  
24 provided in the need filing, I believe.

25 COMMISSIONER SKOP: Okay. And on line 22 of

1 your prefiled testimony, on page 34, you state that --  
2 significant protection for customers by ensuring that  
3 only the actual final costs are built into rates, is  
4 that correct?

5 THE WITNESS: That's correct.

6 COMMISSIONER SKOP: I guess I understand, you  
7 know, the perceived strengths of the GBRA treatment. To  
8 the extent that it avoids regulatory lag, it avoids the  
9 cost of a limited proceeding or a rate case to basically  
10 adjust rates to reflect for new large generating units  
11 placed into service. The problem I'm having, though,  
12 and I think is a fundamental limitation of that  
13 treatment, is that there does not really appear,  
14 contrary to your testimony, to be a good way for  
15 matching estimated construction costs to the actual  
16 construction costs to the extent that the GBRA is  
17 expressed in a first- year system revenue requirement.  
18 So you kind of lose the character of apples-to-apples in  
19 terms of actual -- I mean, estimated construction costs  
20 versus actual, because it morphs into a revenue  
21 requirement.

22 So I guess I'm wondering from my perspective  
23 on the GBRA treatment -- and I know the company's very  
24 concerned about having that treatment on a forward-going  
25 basis. What I'm trying to ensure is that there's

1       adequate protection for the ratepayers to ensure that we  
2       can scrutinize cost overruns before those are just  
3       automatically lumped into a revenue requirement as a  
4       step increase adjustment. So how would you respond to  
5       that concern?

6               THE WITNESS: Well, I believe the significant  
7       protection that we're talking about here for customers  
8       relates to protecting customers in the event that we're  
9       able to bring in an unit less than the costs that were  
10      estimated for that unit and approved through the need  
11      process, so there would be an automatic true-up for  
12      customers.

13              By no means did we mean to suggest that there  
14      was an automatic increase if we overrun that cost. I  
15      think we fully accept that we have the burden to come  
16      before this Commission and seek recovery of any cost  
17      overruns, but it's the automatic nature of the flowback  
18      of underruns and its impact on revenue requirements to  
19      customers that we're referring to as the significant  
20      protection that's afforded.

21              One other point that could be made there is  
22      that to the extent that the GBRA is in place and goes  
23      into effect on the commercial operation date of the unit  
24      really incents the company to get that unit in when it's  
25      commercially viable, and if that means a month earlier

1 or two months earlier so that we can get those fuel  
2 savings to customers, we're not penalized by having to  
3 wait, you know, for base rates to come in. So it really  
4 gives us a good incentive to be aligned with the  
5 customers' interests there to match up the capital  
6 revenue requirements with the fuel savings.

7 COMMISSIONER SKOP: And I fully respect and  
8 appreciate that. I mean, I think that's part of the  
9 regulatory process is having -- you know, avoiding  
10 regulatory lag. I guess my concern is, is the making  
11 sure the ratepayer is protected to the extent that the  
12 length of time between the typical need determination  
13 versus the implementation of rates could be as long  
14 as -- I mean, a minimum three to four years, and  
15 sometimes a lot of things get lost in that period, and  
16 so long as there is, you know, a prudence review for  
17 looking at the actual costs versus the estimated costs  
18 and addressing the prudence of any excess costs, then  
19 that would seem to be appropriate, but again, during  
20 that length of time, I'm not so sure that that really  
21 gets done, and so that would be my only concern about  
22 the limitation that I would see for GBRA, all things  
23 being equal.

24 Just two final questions. With respect to the  
25 solar projects that FPL is currently building consistent

1 with state policy and approved by this Commission, as  
2 vice-president of Finance, does FPL expect to make the  
3 election to take the convertible investment tax credit  
4 currently offered under the economic stimulus package to  
5 make that cost more affordable to consumers?

6 THE WITNESS: I believe so, but I would ask  
7 you to ask Mr. Pimentel that question, as the CFO.

8 COMMISSIONER SKOP: Okay. I guess wouldn't  
9 the vice-president of Finance of the operating unit make  
10 that call to the extent that it would be -- offer the  
11 most cost-effective alternative to ratepayers if you  
12 could immediately take 30 percent of the qualified  
13 project costs off the top of the proposed recovery  
14 versus taking something that would obviously benefit the  
15 company by a longer deferral?

16 And what I mean by that, just to put it in  
17 perspective, if you put 100 percent of the cost through  
18 a recovery clause or 100 percent of the cost into rate  
19 base, but you had the opportunity to otherwise get an  
20 immediate rebate from the federal government for  
21 30 percent of those qualified project costs, then it  
22 stands to reason the appropriate thing to do for  
23 consumers might be to make it more cost-effective for  
24 them by exercising that option to take the convertible  
25 investment tax credit?



1 THE WITNESS: I agree, and I believe that's  
2 our position. I would just defer to Mr. Pimentel to  
3 kind of walk you through the regulatory treatment of  
4 that and how you recognize that convertible ITC over the  
5 life of the project.

6 COMMISSIONER SKOP: And then just one final  
7 -- or two final questions.

8 With respect to the chart that was used to  
9 illustrate how rates would actually go down in 2010, I  
10 guess part of that is based upon using fuel clause --  
11 fuel capacity clause overrecoveries to mitigate some of  
12 the proposed increase to rates. Is that generally  
13 correct?

14 THE WITNESS: We're referring to the exhibits  
15 that Mr. Olivera used?

16 COMMISSIONER SKOP: Yes.

17 THE WITNESS: I believe the fuel reduction is  
18 in part due to overrecoveries in '09 flowing back in  
19 2010, but the largest impact is twofold. One is  
20 commodity prices coming down, but also the effect of  
21 more efficient units, West Counties 1 and 2 coming on  
22 line, providing those efficiencies to allow us to lower  
23 the fuel bill.

24 COMMISSIONER SKOP: Okay, fair enough.

25 Again, that overrecovery, again, if there were

1 a mechanism to provide relief to the ratepayer versus  
2 using it to not only use some of the -- I don't want to  
3 use some of the words that I heard the Intervenors use,  
4 but use it to mitigate the impact of the proposed rate  
5 increase, wouldn't it stand to reason that the  
6 appropriate thing to do would be to get that money back  
7 in the hands of the ratepayer?

8 THE WITNESS: Well, as I understand it, that  
9 is what is happening through the approved fuel rates  
10 that will be in effect -- I say "approved" -- the  
11 proposed fuel rates that will be in effect for next year  
12 does reflect the flow-back to customers and putting that  
13 money back in their pockets.

14 COMMISSIONER SKOP: And thank you very much.  
15 I know this took some time, but it's very helpful to me,  
16 and I'm again looking for the substance, and again the  
17 OPC and Intervenors have made some very bold assertions  
18 and I'm just trying to sort out whose argument is best  
19 supported based upon the record evidence.

20 Thank you, Madam Chair.

21 ACTING CHAIRMAN EDGAR: Thank you,  
22 Commissioner.

23 Commissioners, any further questions?

24 Mr. Butler, redirect?

25 MR. BUTLER: Yes, a little bit of redirect.

1 Thank you, Madam Chairman.

2 REDIRECT EXAMINATION

3 BY MR. BUTLER:

4 Q. Mr. Barrett, two of the questions that you  
5 were just asked by Commissioner Skop and others about  
6 the GBRA mechanism, would you please just run through  
7 the, sort of the scenarios, the timing of how a GBRA  
8 rate goes into effect and the cost at which it goes into  
9 effect and the mechanism for truing it up thereafter?

10 A. Certainly.

11 The GBRA, as established based on the cost of  
12 the plant determined through the need filing, goes into  
13 effect when the unit reaches commercial operation, which  
14 is the same time at which there would be a, you know, a  
15 reflection in the fuel cost savings for the customer,  
16 and I believe it's a -- it's subsequent to that period  
17 where there is a final review of the actual cost that  
18 went into service for the unit compared with its  
19 estimated cost that that rate was based upon, and a  
20 true-up would be made at that point and then  
21 subsequently flowed back to customers through, I think  
22 it's through the capacity clause.

23 Q. At the point that the GBRA would initially go  
24 into effect, would the GBRA be calculated based on the  
25 estimated costs that were used in the need

1 determination?

2 A. Yes, they would.

3 Q. If the company's request for containing the  
4 GBRA mechanism were approved, would it limit in any  
5 respect the Public Service Commission's authority to  
6 review FPL's rates and to adjust them downward in the  
7 event of an overearning situation?

8 A. Not at all. In fact, the Commission has at  
9 its disposal our monthly surveillance reports to  
10 monitor, and I'm sure they do monitor, our earnings  
11 situation. And one point I think that -- we ran through  
12 a lot of hypotheticals today, and I think one point that  
13 may have gotten lost is if the GBRA is set based on the  
14 approved, let's say the approved midpoint of the ROE  
15 range, kind of irrespective of where the company's  
16 earnings were when that GBRA went into place, it's  
17 mathematically impossible for the GBRA to cause an  
18 overearning situation because the asset being added will  
19 only earn the midpoint of the approved range. So if,  
20 for instance, we were earning above that prior to the  
21 in-service date of the GBRA, then when the GBRA went  
22 into effect, we would actually -- our overall return  
23 would come down a little bit closer to the midpoint of  
24 twelve five. Conversely, if we were earning below  
25 twelve five when the GBRA went into effect, that asset

1 earning twelve would bring the total company, inched  
2 closer to twelve five. So in no event could the GBRA  
3 itself cause an overearning situation to the company.

4 Q. What would be the impact on a company's  
5 earnings if the company puts a plan into service that  
6 does not have the GBRA mechanism available to reflect  
7 those costs in its revenue requirements?

8 A. Well, clearly the impact on a company would be  
9 the -- and let's use West County 3 as an example -- the  
10 inclusion of about \$189 million of revenue requirements  
11 with no incremental revenue, so at that point the only  
12 recourse to the company would be to file a general base  
13 rate increase to collect those revenues to cover the  
14 revenue requirement of 182 million.

15 Q. You were asked by Ms. Griffiths early in your  
16 examination about the company's application for DOE  
17 stimulus bill grants. Do you recall those questions?

18 A. Yes.

19 Q. Would you comment on what impact the receipt  
20 of grant money, if indeed FPL does receive it, would  
21 have on either rate base or O&M expenses in the test  
22 years in this proceeding?

23 A. It would have no impact. Those dollars, if  
24 awarded, would be applied to incremental investments not  
25 included in this rate filing. I believe that was

1 actually a requirement of the DOE, which was that these  
2 be incremental investments. That's what they were  
3 stimulating.

4 So to the extent that we were to be fortunate  
5 to be awarded that grant, it would be go into  
6 investments that are not otherwise contemplated in this  
7 rate proceeding.

8 Q. Ms. Griffiths also asked you a hypothetical in  
9 which there was a utility that had a certain level of  
10 investment, continued operating, depreciated that  
11 investment, and the assumption was that there would be  
12 no further capital additions, no further investment by  
13 the company in its business. Are you aware of any  
14 utilities in reality that operate in that fashion?

15 A. No.

16 Q. Can you an explain why that is not the case,  
17 to the best of your knowledge?

18 A. Well, basically the hypothetical poses a dying  
19 company. It is a company that is no longer investing in  
20 the company, no more additional capital expenditures, is  
21 basically just kind of in a wind- down mode, and to my  
22 knowledge our -- we have invested in plant pretty much  
23 every year of our existence. So it's an interesting  
24 hypothetical, but it bears no resemblance to reality.

25

1 Q. Thank you, Mr. Barrett.

2 MR. BUTLER: That's all the questions that I  
3 have.

4 ACTING CHAIRMAN EDGAR: Commissioner Scop?

5 COMMISSIONER SKOP: Thank you, Madam Chairman.

6 Two quick questions just to clarify a response  
7 that you gave to Mr. Butler, and maybe it's my  
8 fundamental misunderstanding of the GBRA treatment, but  
9 it's important to me, because what I thought I heard you  
10 say would probably resolve my inherent concern about one  
11 of the weaknesses of GBRA, which is only one in my mind.

12 But is it correct to understand that the  
13 response that you just gave to Mr. Butler, that only the  
14 estimated cost for a plant that would come into service  
15 would initially be included in that first- year revenue  
16 requirement and then it would subsequently be trued up  
17 later as a result of a prudency review for actual to  
18 estimated costs?

19 And the example I would give is, if the  
20 estimated cost in a need determination was  
21 \$500 million for a combined cycle plant or combustion  
22 turbine, would only the 500 million go into initial  
23 first-year revenue requirements, and then if there --  
24 the actual costs were 600 million, then the Commission  
25 would have subsequent review of that true- up which

1 would be later adjusted?

2 THE WITNESS: Using your example, if the  
3 estimate were 500 million, then yes, 500 million is what  
4 would go into the first-year revenue requirements and we  
5 would have the opportunity to ask for your review and  
6 approval of the extra hundred if it cost six. If it had  
7 cost 400, we would automatically lower that through the  
8 true-up provision so the customers got that.

9 COMMISSIONER SKOP: Okay. I guess my  
10 concern -- and that's where I thought the perceived  
11 weakness might be, but if it operates in the manner in  
12 which you've just represented to the Commission, then my  
13 concern would probably be invalid, but what I've often  
14 wondered is whether the actual cost just goes right into  
15 the revenue requirement versus the estimated cost, and  
16 that was the basis for the concern I expressed.

17 Finally, one question with respect to Exhibit  
18 418, if you have that in front of you.

19 Now, can you briefly -- and I know the title,  
20 the description, but I'm trying to better understand the  
21 next page. If you'd just briefly state what that  
22 represents? Are those out-of-state projects that  
23 essentially have no depreciation or other cost impact to  
24 Florida to the extent that they're all negative numbers?  
25 They're all just kind of zeroed out.



1 THE WITNESS: No. These represent  
2 distribution substations in our service territory that  
3 have been delayed.

4 COMMISSIONER SKOP: Okay. All right. So  
5 those are names for proposed substation projects?

6 THE WITNESS: Yes.

7 COMMISSIONER SKOP: All right, thank you.

8 ACTING CHAIRMAN EDGAR: I believe we're at  
9 exhibits. Mr. Butler, we'll start with you.

10 MR. BUTLER: Thank you. I will move into  
11 evidence Exhibits 53 through --

12 ACTING CHAIRMAN EDGAR: Mr. Butler, I can't  
13 hear you.

14 MR. BUTLER: I'm sorry.

15 ACTING CHAIRMAN EDGAR: That's okay.

16 MR. BUTLER: I will move into evidence  
17 Exhibits 53 through 72.

18 ACTING CHAIRMAN EDGAR: Any objections?

19 Hearing none, at this time we will enter 53  
20 through 72. Yes, 53 through 72 entered into the record.

21 (Exhibit Nos. 53 through 72 admitted into the  
22 record.)

23 ACTING CHAIRMAN EDGAR: Let me please get to  
24 the right place. Okay. Mr. McGlothlin, are you --

25 MR. MCGLOTHLIN: 415 was a good one, I move

1 it.

2 ACTING CHAIRMAN EDGAR: Any objections?

3 Hearing none, Exhibit 415 is admitted into the  
4 record.

5 (Exhibit No. 415 admitted into the record.)

6 ACTING CHAIRMAN EDGAR: That brings us to  
7 staff.

8 MS. WILLIAMS: We have quite a few.

9 First is from staff's composite exhibit list,  
10 item number 4, which is Staff's Fifth Set of  
11 Interrogatories, numbers 47 through 54.

12 ACTING CHAIRMAN EDGAR: Okay. Hold on, if you  
13 would, just a moment.

14 Okay. Item 4 from the staff composite  
15 exhibit, FPL Response to Staff's Fifth Set of  
16 Interrogatories, 38 to 54 and 56 to 63?

17 MS. WILLIAMS: No, it's just the specific  
18 numbers 47 through 54.

19 ACTING CHAIRMAN EDGAR: 47 through 54. Okay,  
20 thank you for that clarification. Any objections?

21 Hearing none, so admitted.

22 (Staff Composite Exhibit 35, Item No. 4,  
23 admitted into the record.)

24 MS. WILLIAMS: One second. I believe that the  
25 parties have already agreed to stipulate to this list,

1 but I'm going to read out so perhaps at the very end we  
2 could see if any parties object --

3 ACTING CHAIRMAN EDGAR: Okay.

4 MS. WILLIAMS: -- to any of these documents,  
5 if that would speed things along.

6 ACTING CHAIRMAN EDGAR: We're all listening.  
7 Let's see where it takes us.

8 MS. WILLIAMS: The second is from staff's  
9 composite exhibit list, item number 7, FPL's Response to  
10 Staff's Ninth Set of Interrogatories, No. 136.

11 ACTING CHAIRMAN EDGAR: Do you want to go one  
12 at a time or as a group? I was expecting a long list.

13 MS. WILLIAMS: Yes. It's still coming unless  
14 you wanted in between to see if we had objections to  
15 each one.

16 ACTING CHAIRMAN EDGAR: Okay, go ahead. Speak  
17 slowly, but go ahead and go through the list.

18 MS. WILLIAMS: Next, item number 10 from  
19 staff's composite exhibit list, FPL's Response to  
20 Staff's 12th Set of Interrogatories, No. 242; item 13  
21 from staff's composite exhibit, FPL's Response to OPC's  
22 First Set of Interrogatories, No. 81; item 14 from  
23 staff's composite exhibit, FPL's Response to OPC's  
24 Second Set of Interrogatories, No. 130; item number 16  
25 from staff's composite exhibit, FPL's Response to OPC's

1 Fourth Set of Interrogatories, No. 182 and 227; item 18  
2 from staff's composite exhibit, FPL's Response to OPC's  
3 Sixth Set of Interrogatories, No. 270 through 274; FPL's  
4 Response -- sorry. This is item 28 from staff's  
5 composite exhibit, FPL's Response to South Florida  
6 Hospital and Health Care Association's Second Set of  
7 Interrogatories, Numbers 82, 83, 85 through 87, 89, 90,  
8 93 and 101.

9 The next is item number 29 from staff's  
10 composite exhibit, FPL's Response to South Florida  
11 Hospital and Health Care Association's Fourth Set of  
12 Interrogatories, No. 162; item 31 from staff's composite  
13 exhibit, FPL's Response to South Florida's Ninth Set of  
14 Interrogatories, No. 279; item 32 from staff's composite  
15 exhibit, FPL's Response to South Florida's Tenth Set of  
16 Interrogatories, No. 288; item 24 from staff's composite  
17 exhibit, FPL's Response to FIPUG's Second Set of  
18 Interrogatories, No. 9.

19 ACTING CHAIRMAN EDGAR: I'm sorry, could you  
20 repeat that one? I think I was on the wrong page.

21 MS. WILLIAMS: We're backtracking. We're not  
22 going in order.

23 ACTING CHAIRMAN EDGAR: Okay, Ms. Williams, I  
24 missed that last one. Could you please repeat?

25 MS. WILLIAMS: The last one is item 24 off of

1 staff's composite exhibit, and that's FPL's Response to  
2 FIPUG's Second Set of Interrogatories, No. 9.

3 ACTING CHAIRMAN EDGAR: Thank you.

4 MS. WILLIAMS: FPL's -- this is item 25 from  
5 staff's composite exhibit, FPL's Response to Florida  
6 Retail Federation's First Set of Interrogatories, Nos. 7  
7 through 10.

8 ACTING CHAIRMAN EDGAR: Which was -- sorry,  
9 which number? I apologize.

10 MS. WILLIAMS: It's item number 25 from  
11 Staff's Composite Exhibit and they're numbers -- the  
12 interrogatory numbers are 7, 8, 9 and 10.

13 ACTING CHAIRMAN EDGAR: Thank you.

14 MS. WILLIAMS: Those were all discovery from  
15 080677.

16 The next is from 090130, and that is FPL's  
17 response to Staff's Third Set of Interrogatories, No.  
18 40, which is item 37 from staff's composite exhibit  
19 list.

20 And finally the three late-filed exhibits from  
21 Mr. Barrett's deposition which we've previously  
22 identified as 416, 417 and 418.

23 ACTING CHAIRMAN EDGAR: Okay. Let's start  
24 with the list of documents that Ms. Williams has gone  
25 through from Staff's composite exhibit. I know that was

1 a lot of items, but we have a lot of items. So any  
2 objection to any of those?

3 Mr. McGlothlin?

4 MR. MCGLOTHLIN: Just a quick clarification.  
5 These were the same documents that were provided to the  
6 parties in advance prior to Mr. Barrett's appearance  
7 here today?

8 MS. WILLIAMS: Yes. This list includes every  
9 document I handed you for your review prior to his  
10 testimony.

11 MR. MCGLOTHLIN: OPC has no objection.

12 ACTING CHAIRMAN EDGAR: Thank you.

13 MR. BUTLER: No objection from FPL.

14 ACTING CHAIRMAN EDGAR: No objection. So the  
15 list of items as described by Ms. Williams from Staff's  
16 Composite Exhibit 35 will be admitted into the record at  
17 this time.

18 (Staff Composite Exhibit 35, Item Nos. 7, 10,  
19 13, 14, 16, 18, 24, 25, 28, 29, 31, 32 and 37 as  
20 heretofore described, admitted into the record.)

21 ACTING CHAIRMAN EDGAR: That brings us to  
22 items -- the exhibits marked as 416, 417 and 418. Any  
23 objections?

24 MR. MCGLOTHLIN: None from OPC.

25 (Exhibit Nos. 416, 417 and 418 admitted into

1 the record.)

2 ACTING CHAIRMAN EDGAR: Okay. And per our  
3 earlier discussion, 419 is a place-holder.

4 Okay. Any other matters while we still have  
5 this witness with us at this time?

6 Okay. Hearing none, thank you. We'll see you  
7 back on rebuttal at some point in the future.

8 THE WITNESS: Thank you.

9 ACTING CHAIRMAN EDGAR: You're excused for the  
10 time being.

11 That brings us back to the question, I  
12 believe, of the order of witnesses.

13 MR. MOYLE: Madam Chairman, can I just jump in  
14 briefly?

15 ACTING CHAIRMAN EDGAR: You may.

16 MR. MOYLE: I listened and I don't know that I  
17 heard Exhibit 386, FIPUG's 386 go into evidence. It was  
18 one that we marked separately. I think it was used  
19 extensively, but I just want to make sure 386 is in the  
20 record.

21 ACTING CHAIRMAN EDGAR: I believe that it has  
22 been, but let me look to staff.

23 MS. BENNETT: On my checklist it does not show  
24 as having been entered in, so out of an abundance of  
25 caution, let's move it in.

1                   ACTING CHAIRMAN EDGAR: Okay. Well, then,  
2 whether it is or whether it has not been, it is so  
3 entered or reentered.

4                   MR. MOYLE: Okay. And even if it has been  
5 entered, I think it was referred to during the testimony  
6 most often as 386, so it's probably a good thing to have  
7 it in.

8                   ACTING CHAIRMAN EDGAR: So be it. Thank you  
9 for asking.

10                   (Exhibit No. 386 admitted into the record.)

11                   ACTING CHAIRMAN EDGAR: Okay. Back to the  
12 issue, I think, of order of witnesses. My understanding  
13 is that the next witness is Ms. Santos?

14                   MR. BUTLER: Right.

15                   ACTING CHAIRMAN EDGAR: Okay, then let's take  
16 a short break while we switch out the witnesses and any  
17 documents that are needed. If we can go ahead and take  
18 care of that, let's do, and I guess, when we come back,  
19 I would like, if it's possible, for the Intervenors to  
20 give me the list in the order that you would -- are  
21 requesting to do cross, and we will come back at five  
22 minutes after 4:00. We're on a break.

23                   (Brief recess.)

24                   ACTING CHAIRMAN EDGAR: We are back on the  
25 record, and when we took a break to move into the next



1 witness, I had asked Mr. Beck, can you speak to me about  
2 the requested order for Intervenors on cross for this  
3 witness?

4 MR. BECK: Commissioner, I do not have that  
5 list. I'm not sure what the order is. We'll see if we  
6 can find out.

7 MS. CLARK: Commissioner Edgar, in the  
8 meantime, would you like me to cover the order of the  
9 witnesses?

10 ACTING CHAIRMAN EDGAR: Actually, no, because  
11 what I said when we went on break was that when we came  
12 back at 4:05 that I would ask for the order that the  
13 Intervenors were going to request, and that's where I'd  
14 like to start.

15 MR. BECK: For this witness?

16 ACTING CHAIRMAN EDGAR: Yes.

17 MR. BECK: We're going to start with the  
18 Hospital Association, followed by me, followed by FIPUG.

19 ACTING CHAIRMAN EDGAR: And then the Attorney  
20 General's Office and then FIPUG?

21 MS. KAUFMAN: No.

22 ACTING CHAIRMAN EDGAR: Oh, FIPUG and then the  
23 Attorney General's Office, okay.

24 MR. BECK: And then the Retail --

25 ACTING CHAIRMAN EDGAR: And then the Retail

1 Federation, and I guess that will conclude until we go  
2 to staff.

3 Okay. Have I missed anybody?

4 Okay, all right.

5 Okay, Ms. Clark?

6 MS. CLARK: Yes. This is what we have worked  
7 out regarding the order of witnesses for today.

8 Ms. Santos is here on her direct. I guess in  
9 the unlikely event we would get beyond her today, then  
10 Mr. Bennett would go. All those listed on Friday on my  
11 list, which were Spoor, Harris, Ousdahl, Ender, direct  
12 and rebuttal, Deaton, anyone who doesn't get taken up  
13 today gets moved to Wednesday afternoon, and then on  
14 Monday we will start with South Florida Hospital, Baron,  
15 and then OPC, Pous, I've got Pous, if I've got that  
16 right, and then Dismukes, then Brown, and Lawton for OPC  
17 as well. However, we will take up Witness Spoor at  
18 3:00 p.m. on Monday, regardless of whether we are  
19 finished with the Intervenors' witnesses.

20 ACTING CHAIRMAN EDGAR: Okay, I think I have  
21 that.

22 And from the Intervenors, is that your  
23 understanding of the results of the discussions that  
24 have taken place as to the order of witness?

25 MS. KAUFMAN: Yes, ma'am.

1                   ACTING CHAIRMAN EDGAR:   Okay, and staff?

2                   MS. BENNETT:   That's fine with staff.

3                   ACTING CHAIRMAN EDGAR:   And that works as far  
4 as we know at this point in time for where we are?

5                   MS. BENNETT:   Yes.

6                   ACTING CHAIRMAN EDGAR:   Okay, so with all  
7 of -- I'm sorry, I'm very tired.  I've forgotten the  
8 word, but with the understanding that at any point in  
9 time I realize something may change, if so, we will  
10 address it at that point in time, but as of now we have  
11 a plan.

12                   MS. CLARK:   Commissioner Edgar, we probably  
13 should also go Wednesday a.m., because that's part of  
14 what we've worked out.

15                   And on Wednesday we would start with Baudino,  
16 I believe, and then Kollen.  Both of those are South  
17 Florida Hospital, and then Pollock from FIPUG, and then  
18 we would start back with FPL's witnesses on Wednesday.  
19 Wednesday p.m. that would start with Witness Clark and  
20 to be followed by the rebuttal of Witness Stall.

21                   And I think really sort of to go beyond that,  
22 it's --

23                   ACTING CHAIRMAN EDGAR:   Optimistic.

24                   MS. CLARK:   Yes.

25                   ACTING CHAIRMAN EDGAR:   So we'll leave it

1 there.

2 MS. CLARK: Thank you.

3 ACTING CHAIRMAN EDGAR: Okay. So in my, what  
4 I hope is temporary capacity as chairing this  
5 proceeding, we will consider that we have a plan. If  
6 something comes up, I would ask, of course, all parties  
7 to work together and to work with your staff and then we  
8 will address it at that point in time.

9 Any other matter before we proceed into the  
10 next witness's testimony?

11 Hearing none, Mr. Butler, your witness.

12 MR. BUTLER: Thank you, Madam Chairman. I  
13 would call Marlene Santos to the stand, and Ms. Santos,  
14 were you sworn previously?

