BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

VOLUME 24
Pages 3324 through 3454

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PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN MATTHEW M. CARTER, II COMMISSIONER LISA POLAK EDGAR COMMISSIONER KATRINA J. McMURRIAN COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP
DATE:	Thursday, September 3, 2009
TIME:	Commenced at 11:25 a.m. Concluded at 1:00 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	RAY D. CONVERY Court Reporter (850) 222-5491
PARTICIPATING:	(As heretofore noted.)

ORIGINAL

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
114	CAB-1	3390	3390
115	CAB-2	3390	3390
255	RLK-1	3363	3363
256	RLK-2	3363	3363
463	FIPUG Responses to Staff's First Set of interrogatories	3329	3330
464	DE-FOA-0000058	3416	
465	FPL's Responses to OPC's First Set of Interrogatories, No. 33.	3449	

P R O C E E D I N G S

(Transcript follows in sequence from Volume 23.)

CHAIRMAN CARTER: Ms. Clark, preliminary matters?

MS. CLARK: Yes. Staff had indicated to me that it would be -- from their viewpoint we could stipulate in Hanser, Harris and Morely, and I have checked with the other parties. I believe we can reach an agreement on Hanser, that he can be stipulated into the record.

With respect to Harris --

CHAIRMAN CARTER: Hang on a second. Let's deal with it one at a time.

Is that the understanding of the parties?

MR. MOYLE: Yes.

CHAIRMAN CARTER: Staff?

MS. BENNETT: Yes.

CHAIRMAN CARTER: All right. Without objection, show it done.

Now, Ms. Clark?

MS. CLARK: With respect to Mr. Harris, I understand FIPUG has some questions, and probably the Retail Federation, and I think staff has two interrogatories to introduce which I believe FPL is okay

with. So while he can't be stipulated, I believe it will shorten somewhat the cross-examination of him.

I believe we might have a stipulation on Morely; however, Mr. Wright -- he has questions as of now. He will look at those and get back to us.

CHAIRMAN CARTER: Okay.

MS. CLARK: So, making progress.

CHAIRMAN CARTER: All right, we are making progress.

Oh, for planning purposes, I didn't tell you guys later -- or, later, duh. Is this thing on? I didn't tell you earlier that we're going to do lunch -- we're going to go with our regular calendar schedule for lunch, 1:00 to 2:15, and I was hoping we would end at 7:00 last night. We didn't, but, you know, it was close enough for government work, so we probably -- 7:30, 7:20, something like that. We'll shoot for 7:00 and see where we get from there.

Okay. Staff, any further preliminary matters?

MS. BENNETT: No, sir.

MR. MOYLE: I have some.

CHAIRMAN CARTER: Mr. Moyle. Mr. Moyle, you're recognized, preliminary matters.

MR. MOYLE: We talked about before the hearing the need to go ahead and mark a FIPUG