15 MS. SANTOS: No, I was not.

16 ACTING CHAIRMAN EDGAR: Okay, let's do that.  
17 Stand with me and raise your right hand. Thank you.  
18 Whereupon,

19 MARLENE M. SANTOS

20 was called as a witness on behalf of Florida Power &  
21 Light Company and, having been duly sworn, was examined  
22 and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BUTLER:

25 Q Would you please state your full name and

1 business address for the record?

2 A Marlene M. Santos, 9250 West Flagler Street,  
3 Miami, Florida.

4 Q By whom are you employed and in what capacity?

5 A By Florida Power & Light, as vice-president of  
6 Customer Service.

7 Q Have you prepared and caused to be filed 57  
8 pages of prefiled direct testimony in this proceeding?

9 A Yes.

10 Q Do you have any changes or corrections to make  
11 to your testimony?

12 A I do not.

13 Q If I were to ask you the questions contained  
14 in that testimony today, would your answers be the same?

15 A Yes.

16 MR. BUTLER: Madam Chairman, I would ask that  
17 Ms. Santos' prefiled direct testimony be inserted into  
18 the record as though read.

19 ACTING CHAIRMAN EDGAR: The prefiled direct  
20 testimony will be inserted into the record as though  
21 read.

22 MR. BUTLER: Thank you.

23 BY MR. BUTLER:

24 Q Ms. Santos, attached to your direct testimony,  
25 do you have three exhibits identified as MMS-1 through

1 MMS-3?

2 A Yes.

3 MR. BUTLER: Madam Chairman, these have been  
4 premarked for identification as Exhibits 73 through 75.

5 ACTING CHAIRMAN EDGAR: So noted. Thank you.

6 (Exhibit Nos. 73 through 75 marked for  
7 identification.)

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1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                   **FLORIDA POWER & LIGHT COMPANY**  
3                   **DIRECT TESTIMONY OF MARLENE M. SANTOS**  
4                   **DOCKET NO. 080677-EI**

5  
6   **Q.    Please state your name and business address.**

7    A.    My name is Marlene M. Santos. My business address is 9250 W. Flagler  
8           Street, Miami, Florida, 33174.

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

10   A.    I am employed by Florida Power & Light Company ("FPL" or the  
11           "Company") as Vice President of Customer Service.

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

13   A.    As Vice President of Customer Service for FPL, I have responsibility for  
14           development and implementation of programs and services that optimize the  
15           level of customer service provided to FPL's customers.

16   **Q.    Please describe your educational background and professional**  
17           **experience.**

18   A.    I have a Bachelor in Business Administration and a Master's in Business  
19           Administration from the University of Miami. Since joining FPL in 1981, I  
20           have held numerous positions of increasing responsibility in several functional  
21           areas, including Finance, Marketing, and Customer Service, and have  
22           participated in various special projects as assistant to FPL's President. I  
23           joined Customer Service in 1990 and have been Manager of Marketing,

1           Manager of Commercial Services, Director of Revenue Recovery, and  
2           Director of Customer Care. I have been Vice President of Customer Service  
3           since January 2005.

4   **Q.   Are you sponsoring any exhibits in this case?**

5   A.   Yes. I am sponsoring the following exhibits: MMS-1 through MMS-3, which  
6           are attached to my direct testimony.

- 7                   • MMS-1, Care Center Satisfaction Research
- 8                   • MMS-2, Billing and Payment Options
- 9                   • MMS-3, FERC Customer Service O&M

10 **Q.   Are you sponsoring or co-sponsoring any Minimum Filing Requirements**  
11 **(MFRs) in this case?**

12 A.   Yes. I am sponsoring the following MFR:

- 13                   • C-11, Uncollectible accounts

14           I am co-sponsoring the following MFRs:

- 15                   • C-14, Advertising expenses
- 16                   • D-6, Customer deposits
- 17                   • C-8, Detail of changes in expenses (excluding Subsequent Year)
- 18                   • C-15, Industry Association Dues
- 19                   • C-41, O&M benchmark variance by function
- 20                   • E-7, Development of service charges
- 21                   • E-13b, Revenue by rate schedule – service charge
- 22                   • F-9, Public notice



1 In addition, I am sponsoring the following 2009 supplemental MFR schedule  
2 that FPL has agreed with the Commission Staff and the Office of Public  
3 Counsel to file:

- 4 ● C-11, Uncollectible accounts

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to describe how FPL provides a superior level  
7 of service to our customers while at the same time maintains a low cost and  
8 efficient operation. I will also discuss how FPL is making the necessary  
9 investments today in our Advanced Metering Infrastructure (AMI), also  
10 known in the utility industry as “smart meters,” for the long-term benefit of  
11 our customers; the Customer Service increase in Operations and Maintenance  
12 (O&M) expense and Capital expenditures from 2006 through 2011; and the  
13 need to update our service charges.

14 **Q. Please summarize your testimony.**

15 A. Floridians expect FPL to provide affordable, reliable, clean energy solutions.  
16 Toward this end, we have worked to ensure that FPL’s Customer Service  
17 performance continues to be excellent, and the service value received by our  
18 customers remains high. We have worked to control costs by ensuring that  
19 our operations have continued to be enhanced in terms of additional  
20 functionality and technical capabilities to allow customers to be served as  
21 accurately and efficiently as possible.

1 FPL has been recognized for providing superior service with several awards,  
2 including the ServiceOne Award from PA Consulting Group and other leading  
3 industry associations. In addition, FPL benchmarks first quartile in PA  
4 Consulting's benchmarking study in key indicators and cost per customer for  
5 care center, billing and payment processing functions.

6  
7 FPL has designed its care centers to ensure all customer inquiries are  
8 answered promptly and accurately. We have developed a "Best-In-Class"  
9 Interactive Voice Response (IVR) system which provides customers with the  
10 option to complete their interaction in a fully automated manner for many  
11 general inquiries. Our field operation group provides face to face services and  
12 has recently implemented a new system to reduce the "average speed of  
13 appointment" time to meet with the customer and improve the overall  
14 interaction.

15  
16 FPL's customers are offered an extensive variety of billing, payment and  
17 Internet options that are designed to provide added convenience and flexibility  
18 in receiving and paying their bills or performing general inquires. These  
19 options make it easier for customers to do business with FPL while at the  
20 same time reducing operational costs to the company, which ultimately  
21 benefits all customers in the long run.

1 We recognize that the economy is creating a hardship for many customers. As  
2 a result, the Company also exceeds expectations by reaching out into the  
3 communities and providing financial and energy efficiency programs for  
4 seniors and low-income customers. FPL has become a recognized leader  
5 within the utility industry for its efforts on behalf of customers in need.

6  
7 One of the most important means by which we not only add value to the  
8 service provided to our customers but at the same time help them save on their  
9 electric bills is Demand Side Management (DSM). FPL has been a national  
10 leader in DSM and offers a variety of energy efficiency and demand response  
11 programs. Based on the most current national data available (2006) from the  
12 Energy Information Administration, FPL ranks number one in terms of  
13 megawatts for cumulative conservation achievement and number three in load  
14 management.

15  
16 FPL believes it is critical that the Company continue to invest today in order  
17 to secure benefits for our customers in the future. As a result, we are investing  
18 in technology to create a smarter and more efficient delivery system through  
19 our AMI project. This will provide both service improvements and  
20 operational efficiencies for our customers.

21  
22 My testimony demonstrates and confirms FPL's high performance in the area  
23 of Customer Service and the substantial benefits provided to customers. The

1 increased spending in Customer Service, including levels above the  
2 Commission's benchmark, is reasonable and necessary and supports FPL's  
3 need to increase base rates to a level that would allow FPL to continue  
4 providing high quality and value of service at reasonable rates.

5

6 Finally, my testimony supports FPL's request to adjust service charges to  
7 more closely reflect the cost of service and increase the late payment charge to  
8 a level that will provide the appropriate incentive for customers to improve  
9 payment behavior, which benefits all customers.

10

11

## OVERVIEW OF CUSTOMER SERVICE

12

13 **Q. Please provide an overview of the Customer Service organization.**

14 **A.** FPL's Customer Service organization is responsible for the development and  
15 execution of policies, processes and systems related to customer contacts.  
16 This includes customer care centers; customer service field operations which  
17 is responsible for account management for large commercial/industrial and  
18 governmental customers; complaint resolution; billing and payment processes;  
19 development and implementation of FPL's demand side management  
20 programs; field meter activities including implementation of AMI; and credit  
21 and collections activities. Customers may contact FPL through multiple  
22 channels, including our customer care centers, by phone and Internet

1 automated services, or for some services, may schedule a face to face  
2 appointment.

3 **Q. Please describe how FPL has been recognized for providing superior**  
4 **performance in the area of Customer Service.**

5 A. FPL is recognized as an industry leader in terms of customer service  
6 performance. Recently, FPL was awarded the prestigious ServiceOne Award  
7 by the PA Consulting Group for the fifth consecutive year. PA Consulting  
8 Group is a leading management, systems and technology consulting firm with  
9 worldwide operations in more than 35 countries. The ServiceOne Award  
10 recognizes utilities that provide exceptional service to their customers as  
11 determined by a set of 24 objective measures of excellence in customer care  
12 developed by a panel of industry experts. These measures were selected to  
13 provide comprehensive, quantitative measurement of the service attributes  
14 that matter to customers. The measures include meter reading, billing, call  
15 center, field service, credit and collections, theft protection and self service.  
16 In addition to receiving the ServiceOne Award, FPL's care center was also  
17 awarded the PA Consulting Balanced Scorecard Achievement Award in 2008.  
18 This award is provided to utilities that excelled in a specific functional area  
19 within customer service. Our field operations group has also been nationally  
20 recognized. Chartwell, an independent information services company that  
21 facilitates knowledge exchange among utility professionals through research  
22 and analytics, recognized us for best practices in 2006. I will discuss key  
23 measures of these achievements and others in detail later in my testimony.

**CUSTOMER CARE CENTERS**

1

2

3 **Q. Please describe the operation of the customer care centers.**

4 A. FPL's customer care centers generally are a customer's first point of contact  
5 for almost any inquiry or matter needing attention. Our customer care centers  
6 have been designed and engineered using current state of the art technology  
7 with the objective of ensuring that all customer inquiries are answered  
8 promptly and accurately. There are three care centers and numerous remote  
9 agents that have been configured to act as one virtual contact center that  
10 handles inbound and outbound calls, as well as faxes, letters, and e-mails.  
11 The three care centers allow customers to contact FPL 24 hours a day, 7 days  
12 a week. One center is located in West Palm Beach, the second is located in  
13 Miami and the last is a third party vendor located in El Paso, Texas.  
14 Combined, these centers handled over 34 million customer contacts in 2008,  
15 an increase of over 12%, or 3.6 million contacts, from 2006. These contacts  
16 included 8.7 million representative handled calls, 11.5 million automated  
17 calls, 12.2 million Internet transactions, 1.3 million outbound contacts,  
18 177,000 faxes, 111,000 e-mails, and 14,000 customer letters.

19 **Q. Please describe how FPL's customer care centers have achieved superior  
20 performance.**

21 A. The use of leading edge technology, along with a strong emphasis on process  
22 management, has enabled us to achieve superior performance. At the care  
23 centers, FPL has consistently sought to employ innovative systems and

1 applications to ensure that all types of customer contacts are handled  
2 promptly, accurately and efficiently. We also have designed and organized  
3 our processes to complement our technology in ensuring consistency and  
4 accuracy when handling customer issues.

5  
6 One of the fundamental operational challenges of a care center, and a priority  
7 for FPL, is to ensure that customers do not receive busy signals when calling  
8 us. Many call centers limit the number of incoming calls at any one time.  
9 Such a limitation will often cause customers to receive a busy signal. In  
10 partnership with our telecommunication vendors, FPL designed a  
11 telecommunications network solution to ensure that all calls are delivered to  
12 FPL with the lowest probability of receiving a busy signal, regardless of  
13 where in our territory the call originates. This was accomplished through the  
14 use of overflow capabilities between local lines, toll-free lines, and the FPL  
15 network. Local lines can only be utilized by a limited number of callers, so it  
16 is important to have available the overflow capabilities and expanded capacity  
17 of toll-free lines. For example, a customer will call a local line to contact FPL  
18 and if all the local lines in that area are being utilized, the call is automatically  
19 routed to a toll-free line and ultimately reaches FPL without a delay to the  
20 customer.

21  
22 In situations of extreme call volume, such as those associated with hurricanes,  
23 we also have a back-up provider that will handle outage calls in the event that

1 all of the lines into our system are being utilized. This system has proven  
2 invaluable for our customers during active hurricane seasons. For example, in  
3 2004, FPL's service territory was severely impacted by hurricanes that caused  
4 approximately 5.4 million customer outages. FPL's care centers and our  
5 overflow vendor handled over 2.6 million outage calls during the period  
6 between August 13 and October 4, 2004, including handling over 283,000  
7 calls in a single day. Due to the efficient design and integration of our  
8 telecommunications network, FPL was able to promptly answer our customers  
9 calling to report power outages.

10  
11 In addition to our enhanced telecommunications network, FPL in 2006  
12 contracted with a third party vendor, GC Services, to establish a care center  
13 outside of the FPL territory. The care center is located in El Paso, Texas.  
14 This arrangement enhances FPL's business continuity by providing an  
15 additional level of call handling capability that provides significant benefits  
16 during a storm event that may impact either one or both care centers located in  
17 Florida. As mentioned earlier, our three care centers operate as one virtual  
18 center, so the care center location for any particular phone call is transparent  
19 to the customer. This is another way in which FPL provides superior service  
20 to our customers by ensuring our customers are able to contact us during even  
21 the most difficult events such as a hurricane.

22  
23 We also strive to have customer calls answered by a representative with the



1 appropriate skill level in order to ensure that a customer's call is handled in  
2 the most effective and efficient manner. Automated Call Distributor  
3 technology, which is the "brains" of our care center telecommunications  
4 infrastructure, has been combined with Computer Telephony Integration to  
5 provide optimum call routing and allow the three centers and remote agents to  
6 act as one virtual care center. This integration of technologies enables calls to  
7 be routed to a representative based on the order in which they were received  
8 by the FPL system combined with the priority assigned to the type of call.  
9 The result is that all FPL customers throughout the state receive the same  
10 level of service, with priority given to customers reporting urgent matters,  
11 such as a wire down or a power outage. The routing of the calls within the  
12 network ensures that the representative receiving the call has the skills and  
13 language capability necessary to handle the specific customer inquiry. The  
14 interface of the telecommunications network with the customer information  
15 systems facilitates retrieval of the customer's records. Through our computer  
16 telephone integration technology, customer-specific information is delivered  
17 to the representative's computer screen as the call is being answered by  
18 automatic retrieval of the customer's records based on the telephone number  
19 from which he or she is calling. The system also contains Graphical User  
20 Interface software on the desktop which provides the representatives with  
21 standardized processes for each inquiry type. The software ensures that any  
22 customer calling with a similar issue will be handled in the same manner and  
23 provided with the same answers.

1 A queue management system is also utilized to provide customers with the  
2 option of waiting on hold during high call volume periods or requesting a call  
3 back. When a customer contacts FPL and the expected wait to reach a  
4 representative exceeds a predetermined threshold, the customer is presented  
5 with the option of continuing to wait in the queue or requesting a call back by  
6 entering their phone number using a touch tone phone. If the customer  
7 chooses the option of being called back, a flag is placed in the queue to retain  
8 the customer's original place in the queue. When the flag reaches the front of  
9 the queue, the customer will be systematically called using the phone number  
10 they provided. This system was put in place to provide the customer an  
11 option of a call back and improve their overall experience. In 2008, over  
12 95,000 customers benefited from this option and chose a call back rather than  
13 waiting on hold during a busy period.

14 **Q. How do these technologies benefit customers?**

15 A. As previously described, the technology and architecture of the care centers  
16 have been designed with the objectives of making it easier for our customers  
17 to contact us and allowing us to handle customer calls as efficiently as  
18 possible. Having overflow and routing capabilities allows a customer's  
19 request to be handled with the shortest possible wait time by a specialized  
20 representative who is specifically trained to proficiently handle the customer's  
21 request or area of concern. This maximizes the opportunity to handle calls  
22 quickly and efficiently without having to transfer the call between service  
23 representatives. In times of high call volume, our queue management system

1 provides the customer with the option of a call back and not having to wait on  
2 the phone. The ability to automatically identify and deliver customer-specific  
3 information through computer telephone integration technology allows the  
4 representative to greet the customer and immediately respond to the  
5 customer's inquiry without having to ask the customer to provide account  
6 information up front. FPL's care center systems and standardized processes  
7 ensure that customers will be provided with a quick, consistent and accurate  
8 response to the inquiry.

9 **Q. How do FPL's customer care centers compare with other call centers in**  
10 **the industry?**

11 **A. FPL participates in an annual benchmarking study conducted by PA**  
12 **Consulting Group. PA Consulting has provided comprehensive benchmarking**  
13 **services for over a decade to utility companies focusing on how their costs**  
14 **and services measure against those of other utilities. The 2008 benchmarking**  
15 **study, based on 2007 year-ending data, consisted of 29 electric and gas**  
16 **utilities. As part of this study, many individual performance measures that are**  
17 **typical industry indicators were benchmarked. The following metrics are**  
18 **indicative of FPL's outstanding performance compared to other participants,**  
19 **and in all cases FPL's performance is significantly better than the industry**  
20 **average:**

	<u>Performance Measures</u>	<u>FPL</u>	<u>Quartile</u>	<u>Group Average</u>
1				
2	• Average speed of answer (seconds)	27	1 <sup>st</sup>	67
3	• Call abandonment rate	1.1%	1 <sup>st</sup>	4.1%
4	• Percent of call answered by the IVR	57.6%	1 <sup>st</sup>	34.4%
5	• Cost per customer	\$7.96	1 <sup>st</sup>	\$10.46
6				

7 As mentioned previously, FPL's care center was awarded the PA Consulting  
8 Balanced Scorecard Achievement Award in 2008. This was the inaugural  
9 year for the award and it was awarded to utilities that excelled in functional  
10 areas within customer service. Of the participating utilities, FPL was the only  
11 company to receive the Balanced Scorecard Achievement Award for care  
12 centers, reflecting FPL's superior performance in this area of its operations.

13 **Q. Please describe in more detail the key metrics described above.**

14 A. Average speed of answer (ASA) is an accepted industry measure for  
15 determining how quickly a customer's call is answered. ASA measures the  
16 average time customers wait in queue after leaving the IVR system to be  
17 connected with a representative. The call abandonment rate is an indicator  
18 that measures the percent of customers who hang up while in queue waiting to  
19 speak to a representative. Typically, the longer customers have to wait to  
20 speak to a representative, the higher the abandonment rate will be.

21 **Q. How has FPL been able to achieve such a high IVR penetration rate?**

22 A. FPL's industry-leading IVR penetration rate is the result of the development  
23 of many applications that allow customers to easily complete general inquiries

1 through the IVR without the need to speak to a representative. Capabilities  
2 have been created that provide interactive customer applications for  
3 disconnecting service, power outage reporting, billing inquiries, bill payment,  
4 payment extensions, reconnection of service, requesting duplicate bills and  
5 obtaining general information on many other services we offer. In 2008,  
6 business conducted through our self-service telephone applications increased  
7 by over 750,000 transactions from 2006, a 7% increase. As a result, 60% of  
8 all phone calls were conducted through our self-service telephone applications  
9 in 2008.

10  
11 FPL continuously looks to make improvements to the IVR to increase  
12 customer satisfaction and use of the automated services. Dedicated process  
13 specialists are assigned to the IVR operations with the key objective of  
14 improving the customers' experience. FPL regularly participates in  
15 benchmarking to identify improvement opportunities and best practices. In  
16 addition, experts have been used to review our IVR processes and provide  
17 recommendations to improve services. In 2006, the IVR menu was  
18 redesigned to improve functionality and improve call routing capability. As  
19 part of the redesign process, or any change for that matter, functionality  
20 testing is performed to ensure the desired results are achieved before making  
21 changes system wide. FPL also recently invested in upgrading the IVR  
22 technology. The new platform is designed to improve usability of the IVR

1 applications and provide integration capability with future applications such  
2 as voice recognition.

3

4 FPL's IVR has been recognized nationally as well. In 2007, our IVR was  
5 ranked second out of 103 utilities in the ESource survey of North American  
6 IVRs. ESource is a business that provides independent research, advisory,  
7 and information services to utilities, major energy users, and other key players  
8 in the retail energy marketplace. The study considered use of best practices in  
9 usability, robust functionality and audio aesthetics.

10

11 In addition to providing customers with an alternate option to doing business  
12 using self-service telephone applications, IVR technology also results in a  
13 significantly reduced cost per transaction, since there is no manual  
14 intervention required to complete a transaction performed over the IVR. For  
15 example, in 2008, over \$15 million in avoided costs were realized as a result  
16 of customers utilizing the various self-service telephone applications instead  
17 of speaking directly with customer service representatives. Overall, this is  
18 another example of FPL's emphasis on developing and using the best systems  
19 available in order to minimize costs, which benefits customer bills in the long  
20 run, and at the same time provides superior service that is highly valued by  
21 our customers.

22 **Q. Why is FPL's Care Center cost per customer so much lower than the**  
23 **other companies that participated in the study?**

1 A. FPL has created an efficient and cost effective operation at the care centers.  
2 Our strong emphasis on process management results in enhanced accuracy  
3 and consistency, which in turn, lowers our cost per customer. In addition to  
4 continuously monitoring these processes, the leveraging of technology has  
5 enabled FPL to keep its cost per customer low. As previously described, FPL  
6 has maintained intense focus on improving and expanding the automated  
7 services offered through its IVR and in 2008, 60% of FPL's inbound call  
8 volume was handled in a completely automated manner. This penetration rate  
9 is among the best in its class for our industry. A higher IVR penetration rate  
10 demonstrates our customers' acceptance of automated services.

11

12 In addition to the success of our IVR automated applications, over 12.2  
13 million customer transactions were conducted in 2008 through our automated  
14 Internet applications. By offering a wide variety of automated applications,  
15 we are providing customers with options that make doing business with FPL  
16 easier, while at the same time, reducing our cost.

17

18 Another significant contributor to our low cost is the manner in which we  
19 have engineered our telecommunications network using a combination of  
20 local lines, toll-free lines and other telecommunications options instead of the  
21 more expensive option of using toll-free lines exclusively, a method more  
22 commonly used by other utilities.

1 **Q. What type of quality assurance program is in place at the care centers?**

2 A. The quality assurance program at the care centers is focused on continually  
3 improving the overall quality of the response to a customer call. The program  
4 is based on a voice and data monitoring system that is used to score the  
5 overall quality of a call and provide appropriate feedback to the  
6 representative. Through quality assurance observations, representatives are  
7 monitored for accuracy, compliance to processes, and demonstrating  
8 understanding and empathy to customers. FPL is currently upgrading its  
9 quality monitoring system. Benefits of the new system will include 100%  
10 voice recording on all calls received via the care center automated call  
11 distributor, improved ability to monitor and track agent performance, and will  
12 provide the foundation for integration of future enhancements such as speech  
13 analytics. The quality program also includes process coordinators who focus  
14 solely on continuously identifying improvements within the underlying  
15 processes. We gather data from the quality observations and analyze trends to  
16 identify improvement opportunities with policies or processes.

17 **Q. How frequently are customer inquiries resolved on the first contact?**

18 A. Based on FPL's customer care center satisfaction research, the percent of  
19 customer inquiries resolved on the first contact has continued to increase for  
20 both residential and business customers. Residential inquiries resolved on the  
21 first contact increased from 76% in 2006 to 79% in 2008 and business  
22 inquiries resolved on the first contact increased from 72% in 2006 to 79% in  
23 2008. These are significant increases, and are yet another example of the



1 balance we have achieved between providing, and in this case improving  
2 upon, the superior service we provide while at the same time reducing costs.  
3 It clearly costs less to handle a call only once.

4 **Q. Does FPL measure customer satisfaction for customers who contact the**  
5 **customer care centers?**

6 A. Yes. Ongoing surveys are performed to measure overall satisfaction with the  
7 way calls are handled.

8 **Q. Please describe the results of these surveys.**

9 A. The surveys are conducted using a random selection process and are  
10 performed on an ongoing basis. The surveys measure overall satisfaction with  
11 the call, ease of contacting FPL, the representative and the IVR. The percent  
12 satisfied score is the percent of customers who scored the process being  
13 measured a six or seven on a seven point scale, with seven indicating the  
14 highest satisfaction rating. Overall satisfaction with the call, ease of  
15 contacting FPL and satisfaction with the representative are all at or above  
16 84%. These scores demonstrate how FPL performs very well in these  
17 measures. We have also seen significant improvement in satisfaction with the  
18 IVR – from 61% in 2006 to 71% in 2008 for our business customers and from  
19 65% in 2006 to 73% in 2008 for our residential customers. Additionally, a  
20 key design of the surveys is to provide a means of identifying improvement  
21 opportunities. FPL continuously monitors the results of the surveys in order  
22 to identify those areas of concern for which we can take action proactively.

1 FPL's residential and business care center satisfaction research results are  
2 attached to my testimony as Exhibit MMS-1.

3

4

#### CUSTOMER SERVICE FIELD OPERATIONS

5

6 **Q. Please describe how FPL provides service through its field operations**  
7 **group.**

8 A. FPL provides additional services to our customers through its field force of  
9 residential, small/medium business, and commercial/industrial representatives.  
10 This group of employees is dedicated to serving individual customers at their  
11 home or place of business. Services provided to our residential and  
12 small/medium business customers include DSM programs such as, on-site  
13 personalized analysis of business or home energy use; high bill investigations;  
14 or addressing any other concern that a customer may have about their  
15 electrical service. Commercial/industrial representatives provide a  
16 personalized level of service to our larger commercial/industrial customers. A  
17 dedicated account manager serves as a single point of contact for all energy-  
18 related and customer service issues for these large, complex energy users. A  
19 dedicated account team supports the efforts of the account manager in the  
20 areas of reliability, new construction, new energy technology, billing, energy  
21 efficiency and other innovative solutions.

22

23 Recent investments in systems for our field group have provided improved

1 service levels to our customers. A new scheduling and dispatching system  
2 was implemented in 2008. This system brought wireless technology and real-  
3 time scheduling to our field organization. This enabled the shortening of the  
4 service delivery target or “average speed to appointment” from 21 to 14 days,  
5 improving the time between the customer call to the field appointment by  
6 35%. This is a significant improvement and directly benefits the customer  
7 while at the same time reducing costs overall. In addition, real-time access to  
8 customer data is provided to the field representative during face-to-face  
9 appointments, enhancing the value of the appointment for the customer.

10 **Q. Does FPL measure customer satisfaction for customers who interact with**  
11 **the field organization?**

12 **A.** Yes. Similar to how we conduct surveys with customers that contact our care  
13 centers, ongoing surveys are performed to measure satisfaction of residential  
14 and business customers with the way their field services are handled. Survey  
15 results for these customers have been very positive. In 2008, customers rated  
16 their satisfaction with the field representative at 97%. Small/medium business  
17 customers rated their satisfaction with the field representative at 93% and  
18 large commercial/industrial customers rated satisfaction with the account  
19 manager at 96%. The percent satisfied score is the percent of customers who  
20 scored the area being measured a six or seven on a seven point scale, with  
21 seven indicating the highest satisfaction rating. Such a high level of  
22 satisfaction is an amazing accomplishment of which we are very proud –  
23 clearly our customers are receiving superior service in this regard.

1 In addition to the high customer satisfaction scores, our field operations group  
2 has been recognized nationally for the high level of service provided to our  
3 customers. FPL's account managers were ranked third out of 60 nationally in  
4 the 2007 TQS National Key Accounts Benchmark survey and 11<sup>th</sup> for overall  
5 satisfaction with FPL. TQS Research specializes in business-to-business  
6 research among the largest energy users in the United States and Canada.  
7 Also, in 2006, FPL was awarded the Chartwell Best Practice Award for  
8 fostering relationships with mid-sized businesses through our innovative  
9 implementation of Gold Service Standards as an industry best practice.

10

11

## COMPLAINT RESOLUTION

12

13 **Q. How does FPL handle a dissatisfied customer?**

14 **A.** FPL's goal is to ensure that every customer is satisfied with the handling of  
15 their inquiry. While it is not practical to expect 100% satisfaction, we have  
16 developed a process that is designed to maximize the opportunity to  
17 successfully address a customer's concern. Customers who contact the care  
18 center and want their inquiry escalated are offered the option of speaking with  
19 a care center account supervisor. Account supervisors are a group of  
20 employees with more experience and broader authority who are dedicated to  
21 resolving elevated customer issues quickly and efficiently. They are able to  
22 resolve the majority of calls directly. However, if the call requires follow-up  
23 with a department outside of the care center, the customer is provided the

1 department name to which their matter is being referred to, as well as a  
2 timeframe in which the appropriate representative will contact the customer  
3 for resolution. Additionally, the customer is given the care center account  
4 supervisor's name and telephone number in the event they need further  
5 assistance. A ticket for follow-up is then created, and the matter is monitored  
6 for completion in a timely manner.

7  
8 In the event that a customer complaint is not resolved, the customer may  
9 choose to contact the Florida Public Service Commission (FPSC). As part of  
10 our complaint handling process, FPL participates in the Transfer-Connect and  
11 E-mail processes, established by the FPSC, to help resolve disputes between  
12 regulated companies and their customers as quickly, effectively, and  
13 inexpensively as possible. These processes involve transferring the customer  
14 call or e-mail directly from the FPSC to FPL for expedited handling if the  
15 customer agrees. FPSC contacts will be discussed in more detail later in my  
16 testimony.

17 **Q. Does FPL track customer dissatisfaction?**

18 A. Yes. FPL developed the Customer Account Satisfaction Tracking (CAST)  
19 system, a process to capture and track both customer dissatisfaction and  
20 commendations. Customer service representative's record specific  
21 information related to the customers' dissatisfaction into the system. In  
22 addition, all FPSC complaints are also inputted into the system. This data is  
23 rolled up into daily, weekly and monthly reports by department and business

1 process, and are available for review by all levels of supervision and  
2 management. CAST provides a means for analyzing data and is useful in  
3 identifying trends or issues, modifying processes and policies, and gauging the  
4 impact of changes to processes and policies that impact the efficiency and  
5 quality of customer service. In addition, FPL established a Customer  
6 Advocacy group solely for the purpose of reviewing dissatisfaction  
7 information. This group reviews CAST entries daily, makes follow-up calls to  
8 customers if needed and looks for process improvement opportunities.  
9 Through this group, numerous process improvement recommendations have  
10 been made to improve services provided to our customers based on their  
11 feedback. Examples of improvements include improved training material for  
12 customer service representatives, providing various program applications in  
13 multiple languages, and system enhancements such as allowing multiple pay-  
14 online scheduled payments in one month.

15 **Q. How has the number of FPL customer contacts to the FPSC changed in**  
16 **recent years?**

17 A. As a result of the efforts described above, as well as numerous other initiatives  
18 aimed at improving customer satisfaction, we have been successful in  
19 reducing the number of complaints. When looking at the complaints that are  
20 recorded as “logged” with the FPSC company-wide, FPL has shown a  
21 reduction in complaints per 1,000 customers in 2008 from 2006. FPL had  
22 0.1151 complaints per 1,000 customers in 2008 compared to 0.1574  
23 complaints per 1,000 customers in 2006, a reduction of 27%. Among other

1 investor-owned utilities in Florida, FPL ranked second in 2008 in terms of  
2 fewest logged FPSC complaints per 1,000 customers.

3

4

#### **ECONOMIC ASSISTANCE FOR CUSTOMERS**

5

6 **Q. What is FPL doing to help customers through these difficult economic**  
7 **times?**

8 A. We recognize that the economy and today's climate of financial uncertainty  
9 have created hardships for many of our customers. In particular, these  
10 difficult times make it increasingly more challenging for low-income  
11 customers to provide even the most basic needs for their families. FPL has  
12 taken many proactive steps to assist these households over the past several  
13 years by offering alternatives and support for those in need.

14

15 Specifically, we have increased our focus on programs, products and services  
16 that are designed to help make energy more affordable. FPL's approach to  
17 energy affordability has been to develop collaborative partnerships, with  
18 various interested parties who share an interest in serving Florida's families in  
19 need. FPL's energy affordability initiatives can be grouped under two main  
20 categories: payment assistance and energy conservation.

21 **Q. Can you please discuss the energy affordability initiatives associated with**  
22 **payment assistance?**

23 A. Yes. FPL has been working diligently to find ways to increase payment

1 assistance funding to eligible households in need. This has been achieved in  
2 great measure through partnerships with various social services agencies in  
3 the communities that FPL serves. This process is known as ASSIST and it  
4 involves referring customers who are experiencing financial difficulty to an  
5 appropriate social services agency. FPL personnel work closely with the  
6 agencies to ensure continuity of service while resources are allocated and  
7 secured for the customer. In 2008, over 83,000 assistance payments were  
8 received from numerous agencies, representing approximately \$15.6 million  
9 toward customers' electric bills. FPL also launched an Internet-based web  
10 portal in 2008 for use by ASSIST partners, enabling them to more quickly and  
11 accurately access information needed to help qualify FPL customers for  
12 assistance. Agency response to this new tool has been very favorable. FPL  
13 was recognized as runner-up in Chartwell's Best Practices Awards in  
14 Customer Service and Marketing for our extraordinary customer relations  
15 efforts related to the ASSIST web portal.

16  
17 For those customers who have received ASSIST help, FPL has developed new  
18 processes such as keeping customers updated, via e-mail and/or phone, of the  
19 status of their payment commitments; offering home energy surveys; and  
20 providing other services, such as FPL's Weatherization Program, to help make  
21 energy more affordable. These are other examples of FPL initiatives  
22 developed in order to ensure we meet the needs of our customers and provide  
23 superior levels of service.



1 Another payment assistance program is FPL Care to Share, which FPL  
2 established in 1994. This is a special fund that receives donations from  
3 customers, FPL employees and FPL corporate contributions. Funds donated  
4 to FPL Care to Share are administered by local social service agencies that  
5 partner with FPL. FPL refers customers needing financial assistance to one of  
6 the agencies that administers FPL Care to Share funds. In 2006, FPL donated  
7 \$1 million to the fund, and repeated that donation again in 2007, 2008 and  
8 2009. These donations were funded by FPL shareholders. In 2007, FPL  
9 conducted its first annual employee payroll deduction contribution program,  
10 and we are very proud of the fact that nearly \$68,000 has been raised through  
11 this program. In 2008, FPL provided a web-based donation option as a  
12 convenience for customers who pay their bills online. Since program  
13 inception, nearly \$11.5 million in donations has been used to assist nearly  
14 55,000 Florida families in need.

15 **Q. What other initiatives has FPL worked on to increase payment assistance**  
16 **to customers?**

17 A. FPL has been leading several other initiatives with a focus on growing  
18 available energy assistance resources, including identification of new funding  
19 sources. For example, in 2006, FPL co-sponsored, with the Florida  
20 Department of Community Affairs, the creation of the Florida Energy  
21 Affordability Coalition (FLEAC). FLEAC is a statewide collaboration of  
22 stakeholders including government, social service organizations and energy  
23 providers, all working to find ways to better serve Florida's low and fixed-

1 income and senior customers. FLEAC has been working to identify new  
2 sources of payment assistance. It is also working to help families find better  
3 ways to conserve energy and become more self-sufficient. Working with the  
4 Florida Department of Community Affairs, FLEAC developed a report of  
5 energy affordability recommendations and presented them to the Senate  
6 President and House Speaker in January 2009. Initiatives that were suggested  
7 will increase payment assistance dollars, provide more resources for energy  
8 conservation and provide other meaningful programs. Other FLEAC  
9 members include Progress Energy, Tampa Electric Company (TECO), The  
10 Salvation Army and the Florida Department of Elder Affairs.

11

12 Also in 2006, FPL executed a comprehensive advocacy plan to increase  
13 Florida's funding from the Federal Low Income Home Energy Assistance  
14 Program (LIHEAP). To share the story of Florida's financial need for more  
15 assistance, FPL worked with numerous allies, including other utilities,  
16 reaching out to Congress and others. FPL has since continued to be a strong  
17 advocate, and has made several visits to Congress over the past three years.  
18 FPL has become recognized within the utility industry as a leader for its  
19 efforts on behalf of customers in need and believes our advocacy partnerships  
20 have had a positive impact on LIHEAP funding. We are confident that these  
21 efforts helped achieve a three-fold increase of LIHEAP funds to Florida that  
22 will provide assistance to thousands of families that otherwise would not have  
23 received help.

1 **Q. Can you please discuss the energy affordability initiatives that address**  
2 **energy conservation?**

3 A. Yes. While it is important to provide eligible customers with assistance to pay  
4 their energy bills, it is also important to help them understand how they can  
5 help themselves through wise energy usage. That's why FPL has also  
6 implemented several assistance programs that focus on energy conservation.

7  
8 In 2008, we piloted a program for customers receiving FPL Care To Share and  
9 LIHEAP payment assistance. Within a week of a customer's receipt of  
10 payment assistance, we contacted them by telephone and offered a home  
11 energy survey, energy conservation brochures and other information. This  
12 timing was designed to provide a follow-up with these customers while the  
13 need for energy management was still fresh on their minds. As part of the  
14 program, the home energy survey and energy conservation brochures were  
15 custom-tailored with tips and recommendations specifically for low income  
16 customers. This very successful pilot has now become a permanent program.

17  
18 Due to current economic conditions, FPL has also put in place affordability  
19 outreach programs that help to address the needs in the community. We have  
20 partnered with Community Action Agencies and energy efficiency contractors  
21 to help provide this benefit to our customers. The programs consist of  
22 monthly seminars throughout the state on bill management and energy  
23 efficiency solutions and the Home Energy Makeover. The Home Energy

1 Makeover program targets low income communities and provides simple  
2 solutions in home energy efficiency. This program has been very well  
3 received and has been successful in providing energy efficiency  
4 improvements to over 200 homes in 2008.

5 **Q. What other assistance programs does FPL offer?**

6 A. FPL offers a special program for customers who are registered as needing  
7 special medical equipment through its Medical Essential Service Program.  
8 Customers with special medical needs may depend on electricity for their well  
9 being and FPL's Medically Essential Service Program addresses this matter.  
10 For qualifying customers this program offers:

- 11 ● Referrals to social service agencies that provide financial
- 12 assistance,
- 13 ● A limited extension of time to pay electric bills,
- 14 ● Special notification prior to disconnection of service for non-
- 15 payment, so customers can secure funds or make necessary
- 16 arrangements, and
- 17 ● Protection from being billed an additional deposit.

18  
19 Additionally, in October 2008, responding to the worsening economic crisis  
20 and understanding that customer problems go beyond just their ability to pay  
21 the energy bill, the FPL Group Foundation announced a \$1 million  
22 sponsorship of a 2008 through 2009 "Basic Needs Program" to help  
23 customers with non-energy bill needs. The program, funded by FPL

1 shareholders and administered by The Salvation Army, offers qualified  
2 families a variety of assistance, including food, clothing, shelter, medical and  
3 other basic needs. Thousands of customers throughout FPL's service territory  
4 will benefit from this assistance initiative.

5

6

### **BILLING, PAYMENT AND INTERNET OPTIONS**

7

8 **Q. What billing and payment options does FPL provide its customers?**

9 A. FPL recognizes that our customers desire options in terms of billing and  
10 making payments, and the Company strives to enhance its service to  
11 customers and provide such choices by offering a variety of billing and  
12 payment options. These options are designed to make it easier for customers  
13 to do business with the Company, and at the same time reduce costs which  
14 benefit all customers in the long run. For billing options, customers may  
15 choose to receive their bill electronically or as a paper bill. Customers then  
16 have the option of paying bills by mailing the payment to FPL, paying at a pay  
17 station or electronically through the phone or online. The list of billing and  
18 payment options, including a description of the options, the date each option  
19 began, and the number of transactions in each option as of December, 2008, is  
20 attached to my testimony as Exhibit MMS-2.

21 **Q. Would you please elaborate on FPL's billing options?**

22 A. Yes. FPL has several programs to better serve both residential and business  
23 customers' needs relative to billing. One of our most convenient options is

1 the FPL E-mail Bill program. Customers who enroll in our E-mail Bill  
2 program receive an e-mail that lets them know their new bill is ready for them  
3 to view. They may then access our Internet website through a direct link  
4 included in the e-mail and view their bill and bill insert online. In addition to  
5 cost savings for FPL through reduced paper and postage, e-mail billing offers  
6 benefits including an environmentally friendly, paper-free bill and an e-mail  
7 reminder when the bill is due. Increasing customer acceptance to e-mail  
8 billing is a focus and challenge for all utilities and FPL continues to educate  
9 customers of the benefits. In the 2008 PA Consulting benchmarking study  
10 mentioned previously, FPL ranked first quartile, reporting 13.3% of customers  
11 receiving e-bills, compared to an average of 7.6% for the reporting 21  
12 companies.

13  
14 Our Summary Billing program allows customers with 10 or more FPL  
15 accounts to request a single statement for the billing and payment of those  
16 accounts. This program eliminates the task of handling and paying multiple  
17 bills throughout the month.

18  
19 FPL also provides "FPL Budget Billing" as an option for customers who want  
20 to avoid the peaks and valleys of seasonal or monthly electric bills. Monthly  
21 electric usage is levelized over a 12-month period, allowing the participating  
22 customer to more easily budget their payments.

1 Another billing option is the "FPL 62 Plus Payment Plan." This plan is  
2 available to all customers who depend on fixed incomes such as social  
3 security, disability or other similar type benefits. The program extends the  
4 due date of the bill by 10 days, thus allowing one full month to pay after the  
5 bill is issued. The intention of the program is to help participating customers  
6 manage their monthly budget, especially if their electric bill is due at some  
7 time other than when the monthly benefit check arrives.

8  
9 Another program designed to help prevent disconnection of electric service is  
10 the "FPL Friendly Reminder Plan," which allows customers to designate  
11 someone to receive a Final Notice prior to service disconnection. A  
12 designated person, such as a caregiver, family member or neighbor, will  
13 receive notification of any final notice issued by FPL, protecting the customer  
14 from service disconnection because of an inadvertently unpaid bill.

15  
16 As demonstrated, customers have a wide array of various billing options that  
17 will meet most needs. FPL projects from 2006 to 2010, over 750,000  
18 additional customers will have chosen to move to E-Mail Bill. This  
19 acceptance not only shows our customers' desire for options, thereby  
20 enhancing the value of our service to customers, but will have also reduced  
21 costs to FPL by over \$3.0 million.

22 **Q. Would you please elaborate on FPL's payment options?**

23 **A. Yes. FPL has multiple bill payment options to better serve both residential**

1 and business customers' payment needs. For customer ease and convenience,  
2 they may choose to:

- 3 • Mail a payment to FPL's payment processing center;
- 4 • Enroll in the FPL Automatic Bill Payment program that withdraws  
5 the bill amount directly from the customer's bank at the agreed  
6 upon time;
- 7 • Enroll in Checkfree, which is a service that works with the  
8 customer's bank and offers online billing and/or payment features;
- 9 • Enroll in FPL Pay Online in order to pay their bill on FPL's  
10 website;
- 11 • Pay at a walk-in pay station;
- 12 • Pay by phone from a touch tone phone using a checking account,  
13 24-hours a day and have it posted to their account within minutes;  
14 or
- 15 • Pay by credit or debit card.

16  
17 In 2008, as a result of these options, nearly 60% of all payment transactions  
18 were made through alternative channels rather than through mailing the  
19 payment to FPL's payment processing center. This is an increase from 50%  
20 in 2006 and we project it to increase to 63% by 2010. In the 2008 PA  
21 Consulting benchmarking study, FPL ranked first quartile, reporting 54.5% of  
22 payments received in 2007 were through alternative channels to U.S. Mail,  
23 compared to an average of 36.4% for the reporting 21 companies.



1 **Q. How do FPL's costs for billing and payment functions compare to other**  
 2 **utilities?**

3 A. FPL has worked hard to control costs over the years in these functions by  
 4 maximizing postage and paper discounts and providing customers with lower  
 5 cost billing and payment options that meet their needs. Our success is  
 6 demonstrated in the 2008 PA Consulting benchmarking study. FPL ranked  
 7 first quartile in cost per customer for both billing and payment processing  
 8 functions.

9	<u>Cost per Customer</u>	<u>FPL</u>	<u>Quartile</u>	<u>Group Average</u>
10	• Bill print and mail	\$4.52	1 <sup>st</sup>	\$7.36
11	• Payment processing	\$0.47	1 <sup>st</sup>	\$1.04

12 **Q. Are payments received through U.S. Mail and processed in FPL's**  
 13 **payment processing center processed in a timely manner?**

14 A. Yes. FPL's process for handling mail payments is very efficient. In 2008,  
 15 FPL processed over 20 million payments in the payment processing center.  
 16 The payment processing department operates two shifts (day and night) and  
 17 six days a week (Monday through Saturday, excluding holidays) in order to  
 18 expedite the processing of customer payments. Payments are received  
 19 throughout the day from the United States Postal Service and are processed  
 20 using a state of the art, high speed Unisys and OPEX payment processing  
 21 equipment. Any exceptions are handled in a timely manner. As a result,  
 22 payments received through the mail are processed and applied to customer  
 23 accounts within 24 business hours of receipt from the Postal Service.

1 **Q. Would you elaborate on the other customer services that FPL provides to**  
2 **its customers over the Internet?**

3 A. Yes. FPL recognizes that many customers appreciate the ability to use  
4 interactive self-service to do business. FPL continues to focus on developing  
5 and expanding its self-service applications so that its customers can conduct  
6 business with FPL over the Internet. Customers may perform Internet  
7 transactions such as billing inquiries, payment extensions, power outage  
8 reporting and status update, street light outage reporting, order a duplicate bill,  
9 and connect, disconnect or transfer service. As previously discussed,  
10 customers may also view and pay their monthly bill online. In addition, they  
11 may use the Internet to enroll in e-mail bill and online pay options. Almost all  
12 of the information that may be obtained by calling the care centers is available  
13 online.

14  
15 The number of transactions performed on FPL's website continues to grow at  
16 a steady pace. During 2008, over 12 million transactions were performed by  
17 customers using Internet self-service applications. This is an increase of 32%  
18 from 2006. In the 2008 PA Consulting benchmarking study, FPL ranked first  
19 quartile, reporting 34.4% of customer contacts were handled through the  
20 Internet in 2007, compared to an average of 3.7% for the reporting 18  
21 companies. Our Internet applications not only provide options for conducting  
22 business with the company that are preferred by many customers, they also  
23 continue to be a means by which FPL can reduce operational costs.

**DEMAND SIDE MANAGEMENT**

1

2

**3 Q. Please describe FPL's achievements in Demand Side Management.**

4 A. We know that Floridians expect FPL to provide affordable, clean energy  
5 solutions. As a result, one of the most important means by which we not only  
6 add value to the service provided to our customers but at the same time help  
7 them save on their electric bills is DSM.

8

9 FPL has a long history of identifying, developing and implementing DSM  
10 resources to cost-effectively avoid or defer the construction of new power  
11 plants. These programs have included both energy efficiency and load  
12 management programs, targeting both residential and business customers.  
13 Since the early 1980s, our demand side management programs have helped us  
14 avoid the need to build 12 power plants representing over 4,900 MW,  
15 (including the impacts for FPL's reserve margin requirements) and 21% of  
16 FPL-owned total peak summer generation capacity. This accomplishment has  
17 resulted in substantial cost savings for our customers over the years.

18

19 FPL's current DSM Plan consists of seven residential DSM programs and 10  
20 business DSM programs. These programs include offerings such as energy  
21 surveys designed to assist residential customers in understanding how to make  
22 their homes more energy-efficient; incentives for energy efficient  
23 measures/practices such as qualifying air conditioners or ceiling insulation;

1 and load control management programs.

2

3 FPL's load management programs have proved extremely successful,  
4 providing a broad-based opportunity for residential and business customers to  
5 participate and receive significant cost savings through monthly credits  
6 applied to their bills while also providing reliability benefits and the cost  
7 effective avoidance of new generation, which benefits all customers.  
8 Participating customers express high satisfaction with these load management  
9 programs, with over 773,000 residential customers and over 21,000 business  
10 customers currently participating in the programs.

11 **Q. Please describe how FPL has been a national leader in DSM.**

12 **A.** The U.S. Department of Energy reports on the effectiveness of utility DSM  
13 efforts through its Energy Information Administration. Based on the most  
14 current national data available, which is for 2006, FPL is ranked number one  
15 nationally in terms of megawatts for cumulative conservation achievement,  
16 and number three in load management. To put this in perspective, FPL serves  
17 about 3% of the total United States consumers, but has achieved 13% of the  
18 total U.S. conservation and 6% of the total load management. This is another  
19 excellent example of FPL's superior performance and the resulting  
20 outstanding service provided to our customers. All activities associated with  
21 DSM are approved through a separate regulatory proceeding.

**ADVANCED METERING INFRASTRUCTURE**

1

2

3 **Q. What is FPL doing to support the development of Smart Grid**  
4 **technologies and to align itself with recent Federal legislation?**

5 A. FPL has focused on AMI solutions (meter and infrastructure) for several years  
6 and supports the Energy Independence and Security Act of 2007's (EISA  
7 2007) recommendation to accelerate policy makers' focus on deploying smart  
8 grid technologies. We have tested various solutions throughout the years and  
9 are implementing an AMI solution that will be in alignment with the  
10 requirements of EISA 2007. AMI serves as the initial step in the development  
11 of our smart grid initiative and supports the established federal policy to  
12 modernize the electric infrastructure. AMI also aligns with legislation  
13 contained within the American Recovery and Reinvestment Act of 2009  
14 supporting modernization of the electric network.

15 **Q. Please address FPL's plans for AMI.**

16 A. FPL's AMI project includes the deployment of state of the art integrated solid  
17 state meters, also known as "smart meters," to the over four million residential  
18 and small/medium business customers it serves. The meters are equipped  
19 with two-way communications, remote reading, connection, and  
20 disconnection capabilities and will be able to collect data regarding  
21 consumption at predetermined intervals. The ability for two way  
22 communication will provide flexibility for future delivery of new service  
23 options for customers. The meters also include "flags" which will be useful

1 for the determination of outage, restoration and theft. Our project is expected  
2 to last five to six years and has a total capital cost of \$645 million. The meter  
3 deployment schedule is as follows:

- 4 • 2009 – 170,000
- 5 • 2010 – 1,100,000
- 6 • 2011 – 1,100,000
- 7 • 2012 – 1,100,000
- 8 • 2013 – 900,000

9 **Q. What is FPL's experience with AMI?**

10 A. We have deployed various metering technologies throughout the years to  
11 determine which technology is best suited for FPL. In 2005, approximately  
12 50,000 smart meters were deployed. The meters were single phase, non-  
13 demand meters that generally serve residential and small and medium-size  
14 business customers. Two different communication technologies were  
15 deployed. There were approximately 34,000 power line carrier meters and  
16 approximately 16,000 radio frequency meters installed. Analysis of the first  
17 phase deployment provided confirmation of basic benefits and identified  
18 potential benefits. It also identified the need for a flexible technology platform  
19 necessary for future potential benefits and customer needs.

20  
21 Our second phase deployment in 2007 and 2008 was a radio frequency mesh  
22 technology, which links other meters to form a communications "mesh"  
23 network. We deployed approximately 100,000 meters and have successfully

1 read and billed these accounts remotely. In addition, we have provided both  
2 our customers and care center representatives with a web interface to assist  
3 customers in managing their electric usage.

4 **Q. Would you elaborate on the benefits of AMI?**

5 A. Based on the experience of other utilities, as well as our reviews of the  
6 technology, we believe AMI will provide both operational savings and service  
7 improvements. The primary operational savings will come from reductions in  
8 the cost associated with reading meters. Improvements in the meter reading  
9 process will also lead to improvements in the back office and care centers,  
10 resulting in fewer customer calls related to billing. In addition to providing  
11 cost efficiency through automation, AMI will allow for several service  
12 improvements. Service improvement opportunities include reducing  
13 estimated bills and meter reading errors; accessing daily energy consumption  
14 data by the customer; expediting the connect and disconnect process; creating  
15 a safe work environment by eliminating the need to enter a customer's yard  
16 and reducing exposure to traffic related accidents; identifying outages faster  
17 and more precisely; and detecting meter tampering. AMI also enables  
18 adoption by customers of innovative efficient technologies in the future.

19 **Q. Why is it important to implement AMI at this time?**

20 A. Despite the current economic down turn, FPL must continue to plan ahead and  
21 make sound investments to ensure customer expectations are met now and in  
22 the future. There are several reasons why an AMI deployment at this time is  
23 the right thing to do for our customers. First, the AMI solution has achieved

1 levels of operational stability and consistent reliable performance making it  
2 ready for a full deployment. Secondly, we should be providing customers with  
3 consumption data to help them manage their usage and their costs. In order  
4 for this to be achieved, AMI needs to be deployed. The deployment of AMI,  
5 as mentioned previously, will take several years. Third, there is a large  
6 movement towards deploying AMI in the industry. The utility leaders of this  
7 movement are shaping the solution as well as aligning their deployment to the  
8 production process and supply availability. It is important that FPL be a leader  
9 in the movement so that we can ensure the solutions will serve our customers'  
10 needs. Lastly, the AMI implementation is a critical step in moving the utility  
11 towards having a Smart Grid that is envisioned in recent Federal legislation.

12

13

#### BAD DEBT EXPENSE

14

15 **Q. How does FPL forecast bad debt expense?**

16 A. FPL uses regression analysis to forecast bad debt expense. We model  
17 expected bad debt expense using historical and projected data such as the  
18 inflation adjusted price of electricity, kWh sales, and unemployment. These  
19 variables have shown strong correlation with bad debt expense and provide a  
20 means of measuring and accounting for contributing factors for non-payment.

21 **Q. How does FPL's bad debt expense compare to other utilities?**

22 A. FPL has worked hard to minimize bad debt through the use of statistical  
23 modeling, standardized processes and fair and consistent policies. In the 2008



1 PA Consulting benchmarking study using 2007 data, FPL ranked first quartile  
2 in bad debt as a percent of revenue with a rate of 0.17% compared to the  
3 benchmark average of 0.57%. Bad debt as a percent of revenue is an industry  
4 standard for measuring bad debt performance.

5 **Q. Why doesn't FPL simply use a historical bad debt rate for the test year?**

6 A. Through the regression analysis mentioned above, we have found that there  
7 are two main drivers of a customer's ability to make payment, the dollar  
8 amount of the bill and the economic conditions currently impacting their  
9 ability to pay. These two variables are subject to changes overtime which  
10 may not be reflected in the historical write-off experience, especially during  
11 periods of economic instability. As a result, you cannot expect the historical  
12 write-off rate to be a good predictor of the future. Prevailing economic  
13 conditions will ultimately dictate when and if a customer makes payment.  
14 There have been fundamental changes to the economy that may have  
15 prolonged consequences on customer's ability to make payment. According to  
16 testimony filed by FPL witness Avera, "...there is very little indication that  
17 the dire conditions confronting the economy and financial markets will be  
18 resolved quickly." Simply taking a historical bad debt rate may underestimate  
19 these consequences and be an unreasonable estimate of the Company's future  
20 bad debt expense. Through regression analysis, we are able to take historical  
21 and projected economic data and assess the impact these will have on our bad  
22 debt expense relative to the level of billed revenues. Using a purely historical

1 average without the benefit of forward looking considerations is not  
2 appropriate.

3 **Q. Is FPL proposing any changes to the method by which bad debt expenses**  
4 **are recovered?**

5 A. Yes. Due to the increasing percentage of revenues generated from clauses,  
6 approximately 60% of a residential 1,000 kWh bill, and the volatility of the  
7 revenues, moving the associated portion of uncollectible expense to the  
8 appropriate clause is being requested. Revenues from clauses, specifically  
9 fuel, continue to be the largest and most volatile component of revenues. By  
10 making this change, we will ensure that the recovery of such costs is made in  
11 a more timely manner. The Company adjustment associated with this change  
12 is discussed by FPL witness Ousdahl.

13

14 **CUSTOMER SERVICE COST DRIVERS**

15

16 **Q. Please provide an overview of Customer Service's O&M expenses.**

17 A. Customer Service O&M is driven by several key activities including meter  
18 reading, billing, payment processing, customer care (care centers), credit and  
19 collections and various field and support activities to serve our customers. In  
20 addition to these activities, uncollectible expense (the sum of bad debt and the  
21 provision adjustment for uncollectible accounts) and long term investment in  
22 AMI are considerable cost drivers for Customer Service O&M. The most  
23 significant drivers affecting year to year changes in O&M have been the

1 impact of inflation and changing economic conditions. System growth  
2 continues to drive O&M expense as well. I will discuss these in more detail  
3 later in my testimony. FPL's historical and projected Federal Energy  
4 Regulatory Commission (FERC) Customer Service O&M expense is attached  
5 as Exhibit MMS-3.

6 **Q. Are there other O&M expenses, besides the Customer Service business**  
7 **unit's O&M expenses that have been described earlier, included in the**  
8 **FERC Customer Service O&M accounts and functional total presented in**  
9 **FPL's MFRs?**

10 A. Yes. The FERC Customer Service functional areas include Customer  
11 Accounts, Customer Service, and Sales. Included in these FERC O&M  
12 accounts and functional totals are O&M expenses incurred or associated with  
13 other FPL business units that relate to customer service activities (as defined  
14 by FERC). Examples of these expenses would include those incurred by the  
15 Information Management business unit associated with customer service  
16 technology and expenses incurred by the Marketing and Communications  
17 business unit. In Exhibit MMS-3, an "Other" line has been provided that  
18 includes these expenses in order to reconcile the Customer Service business  
19 unit O&M expenses with the FERC Customer Service functional totals  
20 contained in the MFRs.

21 **Q. What actions did the Customer Service Business Unit take in light of the**  
22 **2008 financial crisis and resulting economic downturn?**

1 A. As a result of changing economic conditions, Customer Service was faced  
2 with significant increases in uncollectible expense and cost associated with  
3 mitigating credit and collections activities. FPL recognized the changing  
4 conditions early in 2008 and began taking aggressive actions to mitigate the  
5 projected increase in uncollectible expense. Actions included adding  
6 resources above planned levels for field collections and back office collection  
7 activities, as well as increasing deposit coverage. These actions and the  
8 increase in uncollectible expense increased O&M from plan by \$10.3 million  
9 in 2008.

10  
11 In response to these increasing costs, we reduced costs in other areas. We  
12 made significant reductions in spending by canceling and deferring projects,  
13 instituting a hiring freeze and reducing employee related expenses. This  
14 resulted in Customer Service offsetting \$7.1 million of the \$10.3 million  
15 increase discussed above.

16 **Q. How does the FERC Customer Service functional area expense proposed**  
17 **for 2010 compare with the actual O&M expense incurred in 2006?**

18 A. FPL's FERC Customer Service O&M expense in 2006 for the three functional  
19 areas was \$174.6 million while the 2010 proposed O&M expense is \$216.9  
20 million. This is an increase in O&M expense of \$42.3 and is driven by the  
21 following.

- 22 • Inflation has had the biggest impact on daily operations and  
23 accounts for \$19.8 million of the increase.

- 1           ● Credit and collection related expenses account for \$14.2 million of  
2           the increase. This consists of an increase in uncollectible expense  
3           of \$10.1 million driven primarily by economic conditions. As  
4           discussed previously, aggressive actions have been put in place to  
5           help mitigate the increasing uncollectible expense. These  
6           mitigation actions account for an additional \$4.1 million of the  
7           increase since 2006.
- 8           ● Investments in projects and activities of \$8.6 million that provide  
9           long term benefits including AMI, billing and payment options and  
10          dedicated resources to improve safety and enhance quality and  
11          operational excellence activities.
- 12          ● System growth, primarily affecting our Customer Billing and Care  
13          Center operations, has increased expenses by \$3.5 million.
- 14          ● Productivity improvements, driven largely from initiatives to  
15          increase participation in our low cost billing and payment options,  
16          has reduced expenses by (\$3.8) million.

17   **Q.    What are the FERC Customer Service functional area expenses projected**  
18   **for 2011?**

19   A.    FPL's projected FERC O&M expenses for 2011 are \$219.3 million or an  
20   increase of \$2.4 million (1.0%) from 2010. This is driven primarily by  
21   increased expenses related to inflation and several operational activities.  
22   These increases are partially offset by lower uncollectible expense which is

1 based on an improvement in economic conditions projected at the time of our  
2 forecast and operational savings from AMI.

3 **Q. Please discuss the change in Customer Service capital expenditures from**  
4 **2006 to 2010 and 2010 to 2011?**

5 A. Customer Service capital expenditures are projected to be \$170.4 million in  
6 2010 or \$166.8 million higher from 2006. Capital expenditures will decrease  
7 by \$9.8 million to \$160.6 million in 2011. Deployment of AMI is driving the  
8 increase in 2010, as well as the decrease in 2011. As mentioned earlier, AMI  
9 will provide long-term benefits for our customers.

10

11

#### COMMISSION O&M BENCHMARK VARIANCES

12

13 **Q. Please discuss the comparison of FPL's 2010 Test Year O&M for the**  
14 **Customer Accounts functional area to the Commission's benchmark**  
15 **using 2006 as the benchmark year.**

16 A. The 2010 Test Year O&M for the Customer Accounts functional area is  
17 \$169.5 million. The Commission's benchmark for the Customer Accounts  
18 functional area is \$142.3 million. This difference is \$27.2 million. I will  
19 detail below how this difference is caused by items that are clearly driven by  
20 factors outside the CPI and customer growth benchmark.

21 ● Deteriorating economic conditions since 2006 have significantly  
22 increased uncollectible expense.

23 ● Due to higher uncollectible expense driven by the deteriorating

1 economic conditions, credit and collections activities were  
2 increased to mitigate the rise in uncollectible expense. These  
3 activities include increased back office and field collection  
4 staffing, professional services, administration costs, materials and  
5 supplies.

6 ● FPL must continue to plan ahead and make sound investments to  
7 ensure customer expectations are met now and in the future.  
8 Continued investment in AMI accounts for a portion of the  
9 variance. We plan to deploy over one million smart meters in  
10 2010, an activity that was not present in 2006. As discussed  
11 earlier, this project will have long term benefits for our customers.

12 ● Increases are realized in meter reading expense due primarily to  
13 higher salaries and higher vehicle mileage cost. In order to keep  
14 up with market conditions, it was necessary to increase the starting  
15 salaries for our meter readers. In addition, our meter readers drive  
16 approximately 4,000,000 miles annually. The mileage  
17 reimbursement rate has increased by 46% from 2006.

18 ● Call volume to our care centers continues to grow and is projected  
19 to increase by more than 640,000 calls in 2010 from 2006. This  
20 represents an increase of 7.5%, over double the customer growth  
21 rate. In response to this increasing call volume, FPL instituted a  
22 strategy in 2006 that is very beneficial to our customers. FPL  
23 worked with a third party vendor to establish a call center in El

1 Paso Texas. By establishing this care center, FPL's call handling  
2 capability was enhanced with a level of business continuity and  
3 system flexibility that will help ensure our customers will be able  
4 to contact us even during the most difficult times such as  
5 hurricanes. In addition to increasing call volume and establishing  
6 our third care center, starting salaries were increased for our entry  
7 level care center representatives in 2006 to keep up with market  
8 conditions.

9  
10 In response to the active 2004 and 2005 storm seasons and efforts to continue  
11 to improve customer interactions, FPL created dedicated teams for disaster  
12 readiness and customer advocacy activities. Our disaster readiness group has  
13 focused on process improvements identified after the 2004 and 2005 storm  
14 seasons, including initiating a customer service mutual assistance program  
15 with other utilities, developing a resource allocation tool designed to minimize  
16 storm impact to customers in non-affected areas and improvements to our  
17 outage communications system. The customer advocacy group is focused on  
18 improving customer satisfaction through statistical analysis of complaints,  
19 proactively contacting dissatisfied customers to identify opportunities for  
20 process improvements and providing improved service to the agencies that  
21 assist our low and fixed income customer segments.



1 **Q. Please discuss the comparison of FPL's 2011 Subsequent Year O&M for**  
2 **the Customer Accounts functional area to the Commission's benchmark**  
3 **using 2006 as the benchmark year.**

4 A. The 2011 Subsequent Year O&M for Customer Accounts functional area is  
5 \$168.0 million. The Commission's benchmark for the Customer Accounts  
6 functional area is \$147.2 million. The difference is \$20.8 million, which is  
7 lower than the 2010 Test Year O&M benchmark variance of \$27.2 million.  
8 Therefore, the key drivers of this variance have been discussed as part of the  
9 2010 O&M Test Year benchmark comparison.

10 **Q. Please discuss the comparison of FPL's 2010 Test Year O&M for the**  
11 **Customer Service functional area to the Commission's benchmark using**  
12 **2006 as the benchmark year.**

13 A. The 2010 Test Year O&M for the Customer Service functional area is \$17.9  
14 million. The Commission's benchmark for the Customer Service functional  
15 area is \$16.4 million. The difference between the 2010 request is \$1.5  
16 million. This variance is driven by an increase in dedicated resources to  
17 improve safety, quality and operational excellence.

18  
19 FPL is committed to safety. In 2007, the Customer Service Business Unit  
20 began its journey towards a target of zero OSHA injuries. Key management  
21 personnel developed a strategic safety plan which included detailed incident  
22 analysis and reporting, enhanced communications, recognition and  
23 implemented policy changes. Customer Service was able to reduce OSHA

1 injuries by 24% in 2008 when compared to 2006. In addition, a new quality  
2 and operational excellence organization was formed to manage Customer  
3 Service Six Sigma efforts that drive process and productivity improvements  
4 within Customer Service. Six Sigma quality efforts are further discussed in  
5 the testimony of FPL witness Bennett.

6 **Q. Please discuss the comparison of FPL's 2011 Subsequent Year O&M for**  
7 **the Customer Service functional area to the Commission's benchmark**  
8 **using 2006 as the benchmark year.**

9 A. The 2011 Subsequent Year O&M for the Customer Service functional area is  
10 \$20.3 million. The Commission's benchmark for the Customer Service  
11 functional area is \$16.9 million. The difference is \$3.4 million and \$2.0  
12 million has already been explained in the 2010 Test Year benchmark  
13 comparison. The remaining \$1.4 million difference is driven by the following  
14 activities:

15 ● FPL continues to look for opportunities to enhance the services we  
16 provide to our customers. As part of our billing and payment  
17 options, we plan to invest in new e-mail bill technology that will  
18 provide a more interactive and easier to use e-mail bill and allow  
19 for future enhancements. Improvements include customizable bill  
20 content, downloadable copy of bills, easier navigation and ability  
21 to retrieve data such as billing history from the email bill.

- 1           • As previously discussed in the 2010 Test Year benchmark  
2           comparison, dedicated resources were committed to improve  
3           safety, quality and operational excellence.

4 **Q. Please discuss the comparison of FPL's 2010 Test Year and 2011**  
5 **Subsequent Year O&M for the Sales functional area to the Commission's**  
6 **benchmark using 2006 as the benchmark year.**

7 A. FPL's 2010 Test Year O&M for the Sales function is \$29.5 million and \$31.1  
8 million for the 2011 Subsequent Year. This exceeds the benchmark based on  
9 2006 by \$8.2 million and \$9.0 million respectively. This FERC functional  
10 area records expenses related to electricity related products and services  
11 offered to customers. The increase from 2006 reflects an increase in sales of  
12 customer programs including power monitoring, thermal scan and  
13 performance contracting. Revenues from these activities are \$33.7 million in  
14 2010 and \$35.6 million in 2011. Since revenues more than offset expenses,  
15 these activities reduce FPL's revenue requirements, and thus benefit  
16 customers.

17

18

### SERVICE CHARGES

19

20 **Q. Is FPL proposing changes to any service charges?**

21 A. Yes. It has been more than 20 years since the cost basis for our service  
22 charges has been evaluated. As a result, there is a clear need to ensure each  
23 transaction is fully cost-based and that customers do not subsidize service

1 charges through base rates. In addition, for certain charges, there is also a  
2 need to create an incentive for “cost-causers” to improve behavior so that  
3 other customers are not unduly burdened with higher cost.

4 **Q. Has FPL performed a cost study projecting the cost of providing**  
5 **miscellaneous services?**

6 A. Yes. MFR E-7, Development of Service Charges, provides the projected cost  
7 for initial connects/disconnects on new premises, connects/disconnects on  
8 existing premises, reconnects after non-payment, field collections on past due  
9 accounts, and overhead or underground temporary service. In these service  
10 charges, the projected cost of providing the service exceeds its currently  
11 approved tariff charge.

12 **Q. Is FPL proposing to adjust the level of these service charges?**

13 A. Yes. FPL is proposing to adjust the charges for initial connects/disconnects  
14 on new premises, connects/disconnects on existing premises, reconnects after  
15 non-payment, field collections on past due accounts, and overhead or  
16 underground temporary service to reflect the cost of performing these  
17 transactions.

18 **Q. Is FPL proposing to set the service charge amounts based on the**  
19 **projected full cost of providing the service?**

20 A. FPL is proposing that the service charges for connects/disconnects on existing  
21 premises, reconnects after non-payment, field collections on past due  
22 accounts, and overhead or underground temporary service be based on the full  
23 updated projected cost. However, for the initial connects/disconnects on new

1 premises, FPL is proposing the service charge be set at a lower amount of  
2 \$100.00 versus the full cost of \$135.95. FPL believes that a service charge of  
3 \$100.00 is a reasonable charge, based on the work required for the initial  
4 connect/disconnect activity and the proposed lower, non-cost based amount  
5 will help to reduce the impact of the significant change from the current  
6 charge of \$14.88.

7 **Q. Is FPL proposing any other changes to its service charges?**

8 A. Yes. FPL is proposing to modify its returned payment charge to reflect the  
9 governing Florida Statutes. FPL currently charges \$23.24 per returned  
10 payment. Section 68.065, Florida Statutes, however, specifies a tiered fee  
11 structure based on the returned payment amount. Consistent with Section  
12 68.065, FPL's proposed return payment charge is as follows:

- 13 ● \$25 if the payment amount does not exceed \$50;
- 14 ● \$30 if the payment amount exceeds \$50 but does not exceed \$300;
- 15 or
- 16 ● \$40 if the payment amount exceeds \$300 or 5% of the payment  
17 amount, whichever is greater.

18 This proposed change would also be consistent with the Commission-  
19 approved return check charge for TECO, Progress Energy Florida, Gulf Power  
20 and FPUC.

21

22 In addition, FPL currently charges 1.5% for late payments, but is proposing  
23 the greater of 1.5% or \$10. Driven largely by the deteriorating economy, FPL

1 has seen a steady increase in the number of customers making late payments.  
2 The percent of customers with late payments has increased from 21% in 2006  
3 to 24% in 2008. This is an increase of 150,000 customers on average per  
4 month. Other industries use late payment charges greater than \$10 to  
5 encourage customers to pay on time. Other Florida utilities currently charge a  
6 fee similar to what FPL is proposing, such as City of Miramar Utilities,  
7 \$15.00 and Lee County Electric Cooperative, \$10.00 for residential  
8 customers. FPL believes a \$10 minimum late payment charge will provide  
9 the appropriate incentive for customers to improve payment behavior.

10 **Q. Is FPL proposing any new service charges?**

11 A. No. However, during FPL's review of current service charges, two  
12 opportunities for potential new service charges were identified, but are not  
13 included in this filing. The two opportunities include (1) charging \$1.00 to  
14 customers who choose to receive paper bills and (2) charging \$1.00 to  
15 customers who send their payment through U.S. Mail to our payment  
16 processing center. These charges would not be cost-based, but would be  
17 designed to create an incentive for customers to use alternative billing and  
18 payment options, such as e-mail bill and online payment. Such a change  
19 would recognize today's trend toward the utilization of non-paper based  
20 transactions, and has the dual benefits of further reducing operational costs  
21 which benefits all customers as well as having "green" environmental  
22 attributes by reducing the use of paper products and reducing carbon-  
23 emissions for delivery of paper bills.

1           There continues to be a global trend among companies of all sizes to  
2           encourage customers to choose electronic billing and payment options. This  
3           trend is wide-spread but has seen a slow adoption rate in utilities. FPL  
4           supports this effort and recognizes the benefits of these options to both the  
5           customer and the Company, but also recognizes that an incentive, such as a  
6           service charge, may be necessary to encourage customers to change to  
7           electronic billing and payment options.

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

9   **A.    Yes.**

1 BY MR. BUTLER:

2 Q Would you please summarize your direct  
3 testimony, Ms. Santos?

4 A Sure.

5 Good afternoon, Commissioners. As vice-  
6 president of Customer Services, I oversee the  
7 development and implementation of programs and policies  
8 in the areas of care centers, billing, payment  
9 processing, field operations, credit and collections.

10 In all of these areas FPL's performance is  
11 excellent and low-cost. We have been recognized with  
12 several awards for providing superior service, including  
13 the prestigious Service One award from P.A. Consulting  
14 Group, a leading management systems and technology  
15 consulting firm. Last year marked the fifth consecutive  
16 year we received the award, which recognizes utilities  
17 that provide exceptional service as determined by 24  
18 objective measures in the areas I oversee. This has  
19 been accomplished through several strategies, including  
20 the use of leading edge technology to further enhance  
21 the efficiency and accessibility of our care centers, a  
22 focus on benchmarking and surveying our customers to  
23 continuously improve performance metrics, having an  
24 effective complaint resolution process, and providing  
25 various billing, payment and on-line self-service



1 options.

2 We recognize that the economy is creating a  
3 hardship for some of our customers and are committed to  
4 doing all we can for customers in need while maintaining  
5 policies that treat all customers fairly. We have  
6 created our Care To Share Fund which, since inception,  
7 has provided nearly 11 and a half million dollars to  
8 55,000 Florida families in need. We have partnered with  
9 social service agencies to process over \$15.6 million of  
10 assistance payments in 2008. We have co-sponsored the  
11 creation of a statewide collaboration of stakeholders  
12 working to find ways to better serve Florida's low  
13 income and senior customers, and are providing bill  
14 management solutions throughout the communities we serve  
15 that are custom-tailored to low income customers. We  
16 have been recognized as a leader within the utility  
17 industry for our efforts on behalf of customers in need.

18 FPL not only works hard to provide superior  
19 service but also maintains a low-cost and efficient  
20 customer service operation. In the 2008 P.A. Consulting  
21 Benchmarking Study, FPL ranks first quartile in several  
22 cost measures. We ranked first quartile in cost per  
23 customer in the areas of care center, billing and  
24 payment processing. We also ranked first quartile in  
25 minimizing our debt as a percent of revenue, which is a

1 result of our use of statistical modeling, standardized  
2 processes and fair and consistent practices.

3 Because we have a low-cost operation, it has  
4 been more than 20 years since there has been an  
5 opportunity to evaluate the cost basis for our service  
6 charges. FPL is requesting to adjust the service  
7 charges to more closely reflect the cost of providing  
8 these services. In addition, we are requesting to  
9 establish a minimum late-payment charge that will  
10 provide the appropriate incentive for customers to  
11 improve payment behavior while benefiting all customers.

12 We not only want to have excellent service and  
13 low costs today, but we also want to secure benefits for  
14 our customers in the future. That's why FPL is  
15 investing in the Advanced Metering Infrastructure, or  
16 AMI, project. AMI will create a smarter and more  
17 efficient delivery system, provide operational savings  
18 to our mission and allow for several service  
19 improvements, which include reducing estimated bills and  
20 meter reading errors, giving customers access to daily  
21 and hourly energy consumption data, identifying outages  
22 faster and more precisely, expediting the connect and  
23 disconnect process, and creating a safer work  
24 environment by eliminating the need to enter customers'  
25 yards. AMI will also enable adoption by customers of

1 innovative, efficient technologies in the future.

2 So, in summary, FPL provides excellent,  
3 responsive service at a low cost, and we are investing  
4 now to provide long-term benefits for our customers in  
5 the future.

6 This concludes the summary of my direct  
7 testimony.

8 Q Thank you, Ms. Santos.

9 MR. BUTLER: I tender the witness for cross-  
10 examination.

11 ACTING CHAIRMAN EDGAR: Thank you.

12 CROSS EXAMINATION

13 BY MS. SPINA:

14 Q Good afternoon, Ms. Santos. My name is  
15 Jennifer Spina. I'm one of the attorneys representing  
16 the South Florida Hospital and Healthcare Association.  
17 How are you?

18 A Good, thank you.

19 Q You're familiar with FPL's implementation of  
20 the Advanced Metering Infrastructure, also known as AMI,  
21 or Smart Meters, correct?

22 A Yes.

23 Q And FPL's been focusing on AMI solutions for  
24 several years now, correct?

25 A Yes, we have been studying AMI solutions for

1 several years.

2 Q And that work has included both meter and  
3 infrastructure issues, correct?

4 A The AMI metering -- you need a communication  
5 infrastructure in order for the AMI to work, if that's  
6 what you're referring to, yes.

7 Q And in fact you've already tested various AMI  
8 solutions, have you not?

9 A Yes, we have.

10 Q You agree that installation and use of Smart  
11 Meters will result in certain operational efficiencies,  
12 do you not?

13 A Yes.

14 Q For example, Smart Meters have remote reading,  
15 connection and disconnection capabilities, correct?

16 A Yes.

17 Q They also could indicate if there has been an  
18 outage or a theft of electricity, correct?

19 A Yes.

20 Q And these types of operational efficiencies  
21 will result in savings to FPL, won't they?

22 A Yes, they will.

23 Q In fact, the operational efficiencies  
24 associated with remote meter reading is one of the  
25 primary sources of Smart Meter-related savings, correct?

1           A     Can you repeat that?  You were going really  
2 fast.  I just want to be sure.

3           Q     I said the operational efficiencies associated  
4 with remote meter reading is one of the primary sources  
5 of Smart Meter-related savings, correct?

6           A     Yes, that is correct.

7           Q     And just to be clear, that includes both  
8 savings from salary expenses for the meter readers and  
9 the general mileage costs, correct?

10          A     Yes, that is correct.

11          Q     And the large-scale AMI deployment is planned  
12 to begin later in 2009 and run through 2013, correct?

13          A     That is correct.

14          Q     And this deployment will ultimately replace  
15 approximately 4.3 million meters, correct?

16          A     Yes, that is correct.

17          Q     And FPL will deploy 170,000 Smart Meters  
18 during the 2009 calendar year, correct?

19          A     That is the plan that we put into this rate  
20 case filing.  We're looking at possibly doing a little  
21 bit less than that this year.

22          Q     And FPL will deploy approximately 1.1 million  
23 Smart Meters during the 2010 calendar year, correct?

24          A     Let me get my numbers and make sure.

25                 Yes, that is correct.

1 Q And FPL will also deploy approximately  
2 1.1 million Smart Meters during the 2011 calendar year,  
3 correct?

4 A Yes.

5 Q And also in the 2012 calendar year?

6 A Yes.

7 Q And then in the 2013 calendar year, FPL is  
8 planning to deploy approximately 900,000 Smart Meters,  
9 correct?

10 A Yes, that is correct.

11 Q Now, the total cost of the project includes  
12 the integrated meter and installation, network field  
13 infrastructure installation, software integration,  
14 software license fees and maintenance, servers,  
15 emergency repairs on electric service during  
16 installation, customer communications mailouts and  
17 operations, correct?

18 A That sounds like the right list.

19 Q And the total capital cost and cumulative O&M  
20 through 2013 is approximately 645 million and 34 million  
21 respectively, correct?

22 A Yes, that's correct.

23 Q Now, FPL has deployed Smart Meters prior to  
24 2009, correct?

25 A Yes.

1 Q For example, FPL deployed approximately 50,000  
2 Smart Meters in 2005, didn't they?

3 A Yes, we have deployed -- that's correct. We  
4 also deployed about 100,000 meters in the 2007-2008 time  
5 period, and those are working today.

6 Q Okay, you anticipated my next question.

7 In your -- FPL is currently reading and  
8 billing accounts associated with those Smart Meters  
9 remotely, isn't it?

10 A Yes, we are.

11 Q And just one more question, actually. Do you  
12 know whether the Smart Meters come with a warranty from  
13 the vendors?

14 A Yes, they do. I can't tell you the details of  
15 the warranty, but yes, they do come with a warranty.

16 Q Okay, thank you very much.

17 MS. SPINA: That's all I have.

18 ACTING CHAIRMAN EDGAR: Mr. Beck?

19 MR. BECK: Thank you, Madam Chairman.

20 CROSS EXAMINATION

21 BY MR. BECK:

22 Q Good afternoon, Ms. Santos.

23 A Good afternoon.

24 Q Ms. Santos, you've been vice-president of  
25 Customer Service for Florida Power & Light since January

1 of 2005, is that right?

2 A That is correct.

3 Q Until March of this year, you were also  
4 president of FPL Energy Services, were you not?

5 A Yes, I was.

6 Q And that's an unregulated affiliate of Florida  
7 Power & Light, the regulated company?

8 A It's an unregulated subsidiary of FPL Group  
9 Capital.

10 Q Okay. And it's affiliated with Florida Power  
11 & Light Company, is it not?

12 A Yes, it is an affiliate of Florida Power &  
13 Light.

14 Q So during the time period of January 2005  
15 through March of 2009, you were both an officer of the  
16 regulated utility and at the same time were president of  
17 affiliate FPL Energy Services, is that right?

18 A That is correct.

19 Q And in March of 2009, Eric Silagy became  
20 president of Florida Power & Light Energy Services?

21 A Yes, Eric Silagy became president of FPL  
22 Energy Service in March of this year.

23 Q And he is also an officer of the Florida Power  
24 & Light utility company, is he not?

25 A Yes, he is.



1           Q     Have you also held other -- officer positions  
2 with other affiliated companies of Florida Power &  
3 Light?

4           A     Yes, I have.

5           Q     What are they? Would you describe them,  
6 please?

7           A     I'll have to get my notes, because they -- so  
8 understand Florida Power & Light Company, this gets a  
9 little bit confusing because most of these companies  
10 that I'll talk to you about are companies that haven't  
11 had any transactions in many years. So they're  
12 companies that exist but really haven't had any  
13 transactions, so -- but I'll go ahead and tell you the  
14 information.

15                     So one of them is called FPL Intersys, Inc.,  
16 and I have been president and director of that company.  
17 Another one is FPL Energy Services II, Inc., and have  
18 been president of that company. Then there's FPL  
19 Services, the general partnership. That one does not  
20 have officers because those other two report to it. You  
21 may have seen that under the organizational structure,  
22 Mr. Beck. I'm not sure what you're looking at.

23                     And then there's FPL Services, LLC, and I have  
24 also been president of that company.

25           Q     And do the --

1           A     All those companies report up to FPL, so those  
2 are all part of FPL, and so those all are consolidated.  
3 They're not companies that we look at separately,  
4 individually. They don't have books and, you know, and  
5 records individually. They all roll up into one under  
6 FPL.

7           Q     Okay. Is that -- okay. The companies you  
8 just mentioned all go up to FPL?

9           A     Yes, they do.

10          Q     But is that also true for FPL Energy Services?

11          A     No, FPL Energy Services rolls up to FPL Group  
12 Capital, which rolls up to FPL Group.

13          Q     And I forgot to ask you earlier, can you give  
14 me the dates that you were president of FPL Energy  
15 Services?

16          A     Of FPL Services, it would have been from  
17 January of 2005 through March of 2009.

18          Q     And you were also a director of FPL Energy  
19 Services, were you not?

20          A     Yes.

21          Q     And what were the dates of that?

22          A     It would be the same dates.

23          Q     Okay. When the presidency of FPL Energy  
24 Services shifted to Mr. Silagy, did you take on any  
25 other additional responsibilities in other areas?

1 A No, I did not.

2 Q Okay. Was your compensation changed at the  
3 time of the shift of presidency?

4 A No. No, it was not.

5 Q During the time period while you were both  
6 vice-president of Customer Services of the utility which  
7 are now, and the president of FPL Energy Services, was  
8 your salary allocated between the companies in some way?

9 A Yes, it was.

10 Q How was that determined?

11 A Another witness will have to answer that for  
12 you. I know that my salary was allocated, but I believe  
13 Witness Ousdahl would be the one to talk about that, or  
14 Slattery. I think I might have to ask my counsel, I'm  
15 not sure which of those would have that information, but  
16 one of those would have that information.

17 Q FPL Energy Services and the utility --

18 ACTING CHAIRMAN EDGAR: Mr. Butler?

19 MR. BUTLER: I'm sorry. I was just going to  
20 say, I believe that would be Ms. Ousdahl.

21 BY MR. BECK:

22 Q FPL Energy Services and the utility have a  
23 business relationship with respect to billing, do they  
24 not?

25 A Yes. FPL Energy Services provides certain

1 products and services which are billed through the  
2 utility bill to our customers, and FPL Energy Services  
3 pays FPL for those services.

4 Q At any time while you held positions with both  
5 of those companies, have you ever had an occasion where  
6 the best interests of the utility company were not the  
7 same as the FPL Energy Services?

8 A I don't believe so.

9 Q Okay. You were present at the service hearing  
10 in Plantation, were you not?

11 A Yes, I was.

12 Q And do you recall a flyer that Representative  
13 Sands brought regarding the services -- a service  
14 provided by FPL Energy Services called ApplianceGuard?

15 A Yes, definitely.

16 Q And that's been entered into evidence as  
17 Exhibit 26. Do you have a copy of that?

18 A I do not.

19 Q I have.

20 ACTING CHAIRMAN EDGAR: Mr. Beck, do we need  
21 to mark --

22 MR. BECK: It's already been entered into  
23 evidence. This is just a hard copy.

24 ACTING CHAIRMAN EDGAR: All right, thank you.

25

1 MR. BUTLER: I would just note for the record,  
2 as it's being passed out, it's been identified. I don't  
3 think it has been entered into the record yet as  
4 evidence.

5 MR. BECK: I believe it has.

6 ACTING CHAIRMAN EDGAR: Mr. Beck, I couldn't  
7 hear you.

8 MR. BECK: I'm sorry. I believe it has. I  
9 couldn't swear to it. I thought all the exhibits --

10 MS. HELTON: I'm showing that it has been.

11 ACTING CHAIRMAN EDGAR: And just, again, for  
12 my clarity, this was an exhibit that was given to the  
13 Commission at one of the customer service hearings?

14 MR. BECK: Yes, it was brought by  
15 Representative Sands at the Plantation service hearing  
16 and I believe that earlier the staff moved in all of the  
17 exhibits from the service hearings.

18 MR. BUTLER: That's fine.

19 ACTING CHAIRMAN EDGAR: As a preliminary  
20 matter, at the beginning of the hearing.

21 MR. BUTLER: My apologies.

22 ACTING CHAIRMAN EDGAR: That's fine.

23 Go ahead, Mr. Beck.

24 BY MR. BECK:

25 Q Ms. Santos, do you recognize this flyer that

1 Representative Sands brought with him?

2 A Yes.

3 Q Does FPL Utility provide mailing lists to FPL  
4 Energy Services?

5 A No, we do not. Our customer data is kept  
6 totally separate.

7 Q Could you turn to the second page of the  
8 flyer?

9 A Yes.

10 Q And on the left side where it says, "A great  
11 new way to cut household expenses," there's a number of  
12 bullet points.

13 A Yes.

14 Q Okay. And the last bullet point there states,  
15 "Conveniently applies the monthly ApplianceGuard fee to  
16 your monthly FPL bill." Do you see that?

17 A Yes.

18 Q FPL has a charge for -- that's sent to FPL  
19 Energy Services for that service, does it not?

20 A Yes, we charge FPL Energy Services for  
21 providing that service, billing these customers on a  
22 monthly basis on our billing.

23 Q And the way that it's done is through a cost-  
24 sharing basis, is it not?

25 A Witness Ousdahl is the one to talk about that,

1 the details of that calculation.

2 Q Well, let me ask you this: Is it your  
3 understanding that the cost for the bill is allocated  
4 between the two companies based on the number of lines  
5 each uses?

6 A Yes, it is based on the number of lines.

7 Q So, for example, if two lines on the bill were  
8 for FPL Energy Services out of 25 lines, then  
9 eight percent of the cost of the bill would be charged  
10 to FPL Energy Services and the balance would go to  
11 utility customers?

12 A Subject to her checking that -- that is my  
13 understanding, but she is the one that does that  
14 calculation, so I would rather that she be the one to  
15 speak to that.

16 Q Would you agree there's a market value for  
17 being able to charge for a service in the utility's  
18 bill?

19 A We have not -- we don't provide that service  
20 to anyone. There's no market that has been established.  
21 I think it would be something that operationally would  
22 be difficult for us to do, to coordinate those types of  
23 services with others, and it's really not something that  
24 we're interested in doing.

25 Q Would you agree that it would be in the

1 interest of the utility's customers if the utility  
2 charged for that service at a market value rather than  
3 simply allocating a portion of the cost to FPL Energy  
4 Services?

5 A I would defer that to Witness Ousdahl. That's  
6 really not my area as to how much, you know, of this  
7 would be allocated. Maybe I don't understand your  
8 question.

9 Q Well, Witness Ousdahl talks about cost  
10 allocation procedures.

11 A Maybe I don't understand your question.

12 Q Well, that's not my question.

13 A Okay. Tell me the question again, please.

14 Q My question is, instead of cost allocation  
15 procedures that gives the benefit of the efficiencies of  
16 FPL's billing system to the affiliate, wouldn't it be in  
17 the utility's interest to charge a higher price, more  
18 akin to market value, for the value of the service it's  
19 providing to the affiliate?

20 A From a mathematic -- the answer would be yes,  
21 from a mathematical perspective. Any time that we -- if  
22 the utility were to have a higher price, yes, it would  
23 be more beneficial.

24 Q Why does the utility not charge a market price  
25 for this service to its affiliate instead of a



1 cost-sharing basis?

2 A Because there is no market price. There is no  
3 market for this service. It doesn't exist. It's not  
4 something that we do. There's no market price.

5 Q You don't think that a surrogate for that  
6 could be developed by the company to determine the value  
7 of that service to the affiliate?

8 A I really don't know how that would be. I  
9 mean, I can tell you that, as somebody who runs a  
10 billing operation, it would take a lot of coordination.  
11 It would be a whole other business. So I really  
12 couldn't develop that market price.

13 Q Could you tell me --

14 A I have no experience in that. I couldn't  
15 develop a market price.

16 Q Could you tell me the number of bills where  
17 -- in a current period where the services for FPL Energy  
18 Services were billed through the utility's bill?

19 A I don't have that information with me.

20 Q Do you have Late-Filed Exhibit 7 to your  
21 deposition with you?

22 A Yes, I do. There I have the number of  
23 customers that were billed. This is the number of  
24 customers billed.

25 Q And could you give me the total number?

1           A     I couldn't tell you the number of bills.

2           MR. BUTLER: I'm sorry, Mr. Beck. You're  
3 asking for the total number of bills for what, for a  
4 particular time period or --

5           MR. BECK: Sure, let's take July 2009.

6 BY MR. BECK:

7           Q     That's listed on your late-filed exhibit, is  
8 it not?

9           A     This is the number of customers that we  
10 billed.

11          Q     Okay. And you billed 201,479 customers in  
12 July of 2009 for FPL's services, is that right?

13          A     Yes, that is correct.

14          Q     And how does the number of customers differ  
15 from the number of bills?

16          A     Well, I was -- things can happen. I mean, you  
17 can have bills, you can final notice. There's not --  
18 I'm thinking transactionally, so I'm not sure that  
19 transactionally the number of pieces of paper that go  
20 out are necessarily the number of customers.

21          Q     Which would be the lower number?

22          A     That's what I need to clarify, the number of  
23 customers.

24          Q     I'm sorry. What would be the lower or higher  
25 number, customers or bills?

1           A     Customers should be the lower number.

2           Q     So where it states that 201,479 customers were  
3 billed in July of 2009, that might actually reflect more  
4 bills than that, is that right?

5           A     Possibly.

6           Q     Does Florida Power & Light provide this  
7 service to anyone other than FPL Energy Services?

8           A     No, we do not.

9           Q     So if you were, say, Joe the Plumber and you  
10 had -- you were installing solar water heaters and you  
11 wanted your bill to be applied over a time period where  
12 people could see the offset for his bill against the  
13 electric bill, you wouldn't offer that service to a  
14 third party?

15          A     No, we would not. This is a service that we  
16 feel very comfortable offering to our affiliate because  
17 we have, you know, good relationships with the  
18 affiliate. Our billing timing is the same. I mean,  
19 there's a lot of things operationally and procedurally  
20 that we feel very comfortable offering service to an  
21 affiliate for that to offer it another third party would  
22 be have different and very difficult, so we're really  
23 not interested in doing that.

24          Q     FPL Energy Services has used this in the past  
25 to bill customers of *Miami Herald* through the utilities

1 bill, has it not?

2 A That is correct. For a time period FPL Energy  
3 Services offered billing to the *Miami Herald*. There was  
4 a project that did not work. There were a lot of  
5 operational issues with it, and it was terminated in  
6 2008.

7 Q So while that was in effect, FPL Energy  
8 Services would compensate Florida Power & Light, the  
9 utility company, based on a cost-sharing basis based on  
10 relative lines, is that right, for that service?

11 A Could you repeat that, please?

12 Q With respect to the billing of *Miami Herald*,  
13 Florida Power & Light Energy Services would be charged  
14 by the utility company for that service based on the  
15 relative number of lines on the bill, is that right?

16 A Yes.

17 Q But they could charge the *Miami Herald*  
18 whatever price they were willing to pay, is that right?

19 A Yeah, I'm not sure -- I believe that the  
20 service with the *Miami Herald* was not -- it wasn't just  
21 a billing. There were other things also, because FPL  
22 Energy Services also, at the time the customers connect  
23 service, provides services like newspaper subscriptions,  
24 so it's sort of part of that whole package. There was  
25 more to it than just simply the billing part.

1           So there was more to it, it wasn't just purely  
2 billing, and, as I said earlier, it was something that  
3 was done for -- I really don't remember how long, but it  
4 wasn't a very long time. There were issues with it and  
5 we quickly realized that it was not a sustainable  
6 business.

7           Q     But nonetheless, FPL Energy Services could  
8 charge the *Miami Herald* a market price, could it not?

9           A     Yes, they charged the *Miami Herald* a price,  
10 but, as I said earlier, you know, it's not a sustainable  
11 business. It's an operation that we realized doesn't  
12 work. So there really isn't a market because there  
13 isn't a sustainable business model that works.

14          Q     Okay. Ms. Santos, let me change topics a bit  
15 and ask you about the prepayment plan.

16                 You were at the service hearing in Fort Myers,  
17 were you not?

18          A     Yes, I was.

19          Q     And did you hear the presentation by Frank  
20 Baylog and Don Morgan concerning the prepayment plan?

21          A     Yes, I did.

22          Q     And do you recall he mentioned an interest in  
23 such a plan by entities such as the Bank of America,  
24 Collier County and Lee County?

25          A     There were several customers, yes, that were

1 interested in that.

2 Q And you heard the testimony of Jim Deloney of  
3 the Collier County Public Utilities express their  
4 interest in it, is that right?

5 A Yes, I did.

6 Q Prior to that meeting, had customers expressed  
7 an interest in that directly to Florida Power & Light  
8 Company?

9 A My understanding is that prior to that I  
10 believe Mr. Baylog himself may have contacted us, and I  
11 know that we had had some communications with him, and  
12 my understanding was that we told them that we were  
13 interested in evaluating the plan and we were actually  
14 waiting for him to get back to us and never heard back  
15 from him until the service hearings.

16 Q Okay. The service hearings were held over two  
17 months ago, on June 19th, is that right?

18 A Yes, that's correct.

19 Q Could you tell me what actions Florida Power &  
20 Light has taken since the service hearing to offer such  
21 a billing plan to customers?

22 A Sure. We have formed a team to evaluate the  
23 proposal, and it's a cross-functional team comprised of  
24 multiple departments, including Finance, Regulatory,  
25 Legal, Customer Service, Customer Billing, Revenue

1 Recovery and I think Corporate Communications, et  
2 cetera, and -- let's see. We have a copy of the  
3 spreadsheet that Mr. Baylog presented at the Ft. Myers  
4 quality-of-service hearing, has been requested from  
5 Mr. Baylog, and later we e-mailed him for that, and we  
6 have not received that yet. We then received a copy of  
7 that from our representative here in Tallahassee, and so  
8 we have been reviewing that spreadsheet and evaluating  
9 it.

10 Q Has Florida Power & Light looked at other  
11 utilities offering such a plan?

12 A The team may have. They haven't yet come back  
13 to me with their findings.

14 Q The customers who have expressed an interest  
15 in this are some of your larger customers, are they not?

16 A They are some of our large customers.

17 Q Okay. How long --

18 A I wouldn't say the largest, but some of our  
19 large customers.

20 Q How long do you expect it's going to take for  
21 the company to respond to this request from its  
22 customers?

23 A Well, I think we have to wait to see when we  
24 can get back some information from Mr. Baylog and be  
25 able to get that communication started. That's my

1 understanding.

2 Q Okay, so nothing else is going on until that  
3 happens?

4 A Well, we have been reviewing the spreadsheet  
5 and trying to understand the concepts and getting the  
6 teams together.

7 I know that the position of this company in  
8 this case is that we are, you know, very willing to  
9 evaluate the proposal and come back to this Commission  
10 if the Commission wishes to understand the merits of it  
11 sometime early next year. There's a lot of things that  
12 need to be addressed here, so just that the  
13 Commissioners understand, what these customers are  
14 wanting to do is to pay an estimated yearly amount of  
15 their electric bills a year before, early, and have FPL  
16 give them a discount based on FPL's cost of capital.  
17 Those customers would then in turn, I guess, borrow  
18 money, issue some kind of bonds, a lower cost of capital  
19 to them, and so they would be saving that money.

20 And what we have to determine and make sure is  
21 that none of our customers are jeopardized in any way by  
22 this type of proposal, and, you know we need to  
23 establish what the appropriate discount rate is. We  
24 need to understand the billing process, how we may have  
25 to change our billing systems in order to get that to



1 happen.

2 So there's a lot of steps and things that have  
3 to be looked at, so we -- I know that our position in  
4 this case is that we definitely are willing to look at  
5 it.

6 Q Okay. And you said it would be early next  
7 year when you get back?

8 A Yes.

9 Q Okay, thank you.

10 A I think it was either -- I don't remember the  
11 position -- I don't know -- early, I think we may have  
12 said by the second quarter, either the first or second  
13 quarter. I don't remember what's on the position. Hold  
14 on.

15 Second quarter.

16 Q Thank you, Ms. Santos. That's all I have.

17 A You're welcome.

18 ACTING CHAIRMAN EDGAR: Thank you, and that  
19 brings us to FIPUG. Ms. Kaufman?

20 MS. KAUFMAN: Thank you, Madam Chairman.

21 CROSS EXAMINATION

22 BY MS. KAUFMAN:

23 Q Good afternoon, Ms. Santos. How are you?

24 A Good, thank you.

25 Q I want to take a look at your direct testimony

1 and ask you a few questions about that. If you'd take a  
2 look at page 3, line 7, actually your sentence begins on  
3 line 6, and I think you mentioned this in your summary.  
4 You said, I believe, to paraphrase, that what you want  
5 to do is provide good service to your customers at a low  
6 cost, correct? Page 3, line 6 to 7.

7 MR. BUTLER: I'm sorry, did you say good  
8 service?

9 BY MS. KAUFMAN:

10 Q I'm sorry, superior service at a low cost.

11 A Superior service, yes, and at the same time  
12 low cost.

13 Q So that's your goal --

14 A Yes, it is.

15 Q -- as VP of Customer Service?

16 I want to talk to you a little bit about the  
17 advanced metering project that the South Florida  
18 Hospital representative talked to you about, and I think  
19 she said that, and you agreed, that the cost of that  
20 project is, in capital, 645 million and then 34 million  
21 operating, correct?

22 A That is right.

23 Q And you're implementing that over a three- or  
24 four-year period, is that correct?

25 A Through 2013.

1 Q Okay. And is the cost of that project one of  
2 the things for which FPL is seeking recovery in this  
3 case?

4 A Yes, it is. I would like to clarify for you  
5 that those meters are for residential and small/medium  
6 business customers. It's only for -- as far as for  
7 business customers, it's for the GS rate customers.  
8 They're not demand meters.

9 Q I understand. So it's for the residential and  
10 the, I guess could we say, small business?

11 A Small business, uh-huh.

12 Q And it's your intent at the end, by the time  
13 this project is done, to have replaced about 4.3 million  
14 meters?

15 A Yes.

16 Q You have meters in place now for all your  
17 customers, I'm assuming, correct?

18 A Yes.

19 Q Because --

20 A Hopefully.

21 Q Because you send someone to read them, right,  
22 every month or whatever the appropriate billing period  
23 is?

24 A Uh-huh.

25 Q And I assume that the majority of these meters

1 are still functioning appropriately and you're able to  
2 meter and bill your customers?

3 A Sure.

4 Q And as I understand this project, for the  
5 residential and small business folks, for most of them  
6 you actually have to remove the meters that are there  
7 and install these, what you've called Smart Meters?

8 A Yes. It takes -- there's a lot to it. I  
9 mean, we have to not only install the meters at the  
10 premises, but we also have to install communications  
11 network throughout. So it's equipment on poles and then  
12 we need to have back office systems to capture all this  
13 data and put it into our legacy billing systems.

14 Q So it's quite a complicated process, would you  
15 agree?

16 A It's a big project for sure.

17 Q A big project?

18 A A big project.

19 Q And the meters that are already in the field  
20 can't be used to accomplish this project, correct?

21 A That is correct.

22 Q This is -- would you agree that this is a  
23 pretty big capital project?

24 A Sure. \$645 million is a lot of money.

25 Q And I know we've heard a lot of testimony, and

1 I think you mentioned it as well, that certainly we're  
2 in some at least uncertain economic times. Would you  
3 agree with that?

4 A It's a tough economic time, yes, definitely.

5 Q Isn't this the sort of project that might be  
6 put off or postponed in order to attempt to reduce some  
7 costs for the ratepayers, especially since I understand  
8 the company to be seeking over a billion dollars in a  
9 rate increase? Is this something that could be  
10 postponed?

11 A It's something that could be postponed, but  
12 let me tell you why we think we shouldn't postpone it.  
13 We truly believe that this is the time to invest in AMI.  
14 There's a lot of good reasons.

15 First of all, the technology is ready. We  
16 have looked at various technologies throughout many  
17 years, and the technology that we have chosen of RF mesh  
18 works. We have had meters in place since 2007, 100,000  
19 of them, that have been reading at a 99.9 percent rate.  
20 We truly believe that our customers are going to get a  
21 whole lot of benefits from this.

22 And it's something that customers want. I've  
23 got data from a market research study that was just  
24 recently published that says that nationally over  
25 75 percent of customers want their utilities to invest

1 in smart grid, want these types of AMI, Smart Meters,  
2 and not only do they want them, but they're willing to  
3 pay for them, and it's astronomical what customers are  
4 actually willing to pay. These 75 percent of the  
5 customers are willing to pay between \$16 to \$20 per  
6 month. So just to let you know what we have included in  
7 our test year is about 60 cents per month for customers  
8 to pay.

9 Q Thank you, Ms. Santos.

10 You mentioned a national survey. Have you  
11 surveyed Florida Power & Light's customers?

12 A No, we have not.

13 Q And so you don't know how they'd feel about  
14 that in terms of how that's going to impact the  
15 requested rate increase?

16 A No, we have not done that study.

17 Q If you'd take a look at page 42 of your  
18 testimony, lines 8 to 9, and on the prior page you were  
19 still talking about the AMI project, correct, just to  
20 get some context?

21 A Yes. Go ahead.

22 Q And one of the reasons that you cite for this  
23 project on page 8 and 9 there is that it's important for  
24 FPL to be a leader in the movement, is that correct?  
25 FPL wants to be out in front on these kind of projects?

1           A     Yes, that's one of several things that I  
2 mentioned, and the reason why it's important to be a  
3 leader is because, as do you that, you're really --  
4 you're shaping, you're shaping the market, you're  
5 shaping what the vendors are providing, you're the one  
6 right up front telling vendors how you want the  
7 technology to work. And we've done that and it's very,  
8 very advantageous for us to do that.

9           Q     And on page 41, line 21 -- actually your  
10 answer starts at line 20 and relates to some of the  
11 comments that you made about the importance of going  
12 forward with this project at the time, and one thing you  
13 say is that you wanted to ensure that customers'  
14 expectations are met, is that correct?

15          A     Yes. I say that they are met now and in the  
16 future.

17          Q     But you haven't determined whether your  
18 customers are -- whether that's included in their  
19 expectations as it pertains to the rate increase you're  
20 seeking, correct?

21          A     Well, we haven't asked our customers in  
22 particular about that, but it's something that -- we  
23 know the customers want options, so there's a lot of  
24 things that we know from our market research that, you  
25 know, it's not specific to the Smart Meters, but we know

1 our customers want options. We know that our customers  
2 want to understand how to use energy better. So  
3 there's -- you know, we know that our customers want us  
4 to be to able to restore power quicker. We know our  
5 customers want us to connect and disconnect their  
6 service quicker. So all the things that AMI will  
7 provide, we know that they're things that our customers  
8 want, so we never really felt the need to go out and  
9 have to specifically ask our customers if they wanted us  
10 to install Smart Meters, because we knew that the things  
11 that the Smart Meters were going to provide them are  
12 things that they want.

13 Q And I guess my point is you didn't -- you're  
14 assuming that your customers want it and I guess you're  
15 assuming that they're willing to absorb that through  
16 this rate increase, correct?

17 MR. BUTLER: I'm going to object to the  
18 question. That doesn't characterize Ms. Santos's prior  
19 testimony at all accurately.

20 MS. KAUFMAN: I can rephrase it, Madam  
21 Chairman, if that would be all right.

22 ACTING CHAIRMAN EDGAR: Please.

23 BY MS. KAUFMAN:

24 Q I think you told us, Ms. Santos, that you  
25 haven't done a survey of Florida Power & Light customers



1 in regard to their views on investing in Smart Meters,  
2 correct?

3 A That is correct.

4 Q And from your prior answer where you described  
5 to us all the things that customers want, I have assumed  
6 that in that calculation you have assumed that customers  
7 are willing to pay for all these things in the context  
8 of this rate increase. Is that right?

9 A Well, I can tell you that it's something that  
10 customers definitely want, and in -- customers will  
11 receive the quantitative benefits, the savings of the  
12 Smart Meters throughout the life of the project, there  
13 is no doubt, because, as I mentioned earlier, there are  
14 savings to this project. There are savings that come  
15 from automation and from efficiencies and all, and  
16 throughout the life the customers will receive benefits  
17 and savings from it.

18 So I'm really not concerned, you know, about  
19 that, and know that I think it's very little amount that  
20 is in this rate increase. It's, you know, in 2010, 60  
21 cents per month for customers to get Smart Meters. I  
22 think it's a great value.

23 Q But just to be clear, you haven't asked your  
24 customers about that?

25 A I think I answered that question already, yes.

1           Q     I mean, the answer is no, you have not,  
2 correct?

3           A     I answered that question already, which was  
4 that we have not asked our customers in particular.

5           Q     Still on this same line here, page 41, line  
6 21, you're talking about meeting customers'  
7 expectations. Do you think that the magnitude of this  
8 increase meets the -- the requested increase meets your  
9 customers' expectations?

10          A     Can you -- what increase are you talking  
11 about, the AMI-related rate increase? Because that's  
12 what I was talking about here in my testimony. I mean,  
13 I'm talking about AMI.

14          Q     Well, as -- I'm assuming that, as the vice-  
15 president of Customer Service, you probably talk to a  
16 lot of customers during the course of your day?

17          A     Uh-huh.

18          Q     Do you think that the company's request for  
19 over a billion-dollar increase is meeting the  
20 expectation of those customers?

21          A     Well, first of all, the request that the  
22 company is making is actually a request that will lower  
23 rates.

24                   MS. KAUFMAN: Madam Chair, I'm sorry to  
25 interrupt, but do you think --

1           ACTING CHAIRMAN EDGAR: Ms. Kaufman.

2           MS. KAUFMAN: -- if I could just get the  
3 witness to answer yes or no and give an explanation, as  
4 is the tradition here, hopefully?

5           ACTING CHAIRMAN EDGAR: I think it's more than  
6 tradition, it's generally a goal, but, Ms Santos, if you  
7 can answer a question with a yes or no --

8           THE WITNESS: I apologize.

9           ACTING CHAIRMAN EDGAR: -- please do so, and  
10 then you have, of course, the opportunity to expand or  
11 quantify or however you choose to proceed, within  
12 reason.

13 BY MS. KAUFMAN:

14           Q     Do you need me to repeat it if I can, the  
15 question?

16           A     Sure, go ahead.

17           Q     My question was, in terms of the over  
18 billion-dollar base rate increase that the company is  
19 seeking here, do you think that that meets your  
20 customers' expectations?

21           A     Yes, I certainly do, because I think that our  
22 customers expect us to provide them with affordable,  
23 reliable service, and they expect us to invest in the  
24 future, so they're expecting us to do the right things  
25 to made the investments that we have proposed in this

1 rate request.

2 Q You also talk about -- on page 42 you talk  
3 about bad debt expense.

4 A Yes.

5 Q Have you seen your bad debt expense increase  
6 over, say, since 2008?

7 A Yes, we have.

8 Q Is it projected to continue to increase in the  
9 2009 and 2010 and 2011 test year?

10 A Hold on a second. Let me get my numbers.

11 We are actually projecting a reduction -- hold  
12 on, let me get the revised numbers.

13 We're actually projecting a slight reduction  
14 in bad debt in 2010 from 2009 and also projecting a  
15 reduction in bad debt in 2011.

16 Q If you'd turn to page 46, line 16, and  
17 beginning with that question and answer there, you're  
18 talking about the customer service O&M expenses.

19 A Yes.

20 Q And onto page 47 at the top there, am I  
21 correct that part of the reason for those increases is  
22 increased collection activity related to, I guess I  
23 could say, uncollectible accounts?

24 A That is correct.

25 Q And on page 48 you talk about the benchmark

1 for customer accounts, is that right?

2 A That is correct.

3 Q And on -- am I right that the company's over  
4 that benchmark by over \$27 million?

5 A 27.2 million.

6 Q And that's -- you attribute that to a number  
7 of things, including the deteriorating economic  
8 condition, correct?

9 A Yes.

10 Q As well as we've discussed, high  
11 uncollectibles?

12 A Yes. There are several things, I mean,  
13 throughout that whole page.

14 Q And of course another one is the AMI  
15 investment, correct?

16 A Yes.

17 Q And then you're also -- when I say "you," I  
18 mean the company -- over the benchmark for customer  
19 accounts in 2011, correct? I think that's also -- I  
20 think that's on page 50, line 6. Maybe I'm on the wrong  
21 page.

22 MR. BUTLER: I'm sorry. Where are you  
23 referring to, Ms. Kaufman?

24 BY MS. KAUFMAN:

25 Q Well, do you know if you're over the benchmark

1 for customer accounts for your projections for 2011?

2 MR. BUTLER: I'm sorry. When you say, "over  
3 the benchmark for customer accounts," what do you mean?  
4 What benchmark are you referring to that applies to  
5 customer accounts?

6 MS. KAUFMAN: Well, let me look back in this.

7 BY MS. KAUFMAN:

8 Q Ms. Santos, you're talking about the  
9 Commission's O&M benchmarks beginning on page 48,  
10 correct?

11 A Yes. For 2011, to answer your question for  
12 customer accounts, we're over the benchmarks by  
13 20.8 million, which is actually lower than the 2010 test  
14 year benchmark variance of 27.2 million.

15 Q But nonetheless --

16 A So we are over the benchmark, but less than  
17 2010.

18 Q And similarly for 2010 and 2011 you're over  
19 the benchmark in your customer service function area as  
20 well, correct?

21 A Yes.

22 Q Thank you.

23 MS. KAUFMAN: That's all I have.

24 ACTING CHAIRMAN EDGAR: Okay, thank you.

25 Ms. Bradley?

1 MS. BRADLEY: Thank you.

2 CROSS EXAMINATION

3 BY MS. BRADLEY:

4 Q Ms. Santos, did you attend all the hearings or  
5 just some of them?

6 A No -- yes, I attended all the hearings.

7 Q Okay. I thought so. I just wanted to make  
8 sure.

9 Did you oversee that for Florida Power &  
10 Light? I know you did the presentation and all of that.

11 A Yes, I did.

12 Q How many staff people did you have helping  
13 with that?

14 A I had one person helping me with that that was  
15 in charge of coordinating that for me.

16 Q And we heard at least one or two people that  
17 came in and testified and said that Florida Power &  
18 Light had asked them to come and testify for the  
19 company. Did y'all call people and ask them to testify?

20 MR. BUTLER: I'm going to object to the  
21 question. I don't think that there's facts and evidence  
22 supporting the statement that customers had called  
23 asking the company to attend on the company's behalf.  
24 It was -- perhaps Ms. Bradley should point to whatever  
25 she's referring to if she believes there is evidence to

1 that effect.

2 MS. BRADLEY: Well, I can't point to it. I  
3 don't have it all here with me, but there was certainly  
4 testimony to that effect, and I believe Senator -- I'm  
5 sorry, I have that messed up -- Commissioner Argenziano  
6 mentioned yesterday having heard that testimony.

7 MR. BUTLER: Well, my objection stands.

8 MS. BRADLEY: And it's in the record already  
9 as part of the service hearings.

10 MR. BUTLER: And I'm asking Ms. Bradley to  
11 point Ms. Santos to that evidence, and this is just  
12 routinely done, that if somebody wants a witness to  
13 discuss a particular exhibit or evidence that's in the  
14 record, that you point the person to what it is that  
15 you're referring to.

16 MS. BRADLEY: Actually, no. You usually ask  
17 them if they remember that testimony, like I'm doing.

18 ACTING CHAIRMAN EDGAR: Was that to me, Ms.  
19 Bradley?

20 MS. BRADLEY: Excuse me?

21 ACTING CHAIRMAN EDGAR: Was that to me?

22 MS. BRADLEY: That was to everybody. I'm  
23 sorry.

24 ACTING CHAIRMAN EDGAR: Okay. Ms. Helton?

25 MS. HELTON: Madam Chairman, I was not at the



1 service hearings, but it is my understanding that there  
2 was some testimony by some of the customers at the  
3 service hearings that they had been asked by FPL to  
4 attend, and I think that one the earlier witnesses  
5 discussed that a little bit. I think it may have even  
6 been the president of the company. Ms. Bennett just  
7 agreed with me. So I do believe that there is, you  
8 know, evidence in the record already that that has  
9 happened.

10 MR. BUTLER: Just to move this along, we'll  
11 withdraw the objection. I just want be to be clear that  
12 we try to keep to specific references to the record  
13 where possible.

14 ACTING CHAIRMAN EDGAR: Ms. Bradley, can  
15 you -- if you choose to rephrase, fine. If you don't,  
16 fine, but either way, can you restate the question?

17 MS. BRADLEY: I'll try.

18 BY MS. BRADLEY:

19 Q Do you remember the persons that came to the  
20 hearings -- there was at least one or two -- that  
21 specifically stated that they had had calls from Florida  
22 Power & Light asking them to come testify?

23 A I do not remember that. I can tell you what  
24 we did, and what we did --

25 Q Okay. Then we're trying to get there.

1           A     Sure. Well, what we did was we invited --  
2 first of all, we invited all of our customers through  
3 lots of different mediums, through advertisements,  
4 through bill inserts, through bill messages, and the  
5 employees that have contact with our customers  
6 throughout the communities that we serve told their  
7 customers about the service hearings, and if customers  
8 were interested in attending, you know, they attended,  
9 but -- I mean, we definitely told our customers about  
10 the service hearings, so if that's what you meant by  
11 your question, you know, definitely we did.

12                     And I know for a fact that several of the  
13 other parties in this case did the same thing. AARP had  
14 e-mails recruiting customers to attend the hearings, the  
15 Florida Retail Federation had e-mails recruiting  
16 customers to attend the hearings, and so, you know, we  
17 just told our customers about the hearings.

18           Q     For the record, I don't believe AARP is a  
19 party to this proceeding.

20                     But did you or your assistant call any  
21 companies or individuals and ask them to testify?

22           A     Definitely not.

23           Q     I guess I shouldn't ask how much you spent on  
24 that, then.

25           A     I don't know what you're talking about

1 spending on. We didn't spend anything.

2 Q At the hearings -- you oversee Customer  
3 Service, correct?

4 A Yes.

5 Q At the hearings, do you remember people coming  
6 in and testifying that the -- I think it was somewhere  
7 around the third hearing -- they were having problems  
8 with power outages and power surges and that type of  
9 thing?

10 A I know we had several customers that talked  
11 about reliability concerns. I believe it was in total  
12 about 20-some customers that had reliability concerns.

13 Q And they were complaining about, as I said,  
14 the power surges, the power going out and -- for periods  
15 of time and causing -- they had lost appliances and that  
16 type thing, correct?

17 A Yes.

18 Q And then there were some complaints about  
19 tree-trimming that had caused outages and fires,  
20 correct?

21 A The outages and fires, I'm not sure I remember  
22 those, but maybe I can tell you by letting you know  
23 that -- so I oversee Customer Service. Anything having  
24 to do with reliability, Mike Spoor is the person that  
25 will be testifying on those. So if I have any specific

1 questions on any of those, he can handle them, because  
2 what we did was we had, out of the 418 customers that  
3 testified at the hearings, we had 55 that had concerns.  
4 So some of those concerns were reliability concerns and  
5 some were other billing-related matters and those types  
6 of things. And so what we did is, between Mr. Spoor and  
7 myself, we divided those up, and Mr. Spoor handled and  
8 resolved all of the issues related to reliability and I  
9 handled and resolved all of the other issues.

10 Q Which one of you handled the calls that were  
11 coming in about the Poinsettia Heights neighborhood down  
12 in Ft. Lauderdale?

13 A Can you give me a little bit more information  
14 and tell me which specific customer that was so that I  
15 can look it up?

16 Q No. That was apparently something that's  
17 being going on -- did you see the article that was in  
18 the Ft. Lauderdale paper?

19 A I'm not familiar with it.

20 Q Are you aware of any problems down in  
21 Poinsettia Heights?

22 A Poinsettia Heights, I am not. I don't recall.  
23 Is it a reliability issue, or --

24 Q Apparently there were problems with outages.

25 A Then that would be Mr. Spoor.

1 Q Okay. That doesn't come through your offices  
2 or the people you supervise --

3 A No, it does not.

4 Q -- that kind of thing?

5 A No, it goes to Mr. Spoor's.

6 ACTING CHAIRMAN EDGAR: Ms. Bradley, I'm  
7 having a little hard time hearing.

8 MS. BRADLEY: I'm sorry. I may have backed  
9 away --

10 ACTING CHAIRMAN EDGAR: Maybe you're not, but  
11 I'm tired, but, if you could, into the mike a little bit  
12 more.

13 MS. BRADLEY: All right. I'll try.

14 ACTING CHAIRMAN EDGAR: Commission Skop  
15 suggests a five-minute break, and let's call it seven.  
16 So don't go far and then we will come back. We are on  
17 recess.

18 (Brief recess.)

19 ACTING CHAIRMAN EDGAR: Okay. Thank you all.  
20 Let's see if we can move through the next stage, and,  
21 Mr. Bradley, we are still with you. Please go ahead.

22 MS. BRADLEY: Thank you.

23 BY MS. BRADLEY:

24 Q Ms. Santos, maybe it would help me if you  
25 explained a little bit more about what, in your company,

1 Customer Service does, because in other companies a lot  
2 of times they handle complaints about a variety of  
3 subjects, and how is it different in your company? You  
4 said you didn't handle the complaints about outages and  
5 that type stuff.

6 A Correct, the complaints that related to  
7 service reliability are handled in the distribution  
8 business unit, which is where Mr. Spoor works on and  
9 will be testifying on. So my business unit handles  
10 complaints related -- everything else, so anything  
11 related to billing, payments, those types of things.

12 Q There were a number of people at the hearings  
13 that testified about having trouble paying their bills,  
14 correct?

15 A A couple of people. It wasn't a big number  
16 that I recall, but yes.

17 Q Do you remember a number of seniors saying  
18 that they were on limited income and their Social  
19 Security had been frozen for the next couple of years  
20 and they just didn't know how they would be able to pay  
21 if there was an increase?

22 A Yes, there were several seniors, especially  
23 those with big representation, as you recall, from AARP,  
24 and they all had that type of similar testimony.

25 Q Have you made any plans to either lower their

1 bills or do anything specifically to address the fact  
2 that they may not be able to pay this if you increased  
3 their bills?

4 A Well, I'll say first of all the answer is yes,  
5 we do have a lot of things that we do for our seniors  
6 and our low income customers, but I first want to  
7 clarify that what we're looking at for January 2010 is a  
8 reduction in bills. So it's hard for me to imagine that  
9 these customers will have more trouble paying their  
10 bills when the bills are expected to go down in 2010.

11 I think a lot of people there were possibly  
12 thinking that the 30 percent increase that was being  
13 talked about was an increase to their total bill and  
14 didn't understand the differences between base and fuel  
15 and all of that, but I will definitely tell you all of  
16 the things that we're doing to help our low income and  
17 senior customers if you'd like.

18 Q Are these new things?

19 A There are things that -- some of them are,  
20 yes, things that we have implemented this year.

21 Q Have you implemented them since the public  
22 hearings?

23 A No, not since the public hearings.

24 Q Okay. So the people that were testifying that  
25 they were having trouble paying their bills would

1 already be eligible for whatever problems you already  
2 have in place, correct?

3 A Yes, you could possibly say that.

4 Q All right. Now, you're talking about  
5 increasing late payment charges, I think it's -- it says  
6 a minimum of \$10. What is the -- how fast does it go up  
7 after that and what causes it to go up? When I see  
8 "minimum," I get concerned.

9 A Sure. Do you want me to explain to you our  
10 proposal?

11 Q Yes.

12 A Okay, sure. Right now what we have for late  
13 payment charges is that customers pay one and a half  
14 percent of the amount that they are past due, and the  
15 proposal that we have in this case is to have a minimum  
16 of \$10 or one and a half percent, whichever is greater.  
17 So if a customer, you know, has a \$200 bill, for  
18 example, they would pay \$10.

19 Q How much time -- how late do they have to be  
20 -- let me try this one more time. How late do they have  
21 to be on their payment before they're charged a late  
22 fee?

23 A We provide our customers with a one-day grace  
24 period.

25 Q So if they're two days late, they get hit with



1 a late fee?

2 A That is correct.

3 Q Is there any option for the customer --  
4 because I think there were a few people that talked  
5 about that they -- their bill was due, you know, a few  
6 days before they get their check and anything. Is there  
7 any option to the customer about changing a billing  
8 date?

9 A Yes. We actually offer a program called  
10 62-Plus that allows customers to tell us when it is that  
11 they want to be billed, essentially. So we will move  
12 their billing due date to coincide with things like  
13 Social Security payments and that type of thing.

14 Q And I think your records show that y'all made  
15 about or projected to make about 44 million off of late  
16 payment charges in 2010?

17 A Under current rates, under the proposal that I  
18 mentioned of the one and a half percent.

19 Q And that's under the current rate, not the  
20 projected rate?

21 A That's correct. The 44 million was under the  
22 current one and a half percent charge.

23 Q So it could be a lot more than that if you're  
24 granted the request to increase it?

25 A Yes, and that is included in the filing, and

1 actually, I mean, it's probably very important for  
2 everyone to note that the fact that we have included  
3 this increased late payment charge is decreasing base  
4 rates, so the higher late-payment charge actually is  
5 decreasing base rates by \$1.70 per month for all  
6 customers. So our proposal is that all customers get a  
7 reduction of \$1.70 per month, which turns out to be  
8 about \$20 per year, and then customers that pay late pay  
9 this minimum of \$10.

10 So essentially what happens is that our  
11 customers end up saving money. The ones that pay on  
12 time, they get a \$20 a year savings. If they pay late  
13 one time, they eat up \$10 of that \$20, and they sort of  
14 break even if they pay late twice.

15 Q Would it be fair to say that people that are  
16 already struggling to pay bills are going to have a  
17 harder time when you add on a late payment?

18 A Definitely the late payment charge will be  
19 something that they will have to pay, I mean, and  
20 hopefully -- you know, the whole intent of a late  
21 payment charge is to incent good payment behavior and to  
22 get customers to pay on time and to help them budget and  
23 incent that good payment behavior.

24 Q So you see it as the customer's fault if  
25 they're not paying on time, not circumstances beyond

1 their control?

2 A No, I did not say that at all. I wasn't  
3 talking about anyone's fault. All I was talking about  
4 was the purpose of the charge.

5 Q Well, you talk about "deterrent" in your  
6 testimony, do you not?

7 A About what?

8 Q Deterrent, the late payment charge is intended  
9 as a deterrent.

10 A It's a deterrent for bad payment behavior,  
11 that is correct.

12 Q And the same is true of the connect-disconnect  
13 fee that you're proposing to increase about a hundred  
14 dollars?

15 MR. BUTLER: I'm sorry, what is also true?

16 MS. BRADLEY: It was referred as connect-  
17 disconnect.

18 MR. BUTLER: What is also true? When you  
19 said, "the same is true," what are you referring to?

20 MS. BRADLEY: Oh, I was asking about what she  
21 had just said about the late payment fee.

22 MR. BUTLER: That it helps reduce the other  
23 customers' bills?

24 MS. BRADLEY: No.

25 / / / / /

1 BY MS. BRADLEY:

2 Q Do you see what I'm talking about?

3 A Hold on a second. You're talking about the  
4 reconnect -- which fee are you talking about, the --

5 Q Well, it's referred to it as the connect-  
6 disconnect, but I think it's probably more of a  
7 reconnect fee.

8 A Okay. The reconnect fee that we are proposing  
9 is a \$48 charge and it is a purely cost-based charge.  
10 It has no deterrent factor, nothing extra. It's purely  
11 cost-based.

12 Q And that's an increase?

13 A Right now the current charge is \$17.66, and as  
14 I remind everyone, these charges were established over  
15 20 years ago, and it's also very much in line with other  
16 utilities in the state.

17 Q Have you implemented your AMI meters yet in  
18 any place?

19 A We have 100,000 meters already installed.

20 Q So, excuse me, I believe part of the AMI --  
21 one of the features of that was remote disconnect?

22 A Yes, that is correct.

23 Q So you're raising the fee for reconnect even  
24 though the AMI meters are supposed to be able to reduce  
25 the cost of disconnects and reconnects?

1           A     Yes, that's all correct.  Everything that  
2     you're saying is correct.  What's also correct is that  
3     the feature for being able to immediately connect and  
4     disconnect meters will not be available probably until,  
5     we're expecting January of 2012.  So it's -- you know,  
6     there's -- and that actually has all been included in  
7     our -- in the economic analysis and all the numbers that  
8     we have filed.

9           Q     Now, turning -- is there a separate fee for an  
10    initial connection?

11          A     Yes, there is.

12          Q     And is that what's being increased by \$100?

13          A     Exactly.  Our proposal is to increase the  
14    initial connect fee to \$100, and it's currently at  
15    14.88.

16          Q     Do you remember the testimony about some  
17    people were having a hard time making that large a  
18    payment trying to get services established when they're  
19    young couples and that type of thing?

20                MR. BUTLER:  I'm sorry, again, can you refer  
21    more specifically to the customer testimony that you are  
22    referencing?

23                MS. BRADLEY:  I don't remember which one it  
24    was.  I was just asking her if she remembers it.

25                THE WITNESS:  I don't really remember that in

1 particular.

2 BY MS. BRADLEY:

3 Q Is it fair to say that increasing the cost of  
4 having to get service installed is obviously going to  
5 make it harder for some people that are on limited  
6 incomes?

7 A Increasing any service is going to make it  
8 more difficult for people to pay.

9 I need to clarify to you, this initial connect  
10 charge is a charge for brand new service, so it's not  
11 for existing customers that are moving -- or for  
12 customers that are moving into a home or apartment that  
13 already had service. That is not what it's for. So  
14 it's a brand new home, that's what it is.

15 Q And that's \$100 plus -- I mean, that's an  
16 increase of \$100, plus it includes -- they have to pay a  
17 deposit, don't they?

18 A It's not an increase of \$100. The charge that  
19 we are proposing is \$100.

20 Q Okay, I'm glad you clarified that, but they  
21 have to pay the hundred plus a deposit?

22 A We require certain customers to pay a deposit.  
23 Not all customers pay a deposit. We use credit scoring  
24 to minimize, you know, the number of customers that we  
25 require deposits for.

1 Q So the lower income the person has, the more  
2 likely they are to have to pay a deposit, correct?

3 A Not necessarily. It's not based on income,  
4 it's based on credit score.

5 Q Would it be more likely, though, that the  
6 person at a low income is going to have a lower credit  
7 score and going to be required to pay a deposit?

8 A I've never done that type of analysis so I  
9 couldn't tell you that.

10 Q There were a couple of people that mentioned  
11 the fact that they were getting billed for different  
12 periods of time, it wasn't the same amount every time,  
13 and how is your billing done as far as, are there times  
14 that people may be billed -- I believe somebody said 28  
15 days and another time it may be 31 days? Is that  
16 something you've gotten a lot of complaints about?

17 A No, that's not something we've gotten a lot of  
18 complaints about.

19 Q Do you know what the difference is in the  
20 times that people are billed for?

21 A Usually our customers are billed between about  
22 28 to 32 days, so it's just a matter of how the meter  
23 reading routes are set and the number of days in the  
24 month and that type of thing.

25 Q Is there not a difference between the billing

1 for less than 1,000 kilowatts and more than?

2 A You're talking about our rates?

3 Q Yes.

4 A Yes.

5 Q Can you see -- I mean, would it be fair to say  
6 that somebody that's billed possibly for 32 days versus  
7 30 is more -- it may possibly go over the thousand  
8 because it's a longer period of time?

9 A That could be a possibility.

10 Q Okay.

11 A The good news, if I could add just something,  
12 with AMI all of that will go away, so our customers  
13 won't have all those types of things that happen today  
14 because of the fact that we're reading meters manually.

15 Q And they will all be billed at a set period of  
16 time?

17 A Yes.

18 Q Okay. You mentioned that you had served in  
19 different positions and served over -- oversee Customer  
20 Service. Are you involved in any of the putting  
21 together of the rate requests and that type thing?

22 A Can you be a little bit more specific? I  
23 mean, I prepared all this testimony. I did a lot for  
24 this rate request, so I'm not sure what you're talking  
25 about.



1           Q     Well, are you involved with the company in  
2 looking at these different issues and planning how much  
3 is going to be requested and what your income level,  
4 your requested return on equity and all of that is going  
5 to be? Are you involved in those proceedings, those  
6 meetings, that planning?

7           A     To a limited extent.

8           Q     Who all did you talk to after the hearings  
9 about what had occurred at the hearings? Was there  
10 anyone other than Mr. Olivera?

11          A     I spoke to Mr. Olivera. Well, there was -- I  
12 mean, everybody that I would have spoken to participated  
13 in the hearings. I mean, we had regulatory, we had our  
14 corporate communications executives, we had our external  
15 affairs executives. So we had a lot of people in the  
16 company that went to the service hearings, and we  
17 provided, as Mr. Olivera mentioned, every single day  
18 very detailed summaries of the hearings, and so we felt  
19 very comfortable that our executive team knew what was  
20 going on.

21          Q     Do you constantly have interface with that  
22 executive team as far as customer complaints, customer  
23 service, what their concerns are?

24          A     I have monthly meetings with Mr. Olivera and  
25 his management team, if that's what you're referring to.

1           Q     After hearing the number of people that came  
2 in and talked about not being able to afford to make  
3 payments and really struggling under this economy, did  
4 you have any discussions with that executive management  
5 team about should we maybe wait another time or cut back  
6 on what we're requesting so that our people will be able  
7 to pay more?

8           A     No, I did not, because, as I said earlier,  
9 this request is actually a request whereby we're  
10 expecting that customers' bills will be going down, so I  
11 really don't see that as it's going to be a big issue.

12          Q     Did you have any discussions about -- were  
13 there any concerns voiced about the customer complaints  
14 and their struggling in this economy?

15          A     I discuss customer complaints with Mr. Olivera  
16 all the time. It's one of my -- the indicators that I  
17 show him every single month and I talk to him about.

18               MS. BRADLEY: I don't think I have anything  
19 further. Thank you.

20               ACTING CHAIRMAN EDGAR: Thank you,  
21 Ms. Bradley.

22               Mr. Wright?

23               MR. WRIGHT: Thank you, Madam Chair.

24               Thank you, Madam Chairman.

25     / / / / /

## CROSS EXAMINATION

1

2

BY MR. WRIGHT:

3

Q Good afternoon, Ms. Santos.

4

A Good afternoon.

5

6

Q I have what I hope and believe will be a very few questions for you.

7

8

9

Are you familiar with the company's customer satisfaction residential performance target as referenced in the Company's proxy?

10

11

12

A I believe so. Can you show it to me so that I can be sure? I want to be sure I tell you the right thing.

13

Is this your only copy?

14

Q No, I have a copy, thank you.

15

MR. WRIGHT: Madam Chairman?

16

ACTING CHAIRMAN EDGAR: Yes, sir.

17

18

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MR. WRIGHT: I've just handed the witness a copy of an excerpt of Company's proxy obtained from the Securities & Exchange Commission website. I do not intend to have it marked. I just want to explore very briefly what the customer satisfaction indicator is for operational performance targets as those terms are used in the Company's proxy.

24

ACTING CHAIRMAN EDGAR: Okay. Yes, sir.

25

MR. BUTLER: Sheff, do you have another copy

1 of it? If not, I think we have one but it will take me  
2 a moment to get it.

3 MR. WRIGHT: Madam Chair, I do not have  
4 another copy, but --

5 MR. BUTLER: Do you mind if I come down and  
6 look over your shoulder?

7 MR. WRIGHT: Not at all.

8 ACTING CHAIRMAN EDGAR: And since, Mr. Wright,  
9 you caught me, I'll just go ahead and put it out there.  
10 Commissioner McMurrin is about to pinch-hit for a few  
11 minutes while I make a call to my babysitter. I will  
12 review the transcript of every single second that I miss  
13 while I step out and make this phone call, but I don't  
14 think that all of you necessarily need to wait while I  
15 do so. So Commissioner McMurrin will handle things for  
16 the next few moments, and I look forward to reading your  
17 questions. I'll be right back.

18 MR. WRIGHT: Thank you.

19 BY MR. WRIGHT:

20 Q My question is, what is the actual indicator  
21 for the customer satisfaction residential operational  
22 performance target that's used here or referenced here?

23 A It is an indicator that is based on surveying  
24 our customers. I don't know -- can you explain your  
25 question, please?

1 Q Sure. I thought you might have the answer off  
2 the top of your head, so I was shooting for that.

3 Is this a survey that's conducted by another  
4 entity?

5 A Yes, it is.

6 Q What entity?

7 A It's done in our Market -- Corporate  
8 Communications and Marketing Department. I do not know  
9 the name of the entity, I'm sorry, but it is another  
10 entity.

11 Q I apologize for the ambiguity of my question.

12 Is the survey conducted by another group  
13 within FPL Group or is it conducted by an outside  
14 company?

15 A An outside company does the survey, and the  
16 department within FPL that contracts that company is in  
17 our Corporate Communications and Marketing Department.  
18 I just don't know the name of the company.

19 Q All right, thank you for that.

20 The statement is made on the proxy that you've  
21 set a very aggressive target. Can you tell us what that  
22 target is?

23 A I don't have that with me. I can -- I don't  
24 know -- I mean, I know in general the number, but there  
25 are different numbers for different years, and so it's

1 -- I can tell you it's in the mid- to high 80s.

2 Q On a scale of 100?

3 A Yes.

4 Q Thank you. I don't have any more on that  
5 line.

6 MR. WRIGHT: During the break, Madam Chairman,  
7 I handed the witness a copy of the report that I showed  
8 to Mr. Olivera on Tuesday, I think, and which I had also  
9 previously furnished to FPL, and it simply has to do  
10 with my inquiry of Mr. Olivera of the energy savings,  
11 the GWH or KWH savings achieved by FPL through its DSM  
12 program, and I just have a couple of questions to pose  
13 to the witness on that.

14 BY MR. WRIGHT:

15 Q Ms. Santos, you recognize that as the, what we  
16 call the FEECA report or the report on conservation  
17 activities pursuant to the Florida Energy Efficiency and  
18 Conservation Act compiled by the PSC, right?

19 A Yes.

20 Q And if you'll look on page 14 in the far  
21 right-hand column, that shows the GWH savings for each  
22 utility for each of the sectors where sectors are  
23 residential as one sector and commercial-industrial  
24 combined, correct?

25 A Yes.

1           Q     And if I wanted to know what FPL's GWH  
2 savings, as indicated in this report, which was for the  
3 year 2007, I would just look at the two numbers that are  
4 shown there for FPL, correct?

5           A     Yes.

6           Q     And together those sum to roughly 594 gigawatt  
7 hours for 2007?

8           A     Yes.

9           Q     Thank you.

10           MR. WRIGHT: Madam Chairman, I'm having a  
11 brief exhibit distributed to the witness.

12           COMMISSIONER McMURRIAN: Okay. Would you like  
13 it marked?

14           MR. WRIGHT: I would like it marked as Exhibit  
15 420. At least that's where I am on my list.

16           COMMISSIONER McMURRIAN: That's what I have,  
17 too. Okay, 420. Okay. Do you want to give it a  
18 description?

19           MR. WRIGHT: Sure. FPL Top 20 Purchasers.

20           COMMISSIONER McMURRIAN: Okay, FPL Top 20  
21 Purchasers. Thank you.

22           (Exhibit No. 420 marked for identification.)

23           BY MR. WRIGHT:

24           Q     Ms. Santos, as vice-president for Customer  
25 Service, are you aware of this report of FPL's largest

1 20 purchasers?

2 A I honestly have not seen this report before.

3 Q You recognize it as a report to the Federal  
4 Energy Regulatory Commission?

5 A Yes.

6 Q And based on your knowledge of FPL's customer  
7 base, would you agree what this looks like the list of  
8 FPL's top 20 customers?

9 A Yes. We come up with our own list, so yes,  
10 this looks like an accurate list.

11 Q Thank you.

12 MR. WRIGHT: And that's all the questions I  
13 have. Thank you very much.

14 COMMISSIONER McMURRIAN: Thank you, Mr.  
15 Wright. I think that's all the Intervenors. I think  
16 we're going to staff, is that correct? Okay.

17 MS. HARTMAN: Madam Chair, we have roughly 42  
18 exhibit items that have been stipulated by the parties,  
19 and we'd like to identify those at the end of testimony.  
20 And in addition we have another document, a confidential  
21 document, and that is -- we would like to mark that  
22 later. That is also identified within staff's  
23 confidential composite exhibit list, 36.

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## CROSS EXAMINATION

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BY MS. HARTMAN:

Q Good evening, Ms. Santos.

A Good evening.

Q I'm Jean Hartman and I'm with the Commission staff. I wanted to ask you a little bit about FPL's proposal to increase the minimum late payment charge to \$10.

Now, in your direct testimony, did you discuss FPL's proposal to charge the greater of 1.5 percent or \$10 for late payments?

MR. BUTLER: Ms. Hartman, do you have a page reference in mind?

MS. HARTMAN: Sure. I think it was page 55, lines 22 through 23.

THE WITNESS: I just found it. Yes.

BY MS. HARTMAN:

Q Do you recall or do you know if staff had asked FPL to provide the calculations supporting the change for a minimum late payment charge?

A I believe there was an interrogatory that requested that.

Q Okay. Would you agree that the interrogatory response indicated there were no calculations supporting the charge?

1           A     Supporting the \$10, that's the, just to  
2 clarify, I mean, we did -- we calculated what the  
3 revenues associated with the charge would be that was  
4 associated with the \$10. There were no calculations  
5 associated with that.

6           Q     Okay. I'm going to ask someone to bring you a  
7 copy of a FPL's Response to Interrogatory No. 15.

8           A     Uh-huh.

9           Q     Ms. Santos, would you agree with me that the  
10 question asked of FPL by staff in Interrogatory No. 15  
11 asked to provide the calculations supporting the charge  
12 for the minimum late payment charge from 1.5 percent to  
13 the greater of \$10 or 1.5 percent?

14           MR. BUTLER: I'm going to object to this  
15 question. The interrogatory says, "Please provide the  
16 calculations supporting the change for the minimum late  
17 payment charge," as opposed to the calculations for the  
18 charge.

19 BY MS. HARTMAN:

20           Q     Okay. Ms. Santos, would you agree with me  
21 that FPL did not provide calculations supporting the  
22 change in the proposed late payment charge?

23           A     That is correct, because there really were no  
24 calculations supporting the \$10. So the \$10 was an  
25 amount that we felt was sufficient to change customer

1 behavior. Other utilities around the state have a five-  
2 dollar minimum charge, and in looking at it today, our  
3 customers that have late payments have an average of  
4 about a \$2.76 late payment charge, and we were thinking  
5 that five dollars would be better than the 2.76 that we  
6 have today, you know, with the one and a half percent,  
7 but didn't think that five dollars was going to be  
8 sufficient to truly incent good payment behavior. So we  
9 proposed the \$10. We didn't have any calculations to  
10 support that ten-dollar charge.

11 Q Are you aware that the Commission in Tampa  
12 Electric Company's most recent rate case approved only a  
13 five-dollar late payment charge?

14 A Yes, definitely, that's what I was just  
15 explaining, that the other utilities have a five-dollar  
16 charge, yes.

17 Q Okay. But you're asking for a ten-dollar?

18 A That's correct.

19 Q Okay. And so it's your understanding that  
20 Progress Energy Florida only has a minimum five-dollar  
21 late payment charge?

22 A Yes, and I believe TECO also.

23 Q And do you -- is it your understanding that  
24 Florida Public Utility Company only has a five-dollar  
25 late payment charge?

1           A     Yes, I believe so.

2           Q     Okay. Can you explain for me, if the three  
3 other Florida investor-owned utilities, TECO, Progress  
4 and FPUC, only have a five-dollar minimum late payment  
5 charge, why is FPL asking for a ten-dollar late payment  
6 charge?

7           A     When we looked at it, we just felt that five  
8 dollars was not going to be enough to incent good  
9 payment behavior and felt that \$10 would be sufficient.

10          Q     Let me now turn your attention to FPL's  
11 proposed service charges which you start discussing on  
12 page 53 of your direct testimony.

13                     On the bottom of page 53, line 22, you state  
14 that there is -- I'm sorry, quote, "There is a clear  
15 need to ensure each transaction is fully cost-based and  
16 that customers do not subsidize service charges through  
17 base rates." That's your testimony, correct?

18          A     Yes.

19          Q     Okay. Would it be correct to say that, if  
20 service charges are set below costs, those unrecovered  
21 costs are then recovered through base rates for all  
22 ratepayers? Is that correct?

23          A     Yes, that is correct.

24          Q     Okay. If I can also refer you to page 54 of  
25 your direct testimony, starting with lines 22 through

1 23, do you discuss that FPL's service charges are based  
2 on projected full costs of providing the service?

3 A I list several service charges there that we  
4 are proposing that for.

5 Q Okay.

6 A And specifically we are proposing for the  
7 connect-disconnect on existing premises, reconnects  
8 after nonpayment, field collections on past due  
9 accounts, and the overhead and underground temporary  
10 service based on the full, updated projected costs.

11 Q Okay. And on page 54, starting with line 23  
12 and continuing over to page 55, do you also state that  
13 FPL is proposing to set the initial connect charge on  
14 new premises at a lower amount of \$100 versus the full  
15 cost of \$135.95?

16 A Yes, that is correct.

17 Q Could you please explain why FPL is proposing  
18 to set the initial connect charge on a new premises at  
19 an amount that is below cost?

20 A It was just because we felt that that specific  
21 charge was going up very significantly from 14.88 --  
22 \$14.88 to, you know, if it was cost-based, \$136. So the  
23 hundred dollars was with, you know, our thoughts of  
24 making it a little bit less of a rate shock for  
25 customers.

1 Q So, just to be clear, the hundred dollars  
2 doesn't cover the full cost?

3 A That is correct.

4 Q Okay. Great, thank you.

5 Moving forward, I wanted to ask you a little  
6 bit about AMI implementation. I think you said earlier  
7 that full implementation of AMI -- and by that I mean  
8 when FPL is finished installing all the meters -- is  
9 going to take place in 2013, is that correct?

10 A Yes.

11 Q Okay. And can you tell me, what are FPL's  
12 full-time total costs for AMI from 2009 through 2013?

13 A Can you repeat? You said full-time. I wasn't  
14 sure what you said there. "Full-time costs," I wasn't  
15 sure what that was.

16 Q Could you tell me what are FPL's full-time  
17 total costs for AMI from 2009 through 2013?

18 MR. BUTLER: I'm going to have to ask for  
19 clarification of that. Is that referring to the capital  
20 investment in the program over that period?

21 MS. HARTMAN: We're asking for the costs of  
22 AMI that are broken down into both capital and O&M.

23 MR. BUTLER: You sort of have a cumulative  
24 total capital investment, and then for the O&M part, are  
25 you asking for the annual O&M or what?

1 MS. HARTMAN: Yes, total and cumulative.

2 MR. BUTLER: So the total capital investment,  
3 and then the cumulative O&M over that period?

4 MS. HARTMAN: Yes.

5 THE WITNESS: Let me tell you what I can  
6 provide you and see if that works. I can give you the  
7 capital costs each year from 2009 through 2013, and then  
8 I can give you the O&M costs for that period.

9 BY MS. HARTMAN:

10 Q Yes, thank you.

11 A And we also have savings for the project. So  
12 I can give you that also, O&M savings for the project --

13 Q Thank you. I would like to know all of that.

14 A -- so you can have the total savings.

15 Okay, so I'll start with total capital costs.  
16 For 2009, it's \$44 million. For 2010 it would be  
17 169 million. 2011 is 159 million, 2012 is 152 million  
18 and 2013 is 122 million, for a total over that period of  
19 645 million.

20 The O&M cost in 2009 is 2.3 million, 2010 is  
21 6.9 million, 2011 is 8.9 million, 2012 is 11.9 million,  
22 2013 is 10.4 million, for a cumulative of 40.4.

23 And the savings, which are O&M also, are  
24 .2 million in 2009, .4 million in 2010, 4.7 million in  
25 2011, 18.2 million in 2012 and 30.4 million in 2013, for

1 cumulative savings of 53.9 million.

2 Q Ms. Santos, have these numbers changed since I  
3 deposed you on August 20th, 2009?

4 A No, they have not.

5 Where do you see the discrepancy?

6 Q Just reading from the deposition I see that in  
7 2013 you indicated that the savings would be  
8 10.5 million.

9 A That's the O&M.

10 MR. BUTLER: Can you refer her, please, to a  
11 specific -- I'm sorry, would you make a reference to a  
12 specific deposition page that you are --

13 MS. HARTMAN: Sure. This is page 9, line 4.

14 Mr. Butler, do you want to share my copy?

15 MR. BUTLER: I have it here.

16 MS. HARTMAN: And again, that's page 9, line  
17 4.

18 MR. BUTLER: Ms. Santos, do you have a copy of  
19 your deposition available to you?

20 THE WITNESS: It says -- it says that the O&M  
21 expense in 2013 is 10.5 million. I think that's what I  
22 told you just now, is what my sheet shows.

23 BY MS. HARTMAN:

24 Q Okay, and I'm sorry, staff may have misheard  
25 you.



1 A Okay.

2 Q Thank you.

3 A Sure.

4 Q Ms. Santos, once AMI is fully implemented, and  
5 by that I mean once all the AMI meters are installed,  
6 what will FPL's annual savings be?

7 A At 2014 the annual savings from AMI will be  
8 approximately \$36.9 million.

9 Q And are those savings -- do those occur in  
10 year 2014?

11 A Yes, they do.

12 Q Okay. And will net savings -- will net  
13 savings begin in 2012?

14 A Yes, in -- 2012 is the first year when the O&M  
15 expenses are less than the savings, so there will be net  
16 savings.

17 Q Okay. And could you please explain to me how  
18 the savings are going to be reflected in rates for the  
19 test years?

20 A The savings that we will experience in the  
21 test years of 2010 and 2011 are reflected in our  
22 forecast.

23 Q Okay. And will those savings, will they apply  
24 to a customer who has not yet received an AMI meter?

25 MR. BUTLER: I'm sorry, Ms. Hartman. When you

1 say they would apply to the customer, can you explain a  
2 little bit further what you mean by the savings applying  
3 to the customers?

4 MS. HARTMAN: We're going to skip that.

5 BY MS. HARTMAN:

6 Q Will AMI lead to more automation and a reduced  
7 number of calls to customer care centers?

8 A Yes, AMI will lead to more automation. Also  
9 we are expecting a few less calls, but the majority of  
10 the savings associated with AMI will be from the  
11 automation that comes from the meter reading itself, not  
12 from the calls.

13 Q Can you tell me how many FPL employees -- how  
14 many employees FPL is planning to reduce as the result  
15 of implementation of AMI?

16 A Over what time period?

17 Q 2009 through 2013.

18 A Every year, you'd like it for each year?

19 Q Yes, by year.

20 A Okay. We will be reducing mostly meter  
21 reading staffing, also some field collection staff, so  
22 the numbers that I'm going to be giving you for  
23 reductions in staff have to do with those types of  
24 functions, but then we will be adding new positions  
25 because, with the new way of doing business, we will be

1 adding different types of jobs, so the people that will  
2 be actually looking over the network and the -- all the  
3 systems and everything. So it's just a different way of  
4 doing business, so just so that you understand what's  
5 happening. So there's employees that we will be  
6 reducing and then employees that we will be adding. I  
7 have those two numbers separately, so I can either take  
8 the time and do the math or I can tell you the numbers  
9 separately, whatever you'd like.

10 Q Could you please do it separately?

11 A Sure. This is full-time equivalents that we  
12 will be reducing: In 2009, nine and a half; in 2010,  
13 51.9; 2011, 104.9; 2012, 211.9; 2013, 222.6; in 2014,  
14 53.5.

15 Then the positions that we will be adding: In  
16 2009, 29.5; in 2010, 17.9; in 2011, 26; in 2012, 3.3;  
17 and then in 2013 and 2014, we actually reduce some of  
18 those positions because they're positions that were part  
19 of the deployment, and so since the deployment is coming  
20 down, those positions come down, so then there's a  
21 negative 4.6 in 2013 and a negative 40.8 in 2014.

22 Q Ms. Santos, do you have a red folder in front  
23 of you?

24 A Yes, I do.

25 Q Great. Ms. Santos, are you familiar with the

1 grants available from the Department of Energy for smart  
2 grids?

3 A Yes.

4 Q Okay. And has FPL applied for grant money  
5 from the Department of Energy for Smart Meters?

6 A We applied for -- to the Department of Energy  
7 for a smart grid project which includes Smart Meters as  
8 part of it.

9 Q Okay. And is the document inside the red  
10 envelope, is that FPL's application for a grant --

11 A Yes.

12 Q -- for the smart grid investment plan?

13 A Yes.

14 Q Okay.

15 MR. BUTLER: Ms. Hartman, are you going to  
16 identify this as an exhibit or is it part of Exhibit 36  
17 as one of the items in there?

18 MS. HARTMAN: It's already identified in  
19 staff's Confidential Composite Exhibit No. 36. It's  
20 number 4 on that list on FPL's Response to Staff's  
21 Fourth Request for Production of Documents, No. 55A.

22 MR. BUTLER: Okay, thank you.

23 MS. HARTMAN: Sure.

24 BY MS. HARTMAN:

25 Q Can you tell me how much grant money FPL

1 requested for this grant?

2 A Yes. We filed a total project cost of  
3 \$578 million, but out of that we requested funding for  
4 \$200 million worth of that project.

5 Q And do you know if your grant request has been  
6 awarded?

7 A Yes, I know that it has not yet been awarded.

8 Q When do you expect to receive information  
9 about whether that grant's been awarded?

10 A We expect sometime around October or November.

11 Q If awarded, when would those funds be  
12 available to FPL?

13 A The way that the DOE has set this up is that  
14 we would be sending the DOE a bill as we make the  
15 expenditures, so as we spend the money for these  
16 projects, we essentially bill, in essence, the DOE and  
17 then the DOE will give us the funds back.

18 Q And are you expecting that if the grant is  
19 awarded that you would receive grant monies in 2010 and  
20 the 2011 time period?

21 A Yes.

22 Q And do you know if the grant money will be  
23 used to offset money in the rate base?

24 A Yes, I do. It will not.

25 Q Could you please explain?

1           A     Sure. I was going to ask you if you wanted me  
2 to explain that.

3           Q     Yes.

4           A     Okay. All right. So we have been planning to  
5 do this, our AMI project, you know, for a little while  
6 now. As I've told you earlier, we have been looking at  
7 the different technologies and all of that. So what I'm  
8 going to call the base AMI project, which is what's  
9 included in this rate case, is something that we were  
10 planning to do. When the DOE came forth with this  
11 grant, it was really to stimulate investment in new  
12 things. So -- and also what they're looking for are  
13 smart grid investments, end-to-end type projects, so not  
14 just AMI, but the whole -- from, you know, the  
15 transmission system, distribution system and making that  
16 whole grid smart.

17                         So what we have done is that in our grant  
18 proposal we have included additional projects that we  
19 were not planning to do in the areas of transmission,  
20 distribution, home area networks. It includes, for  
21 example, pilots at a thousand homes where the customers  
22 will be given home energy controllers, smart appliances,  
23 those types of things to help them understand how to use  
24 energy. So none of those things were included in our  
25 rate case.

1           In addition, related to AMI, what we have  
2 proposed with the DOE is that some of the meters that we  
3 were planning to do later in the deployment we will  
4 accelerate, so we will accelerate the deployment of AMI  
5 and we will do more AMI deployment in 2010 and 2011.  
6 Specifically we will do 150,000 more each year of the  
7 residential/small business AMI that I had talked about  
8 earlier. And in addition to that, we also will do Smart  
9 Meters for the large customers, because, as I mentioned  
10 earlier, what we're doing for our AMI project is only  
11 for the residential and the small business. So it  
12 includes 85,000 commercial meters that are also not in  
13 the current rate case forecast.

14           So everything is incremental, the \$200 million  
15 that we are requesting is all incremental. So it's  
16 those two pieces of meters which are some large  
17 commercial meters, it's the advancement of the  
18 residential and business meters that we were going to do  
19 later, we're going to do them earlier if we get the  
20 money, and then it includes automation in the  
21 transmission, distribution and customers' homes.

22           Q     Thank you, Ms. Santos. And does FPL have any  
23 discretion about how the grant money is applied?

24           A     I'm not sure what you mean by "discretion."  
25 Clearly what we have put forth to the DOE, if they

1 approve it and give us this grant, we would be expected  
2 to comply with it and do the projects that they are  
3 giving us the grant for, so I don't think we have a  
4 whole lot of discretion.

5 I know that once the DOE gives -- awards you,  
6 then you, you know, will have negotiations with them  
7 about maybe details of the project, but my understanding  
8 is that whatever we put forth here is what we will be  
9 doing.

10 Q Okay. But FPL didn't structure their  
11 application in such a way or make a request that the  
12 grant money be applied to rate base, is that correct?

13 A Can you repeat that? I'm sorry.

14 Q Let me ask it this way: Was there any way for  
15 FPL to apply for the grant in such a way that would  
16 result in a reduction of rate base, that the funds could  
17 be used to reduce rate base?

18 A Yeah, there was a smaller -- the way that the  
19 DOE grant worked was that for what they called -- and  
20 I'm trying to look for the right name. I think that  
21 they called them small projects. For small projects  
22 they would grant up to \$20 million and then for large  
23 projects they grant up to \$200 million. And so we could  
24 have applied for a small project grant, possibly for  
25 AMI, but, you know, we didn't think that we had a lot of



1 chances of getting that because the -- what they're  
2 really looking for are projects that are end-to-end,  
3 that are doing something new, that are stimulating the  
4 economy, that are doing something that you weren't  
5 planning to do. So we didn't think that we were going  
6 to be successful in that endeavor.

7 Q Thank you. If I could --

8 ACTING CHAIRMAN EDGAR: Excuse me just a  
9 moment. Commissioner Skop, did you have a question?

10 COMMISSIONER SKOP: Thank you, Madam Chair,  
11 just on that line of questioning with respect to the  
12 proposed grant.

13 So would it then be correct to understand,  
14 based on Ms. Hartman's comments and your response, that  
15 you could not have requested a grant that would have  
16 offset the cost of the advanced meters to install them  
17 widespread through your service territory?

18 THE WITNESS: That's our understanding,  
19 because what the DOE wants is for you to do new things,  
20 right, to stimulate the economy, and that was part of  
21 the purpose of it. So the AMI project was something  
22 that we were already planning to do, so, you know, it  
23 wouldn't be right for us to be asking for money to do  
24 something that we were already planning to do.

25 COMMISSIONER SKOP: So in a nutshell, the

1 money that you're requesting for the grant will be used  
2 internally to do new things, but it won't be used to  
3 offset the ultimate cost for ratepayers, is that  
4 correct?

5 THE WITNESS: The costs that are included in  
6 this rate case will not be offset, but the ratepayers  
7 are going to get the benefits of \$200 million worth of  
8 projects.

9 COMMISSIONER SKOP: Thank you.

10 BY MS. HARTMAN:

11 Q Ms. Santos, I want to follow up on a couple of  
12 questions that Mr. Wright asked you earlier about the  
13 FPL Energy Services flyers. I think you indicated  
14 earlier that FPL Energy Services provides services to  
15 FPL customers, is that correct?

16 A Yes.

17 Q And do those services include PowerShield and  
18 PowerSurge?

19 A Yes. Yes.

20 Q Okay. Could you --

21 A Hold on, PowerShield, SurgeShield.

22 Q I'm sorry.

23 A SurgeShield and PowerSurge. The names get  
24 confusing.

25 Q Right. SurgeShield and PowerSurge.

1           A     Yes.

2           Q     Thank you.  And could you briefly explain what  
3 those services are?

4           A     Sure.  SurgeShield is a device that protects  
5 customers' appliances from any type of damage from  
6 lightning or power surges, so it's a device that is  
7 placed in the meter that protects the home devices;  
8 whereas PowerSurge is an insurance program, so it's an  
9 insurance program where customers can pay to have their  
10 appliances covered against any type of loss from  
11 lightning or power surges.

12          Q     Okay.  Now, if a customer signs up for FPL  
13 Energy Services and they don't pay for their SurgeShield  
14 or their PowerSurge program, what happens with regard to  
15 their FPL services?  Do their bills get cut off, or --

16          A     No, definitely not.  When these programs were  
17 put in place several years ago, our systems were changed  
18 so -- to ensure -- or modified, I should say, to ensure  
19 that the amount of money associated with these programs  
20 would not go into the amounts that are used to determine  
21 a customer's disconnect amount, final notices, all of  
22 that.  So essentially what happens is we only disconnect  
23 customers for the amount of FPL-related dollars they owe  
24 us, and if they owe any money to FPL Energy Services, I  
25 think typically what FPL Energy Services is, after a

1 couple of months, then the customer just is no longer on  
2 that service.

3 Q Okay. And does FPL receive calls concerning  
4 the services provided by FPL Energy Services?

5 A Yes. Even though there's always, you know,  
6 phone numbers on the FPL Energy Services flyers telling  
7 customers to specifically call a number that's an FPL  
8 Energy Services number, customers do end up calling us  
9 every so often.

10 Q And does FPL also receive complaints  
11 concerning the services provided by FPL Energy Services?

12 A We have received what I call inquiries, which  
13 sometimes are complaints and sometimes are not. So an  
14 inquiry can be something as simple as, you know, I'm  
15 calling because I need to file a claim and I don't have  
16 the phone number of where to file it. It could be  
17 something, you know, related to the bills or whatever.  
18 So I have a count of the number of inquiries that we  
19 have received, and actually it's in my late-filed  
20 exhibit.

21 Q Okay. And so does FPL keep a record of the  
22 complaints even, I guess, if you keep them in the  
23 category of inquiries? Do you still keep track of those  
24 complaints?

25 A Yes. I filed that in Late-Filed Exhibit No.

1 4.

2 Q Okay. Are customers made aware that services  
3 provided by FPL Energy Services are not a part of the  
4 services provided by FPL?

5 A That is done in the materials that are used to  
6 market FPL Energy Services.

7 Q So the customers kind of need to know by  
8 looking at the flyers to obtain that information?

9 A Yes. We don't -- FPL doesn't do anything  
10 proactively, if that's what you mean.

11 Q Okay. Do you know within your inquiry records  
12 whether FPL has received customer complaints that --  
13 basically regarding that customers didn't know the  
14 services were not provided by FPL?

15 A I'm looking through the various reasons for  
16 the inquiries, so give me a minute, please.

17 That's not something that seems to have  
18 happened, from the data that I have. I can tell you the  
19 types of things that we've seen, but that's not  
20 something that has been an issue.

21 Q Okay. And just to clarify for me, I think you  
22 may have answered this earlier, the billing inserts are  
23 the way that customers are kind of made aware of FPL's  
24 service energy coverage limitations?

25 A Well, if I can clarify that a little bit, so

1 FPL Energy Services has several products and services  
2 that it provides. Some of those products are insurance  
3 type -- there's insurance type products and there's a  
4 warranty type product. So by coverage and limitations,  
5 I'm assuming that you're interested in those types of  
6 programs.

7 And in the bill insert we have -- there's  
8 three programs of FPL Energy Services that have been  
9 included in FPL's bill insert, and those three are  
10 SurgeShield, PowerSurge and ApplianceGuard. So those  
11 three programs, as I said, have been included in the  
12 bill insert. Are those the ones that you're interested  
13 in?

14 Q Well, I guess my general question is, how  
15 would customers understand the coverage of the FPL  
16 Energy Services products?

17 A Got it. Okay. So when a customer signs up, a  
18 customer receives what is called a welcome kit, and that  
19 welcome kit is a very extensive -- a very extensive  
20 document that goes through all of the policy  
21 information. I have a copy of a welcome kit if you  
22 would like one. Would you like one?

23 Q I guess we would like one, thank you.

24 A Not a problem. The one that I brought -- I  
25 just one brought one of them, I brought ApplianceGuard

1 as an example, and we can --

2 ACTING CHAIRMAN EDGAR: Are we talking about  
3 an exhibit or just --

4 MS. HARTMAN: I think we're talking about an  
5 exhibit. If Mr. Butler and Ms. Santos could help me out  
6 with giving it a name?

7 MR. BUTLER: ApplianceGuard Welcome Kit.

8 ACTING CHAIRMAN EDGAR: Okay. Is that going  
9 to be distributed?

10 Okay. My understanding is that we are on 421,  
11 is that correct? Hello? 421.

12 MR. BUTLER: That's what I said.

13 ACTING CHAIRMAN EDGAR: 421. What are we  
14 calling it again, Mr. Butler?

15 MR. BUTLER: ApplianceGuard Welcome Kit.

16 ACTING CHAIRMAN EDGAR: Okay, thank you.

17 (Exhibit No. 421 marked for identification.)

18 BY MS. HARTMAN:

19 Q Ms. Santos, based on your experience with the  
20 customer calls and customer call centers and customer  
21 complaints, do you believe that the customers may be  
22 confused and think that FPL Energy Services and FPL are  
23 the same company?

24 A I think that they -- well, they clearly know  
25 that we are affiliated, for sure. Some customers do end

1 up calling FPL, so, you know, they definitely know that  
2 it's, you know, it's affiliated with FPL. They know if  
3 they have any problems they can call FPL and we will  
4 direct them, and, by the way, all those calls are  
5 tracked and the costs associated with those calls are  
6 charged to FPLES.

7 Q And I think we've talked a little bit earlier  
8 about the services that FPL provides to FPL Energy  
9 Services in terms of billing and receipt of some calls  
10 and complaints and/or inquiries. Are there any other  
11 services that FPL provides to FPL Energy Services?

12 A The only other thing I can think of is the  
13 procurement of gas.

14 Q I'm sorry?

15 A Gas procurement.

16 Q Okay, and I only have a couple more questions  
17 for you.

18 Are you a customer of Florida Power & Light  
19 Company?

20 A Yes, I am.

21 Q Are you also a customer of FPL Energy  
22 Services?

23 A No, I am not.

24 Q Okay. Do you personally recommend FPL Energy  
25 Services products to your friends and/or family?



1           A     Yeah. I think that a lot of the -- many of  
2 the products that FPL Energy Services provides are  
3 products that are for a very specific group of  
4 customers. You know, every customer is different.  
5 Every customer has different customer needs. So, for  
6 example, the ApplianceGuard program is for customers  
7 that are very worried about having some type of a  
8 surprise as far as -- in their budgets as far as the  
9 cost of the repair of equipment, and they can't deal  
10 with that and would rather know that, if that ever  
11 happens, it's going to be \$50. So there is a customer  
12 segment that is interested in that, that has that need.  
13 We only have about 2,800 customers on that program.

14                 So, you know, I don't have any warranty type  
15 programs. You know, I'm not in that customer segment,  
16 and so it's not something that -- I don't have that  
17 need. So the products that they provide are definitely  
18 products that are very good in the specific customer  
19 segment, just like any other product.

20           Q     Thank you, Ms. Santos. That's all the  
21 questions I have for you tonight.

22                 ACTING CHAIRMAN EDGAR: Additional questions  
23 from the bench? Commissioner McMurrian?

24                 COMMISSIONER McMURRIAN: Thank you, Madam  
25 Chairman.

1 Ms. Santos, I had a few just -- well, kind of  
2 all-over-the-place questions, so bear with me a moment.

3 I first wanted to ask you about your customer  
4 deposits policy, and I guess I'll ask you to briefly  
5 explain how that works, but also if there's been any  
6 changes proposed and if there's been any changes in the  
7 last year, let's say that.

8 THE WITNESS: Okay. You're interested in  
9 initial deposits and --

10 COMMISSIONER McMURRIAN: Not just the initial  
11 deposits, also whenever there's a request for an  
12 additional deposit because they're been some kind of  
13 poor payment history.

14 THE WITNESS: So we'll start with initial,  
15 or --

16 COMMISSIONER McMURRIAN: That's fine.

17 THE WITNESS: All right. So for an initial  
18 deposit, what we do is, when a customer calls us to  
19 establish service, we get their name, their Social  
20 Security number, and we send that out to Equifax, which  
21 is a credit-scoring company. Based on that credit  
22 score, we make a determination as to whether a customer  
23 should provide us with an initial deposit or not.

24 So we do that, and then from that we decide  
25 the amount based on the billing history of that premise,

1 and it's -- we do two months' worth of deposit, so, you  
2 know, two months, two times the average bill.

3 COMMISSIONER McMURRIAN: And that's the  
4 maximum, is that what you said?

5 THE WITNESS: Yes. So that's pretty much for  
6 initial deposits, how it works. It ends up that about  
7 50 percent of our customers are waived a deposit.

8 The other thing that we do, that we started  
9 doing, especially when the economy started  
10 deteriorating, to try to help our customers, was we  
11 started offering customers the option of waiving their  
12 deposit if they would sign up for automatic bill pay.  
13 So that was a way that we felt was a good way to  
14 balance, you know, the risk of that customer having bad  
15 debt but yet giving them, you know, an option, because  
16 we feel that at least, if they have automatic bill pay,  
17 there's more chance of them paying their bill on time.  
18 So we provided the customers, started providing  
19 customers with the waiver, and then for some customers  
20 it was just a reduction of that.

21 So for initial, that's pretty much how it  
22 works.

23 COMMISSIONER McMURRIAN: Okay, that's fine.

24 THE WITNESS: So then what happens is, as a  
25 customer, you know, has a history with us, if their

1 deposit amount that we have on hand is \$50 -- the  
2 difference between the deposit that we need and the  
3 deposit that we have on hand is \$50 or more, then we  
4 start taking a look at them as far as their payment  
5 history. If they are late with us two times in the last  
6 six months, then we adjust that deposit amount. So  
7 let's say if it was -- if we needed \$100 in order to go  
8 back to the two-month amount, then we'd adjust the  
9 deposit and ask them for another hundred dollars.

10 COMMISSIONER McMURRIAN: So you just -- so  
11 you're always -- Madam Chair?

12 ACTING CHAIRMAN EDGAR: Please.

13 THE WITNESS: I want to be sure you  
14 understand, so --

15 COMMISSIONER McMURRIAN: So automatically  
16 you're in some way always looking at all your customers  
17 to see what the differential is on what kind of deposit  
18 you think you need based on their usage, and so it's  
19 just always being calculated, in a sense?

20 THE WITNESS: It's constantly being  
21 calculated. Our system calculates it all the time, and  
22 actually I forgot to mention, you have to be -- it's the  
23 \$50 gap, it's late two times within six months, and then  
24 it's also we look at the payment history in addition to  
25 that, the length of service. So we have a behavioral

1 model that does some of that, and so we look at, you  
2 know, a lot of different factors.

3 COMMISSIONER McMURRIAN: Okay, so it's not  
4 necessarily that once you have that \$50 differential  
5 that there will be some request for a deposit. It also  
6 depends on --

7 THE WITNESS: No, no, no, you have to have bad  
8 payment, you know, late payment behavior.

9 COMMISSIONER McMURRIAN: Thank you. And have  
10 there been any changes to that in the last year?

11 THE WITNESS: Yeah. We have been actually --  
12 what did we do for -- for residential deposits we have  
13 just been, you know, looking at our models and the  
14 scores and adjusting exactly, you know, when it would be  
15 that we would charge that. So we've just been -- well,  
16 what we saw, Commissioner, was that last year it was  
17 almost like our data was showing us that a new group of  
18 customers were starting to be bad on their payments and  
19 our writeoffs went up dramatically in 2008. So as part  
20 of that, we are -- our assessments showed that there was  
21 almost like, you know, this new group. And so we had to  
22 adjust some of the thresholds that we use in order to  
23 try to minimize that.

24 COMMISSIONER McMURRIAN: Okay. That's  
25 essentially what I was asking is I think we've been

1 hearing a lot about the customer deposits and changes in  
2 customer deposit policies throughout the state.

3 THE WITNESS: It's just that we have been just  
4 adjusting it and making it tighter for the customer  
5 segments that we're seeing writeoffs on.

6 COMMISSIONER McMURRIAN: Okay. And a couple  
7 of other questions I think kind of along that line but  
8 not exactly with the deposits, does FPL allow customers  
9 to adjust their billing date, not on a one-time basis,  
10 but regularly, in order to better match their needs?  
11 So, for instance, if the bill is normally due on the 5th  
12 of the month and it was easier for them to change it to  
13 a different date, do y'all allow that?

14 THE WITNESS: Yes, we have a program that we  
15 call 62-Plus where we allow that.

16 COMMISSIONER McMURRIAN: Is that something  
17 offered just to a certain segment of customers?

18 THE WITNESS: It's offered mostly to people  
19 that are on a fixed income, our seniors.

20 COMMISSIONER McMURRIAN: Okay. But if just  
21 any residential customer called and wanted to change  
22 their billing due date, is that something that's  
23 allowed?

24 THE WITNESS: I would have to check my -- I  
25 think that it's supposed to be seniors and low income.

1 COMMISSIONER McMURRIAN: Okay.

2 THE WITNESS: I need to check on that.

3 COMMISSIONER McMURRIAN: I did see that, the  
4 62-Plus described in your testimony.

5 And then with respect to the budget billing  
6 that you talk about a little bit in there, how is that  
7 -- I remember one customer, and I actually can't  
8 remember which case it was in, but one customer had  
9 asked me about or had talked to me a little bit about  
10 the budget billing program and how it gets readjusted  
11 based on changes in usage. So if you have really hot  
12 summer months, how soon does that levelized payment get  
13 adjusted after there's some kind of spike in usage?

14 THE WITNESS: Every -- what we do is we carry  
15 what is called a deferred balance, so any change from  
16 the bill that the customer's paying versus the budget  
17 bill is carried in what we call a deferred balance. So  
18 that sometimes is a positive number, sometimes it's a  
19 negative number. So depending on whether the customer  
20 has, you know, paid more or less, so depending on the  
21 season, and so that customer carries that deferred  
22 balance, you know, throughout.

23 There's other companies that have like a  
24 true-up adjustment at the end of the year and it causes  
25 customers all sorts of concern because then all -- you

1 know, here they are having budget bill and then all of a  
2 sudden they get this bigger amount. Our program is not  
3 like that. It pretty much levelizes it and the customer  
4 carries this deferred balance.

5 Now, if the customer wants to leave the  
6 program then we have to deal with the deferred balance,  
7 and sometimes the deferred balance is money that they  
8 owe us or sometimes the differed balance is the other  
9 way around, money that we owe them.

10 COMMISSIONER McMURRIAN: Okay. So it's not  
11 adjusted even once a year, it just accumulates  
12 throughout their service?

13 THE WITNESS: It's constant.

14 COMMISSIONER McMURRIAN: Okay. And I think  
15 just actually two more questions.

16 When I think Ms. Bradley was asking you about  
17 the AMI and the differences in the -- actually she was  
18 asking about the differences in the billing periods,  
19 about how some customers were billed for 32 days and  
20 some for 28, and you said that would go away with AMI,  
21 will that go away as soon as the customer gets their  
22 AMI, gets their new meter, or is that something that  
23 will be implemented later?

24 THE WITNESS: It's as soon as we -- as soon as  
25 we transfer billing to an electronic fashion. So it's



1 not the minute that you get the meter, because a lot of  
2 things have to happen. So there's a lag there, but  
3 it's, you know, a several-months kind of lag.

4 COMMISSIONER McMURRIAN: Okay, thank you.

5 And one more with respect to the grant  
6 application, and you said that you were requesting  
7 funding of 200 million. Is that the max that you could  
8 request under that grant?

9 THE WITNESS: Yes, it is.

10 COMMISSIONER McMURRIAN: Okay, thank you.

11 Thank you, Madam Chairman.

12 ACTING CHAIRMAN EDGAR: Certainly.

13 Commissioner Skop?

14 COMMISSIONER SKOP: Thank you, Madam Chairman.

15 Good evening, Ms. Santos.

16 THE WITNESS: Good evening.

17 COMMISSIONER SKOP: Now, at page 41 of your  
18 prefiled testimony beginning with lines 7 and 8, you  
19 refer to the operational savings that will result from  
20 the AMIs, particularly the costs associated with meter  
21 readings. I guess on the interrogatories -- and I see  
22 some handwritten numbers on some. I don't know which --  
23 if I could refer to staff, what would be the proper  
24 number to refer to? It's the interrogatories on 173 and  
25 175, but I see handwritten numbers in the top right

1 corner. So what is the appropriate way to refer to  
2 those documents?

3 MS. HARTMAN: I don't know if I'm doing it the  
4 proper way, but I've just identified them as FPL's  
5 Response to Staff's Tenth Set of Interrogatories,  
6 Interrogatory No. 173, for example.

7 COMMISSIONER SKOP: Okay. Maybe I'm looking  
8 at some handwritten numbers that are copied --

9 MS. HARTMAN: Oh, I'm sorry, those handwritten  
10 numbers are for my identification later when I need to  
11 put them into the record.

12 COMMISSIONER SKOP: Okay, thank you.

13 Ms. Santos, if I could turn your attention to  
14 Staff's 13th Set of Interrogatories, Interrogatory No.  
15 249 and Interrogatory 250, and also Interrogatory 243 --  
16 I'll give you a second to look at those.

17 MR. BUTLER: I'm sorry, Commissioner. I'm not  
18 sure that she's going to have immediate access to that.  
19 I need to check with her about -- do you have --

20 THE WITNESS: I have the set, I was given the  
21 set so I think I'm good.

22 Okay, so I have 249 in front of me.

23 COMMISSIONER SKOP: Okay. On 249 the response  
24 was that there currently are 553 meter readers as of  
25 June 2009, is that correct?

1 THE WITNESS: Yes.

2 COMMISSIONER SKOP: Okay. And then following  
3 that along to Interrogatory No. 250, it shows the number  
4 of meter readers that will be replaced due to AMI, so  
5 therefore that would be the expected realized labor  
6 savings as a result of rolling out AMI.

7 I guess in 2015-2018, the cumulative meter  
8 readers are -- reductions are 452, and I guess I was  
9 looking at the number of meter readers and subtracting  
10 the number on Interrogatory 249 from the number at the  
11 bottom of Interrogatory 250, I come out with 101 meter  
12 readers that should be left, but on Interrogatory 251, I  
13 guess it indicates there will be 119 meter readers after  
14 the AMI meter readers are deployed. Is there something  
15 I'm missing there?

16 THE WITNESS: I think it's just the difference  
17 between the June number versus the numbers that were in  
18 the forecast.

19 COMMISSIONER SKOP: Okay, thank you.

20 THE WITNESS: You know, the June '09 number  
21 versus the number that's in the forecast. That's all.

22 COMMISSIONER SKOP: Okay, thank you.

23 On Interrogatory 243, which is, I guess, HFHA  
24 or -- it's late -- SFHHA's Fifth Set of Interrogatories,  
25 Interrogatory No. 243, it indicates that --

1 THE WITNESS: Hold on, hold on.

2 I have it. The Fifth -- SFHHA's -- which one?

3 COMMISSIONER SKOP: The Fifth Set of  
4 Interrogatories, Interrogatory No. 243.

5 THE WITNESS: 243, hold on.

6 MR. BUTLER: It may help that it has the  
7 number 30 written up in the right-hand corner.

8 THE WITNESS: Okay.

9 COMMISSIONER SKOP: That would have been the  
10 easy way. That's the way I was trying to do it.

11 THE WITNESS: Yes.

12 COMMISSIONER SKOP: Okay. It indicates that  
13 the approximate savings as a result of the  
14 implementation of AMI and the reduced meter reading  
15 costs would be \$36 million annually, is that correct?

16 THE WITNESS: Actually it should be 36.9  
17 million, and I had mentioned that to staff in my  
18 deposition.

19 COMMISSIONER SKOP: Okay, great, thank you.

20 THE WITNESS: But it's not just the meter  
21 reading, so it's meter reading and some field  
22 collections, a bit in customer care, so it's total.

23 COMMISSIONER SKOP: Okay, thank you.

24 One final question: On page 55 of your  
25 prefiled testimony, on lines 1 and 2 you talk about the

1 proposed service charge of \$100 versus the full cost of  
2 135.95. What makes up that cost to the extent that the  
3 meter, whether it be an AMI meter or a regular meter,  
4 would be typically recovered in base rates? Is that the  
5 labor component of installing the hardware?

6 THE WITNESS: Yeah, hold on a second. Let me  
7 get you that.

8 Okay. So the initial connect charge has  
9 several components, I mean -- so everything from  
10 receiving the call that, you know, that the customer's  
11 calling in to any customer accounting that is done as a  
12 result of it, sending the field crew out to do the  
13 installation and to do the final connection. It does  
14 not include the cost of the meter.

15 COMMISSIONER SKOP: Okay. And, I guess, would  
16 an initial connect be, for instance, if a home was being  
17 built, the contractor actually contacting FPL for  
18 temporary service, or would it be the first residents of  
19 the home?

20 THE WITNESS: It would be the first residents  
21 is what this initial connect is about, but it's not for  
22 temporary service. That would be something -- a  
23 different charge.

24 COMMISSIONER SKOP: Okay. I'll skip my other  
25 questions related to the ApplianceGuard. I made

1 comments at the service hearing, and I think  
2 Representative Sands made similar comments also, and  
3 I'll leave it at that. Thank you.

4 THE WITNESS: Okay, thank you.

5 ACTING CHAIRMAN EDGAR: Thank you.

6 Any additional Commissioner questions?

7 I think that brings us to redirect. Mr.  
8 Butler?

9 MR. BUTLER: Thank you, Madam Chairman. Just  
10 a very few.

11 REDIRECT EXAMINATION

12 BY MR. BUTLER:

13 Q Ms. Santos, you were asked earlier about the  
14 circumstance where FPL might be receiving money through  
15 the DOE grant application, as a result of the DOE grant  
16 application, and how that would be applied to FPL's  
17 investment in future, you know, equipment, facilities  
18 that it would use that money to help fund.

19 Do you know the accounting that would apply if  
20 FPL receives grant money, how that would affect what  
21 would be shown on the plant and service balances for  
22 those investments?

23 A I'm not the accountant, but my understanding  
24 is that the way that it would work is similar to a  
25 contribution in aid of construction where, you know, we

1 get the money and then it's reduced from the -- it's  
2 shown in rate base and then it's reduced from rate base  
3 through a contribution in aid of construction.

4 Q So as a result of the contribution in aid of  
5 construction, would the future plant and service  
6 balances be lower than they would be if there had not  
7 been grant money received?

8 A Yes.

9 Q Okay. And at such time as FPL's rates were  
10 reset or for surveillance purposes, you would have a  
11 lower plant balance as a result of the CIAC-like  
12 contribution?

13 A Yes.

14 Q What customer classes do the AMI -- would the  
15 AMI meters be used for?

16 A The costs for the residential meters are being  
17 allocated to the residential customer charge and the  
18 costs associated with the business meters are being  
19 allocated to the general service class.

20 Q Okay. And the general service class is  
21 that --

22 A The non-demand, I'm sorry. The general  
23 service non-demand.

24 Q Are those large or small commercial customers?

25 A Small.

1 Q Okay. With that allocation, would any of the  
2 costs of the AMI meters be recovered from the large  
3 commercial/industrial customers that would take service  
4 through things like the GSLD 2 or 3 rates?

5 A No.

6 Q Okay. Do you know what rate classes the  
7 members of FIPUG are served under?

8 A I would think it's GSLD, those types.

9 Q So would FIPUG members pay any of the costs  
10 associated with the AMI meters?

11 A I believe not. To verify that, Renae Deaton  
12 would be the one to verify that, but that is my  
13 understanding of how the allocation has been done.

14 Q Thank you.

15 Ms. Santos, would you expect that if a  
16 customer could afford a new home, it would be reasonable  
17 to assume that they could pay a \$100 connect fee?

18 A I would think so.

19 Q And would you expect that if a customer  
20 qualifies for financing for a new home, that they would  
21 have reasonably good credit?

22 A Yes.

23 Q Is a good credit rating one of the measures by  
24 which a customer can have the deposit requirement  
25 waived?



1 A Yes.

2 Q Thank you.

3 MR. BUTLER: Those are all the redirect  
4 questions that I have.

5 ACTING CHAIRMAN EDGAR: Thank you.

6 Okay, I believe that brings us to exhibits,  
7 so, Mr. Butler, we will start with you.

8 MR. BUTLER: Thank you.

9 I would move the admission of Exhibits 73  
10 through 75.

11 ACTING CHAIRMAN EDGAR: Okay. 73, 74, 75, any  
12 objections?

13 Hearing none, please show those admitted into  
14 the record.

15 (Exhibit Nos. 73 through 75 admitted into the  
16 record.)

17 ACTING CHAIRMAN EDGAR: And Mr. Wright?

18 MR. WRIGHT: Madam Chairman, I move Exhibit  
19 420.

20 ACTING CHAIRMAN EDGAR: Hearing no objections,  
21 Exhibit 420 will be moved into the record at this time.

22 (Exhibit No. 420 admitted into the record.)

23 ACTING CHAIRMAN EDGAR: Staff, 421.

24 MS. HARTMAN: We have -- 421 would be the  
25 ApplianceGuard Welcome Kit.

1 ACTING CHAIRMAN EDGAR: Yes. Any objections?

2 Hearing none, 421 will be entered into the  
3 record at this time.

4 (Exhibit No. 421 admitted into the record.)

5 ACTING CHAIRMAN EDGAR: And then I believe  
6 that brings us to the staff composite exhibit.

7 MS. HARTMAN: Yes, and we have a bundle of  
8 interrogatories, and they are all from staff -- they are  
9 all listed on Staff Composite Exhibit 35.

10 ACTING CHAIRMAN EDGAR: Is that the pink  
11 sheet?

12 MS. HARTMAN: That's the pink sheet.

13 ACTING CHAIRMAN EDGAR: Does everybody have --  
14 has everybody -- start over. Has everybody had a chance  
15 to review the pink sheet for this purpose? I'm not  
16 hearing any nos, so I take that as a yes.

17 Is there a need to go through them one by one  
18 or can we just refer to it as the pink sheet labeled  
19 Staff's Composite Exhibit 35?

20 MS. HARTMAN: I'm sorry, can I confer with --

21 ACTING CHAIRMAN EDGAR: Yes, you may.

22 MR. WRIGHT: Madam Chairman?

23 ACTING CHAIRMAN EDGAR: Mr. Wright.

24 MR. WRIGHT: I'm as anxious to leave as  
25 anyone, but I fear that it's going to be two

1 interrogatories out of Item 17 and six interrogatories  
2 out of Item --

3 ACTING CHAIRMAN EDGAR: I'm open to  
4 suggestion, Mr. Wright, if there's a good way to most  
5 efficiently and effectively do what we need to do.

6 MR. WRIGHT: I think the staff has already  
7 been using the best way, which is to go through and tell  
8 us which ones are coming in at which time so we  
9 ultimately now which ones are in. Sorry.

10 ACTING CHAIRMAN EDGAR: Okay, then -- it was  
11 worth a try, Mr. Wright, but I want clarity, absolutely.

12 So, Ms. Hartman, can you walk was through it?

13 MS. HARTMAN: Sure, I would be glad to.

14 Item 2 -- on the first interrogatories, item  
15 2, it's from the composite list, it's item 2,  
16 Interrogatory No. 15.

17 ACTING CHAIRMAN EDGAR: Thank you. Just keep  
18 going, but just kind of slowly so we can hear you.

19 MS. HARTMAN: Item 3, FPL's response to  
20 Staff's Fourth Set of Interrogatories, Interrogatory No.  
21 20; item 3, FPL's Response to Staff's Fourth Set of  
22 Interrogatories, Interrogatory No. 21; item 3, FPL's  
23 Response to Staff's Fourth Set of Interrogatories,  
24 Interrogatory No. 25; item 8, FPL's Response to Staff's  
25 Tenth Set of Interrogatories, Interrogatory No. 169;

1 item 8, FPL's Response to Staff's Tenth Set of  
2 Interrogatories, Interrogatory No. 170; item 8, FPL's  
3 Response to Staff's Tenth Set of Interrogatories,  
4 Interrogatory No. 171; item 8, FPL's Response to Staff's  
5 Tenth Set of Interrogatories, Interrogatory No. 172;  
6 item 8, FPL's Response to Staff's Tenth Set of  
7 Interrogatories, Interrogatory No. 173; item 8, FPL's  
8 Response to Staff's Tenth Set of Interrogatories,  
9 Interrogatory No. 174; item 8, FPL's Response to Staff's  
10 Tenth Set of Interrogatories, Interrogatory No. 175;  
11 item 8, FPL's Response to Staff's Tenth Set of  
12 Interrogatories, Interrogatory No. 176; item 8, FPL's  
13 Response to Staff's Tenth Set of Interrogatories,  
14 Interrogatory No. 177; item 8, FPL's Response to Staff's  
15 Tenth Set of Interrogatories, Interrogatory No. 178;  
16 item 8, FPL's Response to Staff's Tenth Set of  
17 Interrogatories, Interrogatory No. 179; item 8, FPL's  
18 Response to Staff's Tenth Set of Interrogatories,  
19 Interrogatories No. 180; item 8, FPL's Response to  
20 Staff's Tenth Set of Interrogatories, Interrogatory No.  
21 181; item 8, FPL's Response to Staff's Tenth Set of  
22 Interrogatories, Interrogatory No. 182; item 8, FPL's  
23 Response to Staff's Tenth Set of Interrogatories,  
24 Interrogatory No. 183; item 11, FPL's Response to  
25 Staff's 13th Set of Interrogatories, Interrogatory No.

1 249; item 11, FPL's Response to Staff's 13th Set of  
2 Interrogatories, Interrogatory No. 250; item 11, FPL's  
3 Response to Staff's 13th Set of Interrogatories,  
4 Interrogatory No. 251; item 11, FPL's Response to  
5 Staff's 13th Set of Interrogatories, Interrogatory No.  
6 252; item 11, FPL's Response to Staff's 13th Set of  
7 Interrogatories, Interrogatory No. 253; item 11, FPL's  
8 Response to Staff's 13th Set of Interrogatories,  
9 Interrogatory No. 267; item 18, FPL's Response to OPC's  
10 Sixth Set of Interrogatories, Interrogatory No. 279;  
11 item 18, FPL's Response to OPC's Sixth Set of  
12 Interrogatories, Interrogatory No. 282; item 22, FPL's  
13 Response to City of South Daytona's First Set of  
14 Interrogatories, Interrogatory No. 12; item 30, FPL's  
15 Response to South Florida Hospital and Healthcare  
16 Association's Fifth Set of Interrogatories,  
17 Interrogatory No. 242; item 30, FPL's Response to South  
18 Florida Hospital and Healthcare Association's Fifth Set  
19 of Interrogatories, Interrogatory No. 243; item 32,  
20 FPL's Response to South Florida Hospital and Healthcare  
21 Association's Tenth Set of Interrogatories,  
22 Interrogatory No. 283; item 32, FPL's Response to South  
23 Florida Hospital and Healthcare Association's Tenth Set  
24 of Interrogatories, Interrogatory No. 289; item 33,  
25 FPL's Response to South Florida Hospital and Healthcare

1 Association's 11th set of Interrogatories, Interrogatory  
2 No. 305; item 33, FPL's Response to South Florida  
3 Hospital and Healthcare Association's 11th set of  
4 Interrogatories, Interrogatory No. 306; item 37, FPL's  
5 Response to Staff's Third Set of Interrogatories,  
6 Interrogatory No. 27; item 37, FPL's Response to Staff's  
7 Third Set of Interrogatories, Interrogatory No. 28; item  
8 38, FPL's Response to Staff's Fifth Set of  
9 Interrogatories, Interrogatory No. 64; item 36, FPL's  
10 Response to Staff's Sixth Set of Interrogatories,  
11 Interrogatory No. 76; item 39, FPL's Response to Staff's  
12 Sixth Set of Interrogatories, Interrogatory No. 77; item  
13 41, FPL's Response to Staff's Eighth Set of  
14 Interrogatories, Interrogatory No. 107; and finally,  
15 item 42, FPL's Response to OPC's First Set of  
16 Interrogatories, Interrogatory No. 70.

17           And just for clarification, the first item was  
18 item 2, which was FPL's Response to Staff's Third Set of  
19 Interrogatories Interrogatory No. 15.

20           ACTING CHAIRMAN EDGAR: Generally I would  
21 repeat that back, but I'm not going to. So the list  
22 that Ms. Hartman has gone through for us and that I am  
23 hopeful that the court reporter has taken down  
24 copiously, of course, any concerns or objections?

25           Hearing none, the list that Ms. Hartman has

1 gone through is entered into the record at this time.

2 (Staff Composite Exhibit No. 35, Item Nos. 2,  
3 3, 8, 11, 18, 22, 30, 32, 33, 36, 37, 38, 39, 41 and 42  
4 as heretofore described, admitted into the record.)

5 ACTING CHAIRMAN EDGAR: Are there any other  
6 matters pertaining to this witness, who I believe will  
7 be back at some time in the future for rebuttal?

8 MS. HARTMAN: Madam Chair, I've got more.

9 ACTING CHAIRMAN EDGAR: Ms. Hartman?

10 MS. HARTMAN: This is an item on Staff's  
11 Confidential Composite Exhibit 36.

12 ACTING CHAIRMAN EDGAR: Otherwise known as the  
13 yellow sheet.

14 MS. HARTMAN: Right. And this would be number  
15 4, FPL's Response to Staff's Fourth Request for  
16 Production of Documents, No. 55-A.

17 ACTING CHAIRMAN EDGAR: Okay. Any concerns or  
18 objections about that item at this time?

19 Seeing none, show that entered into the  
20 record.

21 (Staff Confidential Composite Exhibit No. 36,  
22 Item 4, as heretofore described, admitted into the  
23 record.)

24 ACTING CHAIRMAN EDGAR: Commissioner Skop?

25 COMMISSIONER SKOP: Thank you, Madam Chair.

1                   ACTING CHAIRMAN EDGAR: I hope it's not the  
2 exhibit I just entered.

3                   COMMISSIONER SKOP: No, not at all.

4                   It's late. If staff could, just for the  
5 people that may be watching or reviewing the proceeding,  
6 just briefly explain why it was necessary to go through  
7 that long rigorous process, that might be beneficial.

8                   MS. BENNETT: Certainly.

9                   The -- usually staff enters a composite  
10 exhibit and it has all of the interrogatories and  
11 production. We've been working for several months, plus  
12 we review all of the Intervenors' interrogatories and  
13 PODs and we select those that we believe will fill out  
14 the record for you all to make a decision.

15                   The Intervenors have a right to review all  
16 those documents, and because of the number of documents  
17 provided, I think they wanted to hear from the witnesses  
18 to explain what those are, so we have to enter them  
19 individually at this time.

20                   COMMISSIONER SKOP: Very well. Thank you.

21                   ACTING CHAIRMAN EDGAR: Thank you.

22                   Okay. Any other matters pertaining to this  
23 witness?

24                   Hearing none, you're excused. We look forward  
25 to seeing you again on rebuttal.



1           Before we adjourn for the evening, my  
2 understanding is that -- well, first of all, we will  
3 reconvene at 9:30 on Monday. My understanding, per the  
4 discussion that we had earlier, is that the first  
5 witness will be Witness Baron. Is that everybody else's  
6 understanding as well?

7           Okay. All right. Then on Monday at 9:30 we  
8 will begin with any preliminary matters that may arise  
9 between now and then, then we will take up Witness  
10 Baron. I also understand that then -- that we also have  
11 an understanding that Witness Spoor has a kind of time  
12 certain at three o'clock is the request and the  
13 agreement of the parties and staff.

14           Okay. Then with that understanding, that will  
15 be our plan for Monday morning, but I do want to make  
16 sure that I'm very clear, I hope my earlier comments  
17 were that hopefully our Chairman will be back Monday,  
18 feeling up to it Monday, and I will defer to his, of  
19 course, direction and decisions should there be any  
20 changes needed. So we have a plan and we will let him  
21 work our way through it.

22           Anything else -- we need to get the red  
23 folders. We need to get the red folders.

24           MS. BENNETT: And for the parties, if they  
25 want to see the Spoor documents ahead of time, I've got

1 copies.

2 ACTING CHAIRMAN EDGAR: Okay. See Ms. Bennett  
3 for that if there is a desire.

4 Anything else that we need to address?

5 Hearing none, we are adjourned for the day.

6 (Hearing adjourned at 7:10 p.m.)

7 (The transcript continues in sequence with  
8 Volume 14.)

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## 1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA )

3 COUNTY OF LEON )

4 I, RAY D. CONVERY, do hereby certify that I was  
5 authorized to and did stenographically report the  
6 foregoing proceedings at the time and place herein  
7 stated.

8 IT IS FURTHER CERTIFIED that the foregoing  
9 transcript is a true record of my stenographic notes.

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

15 DATED this 2nd day of September, 2009, at  
16 Tallahassee, Leon County, Florida.

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21 \_\_\_\_\_  
22 RAY D. CONVERY  
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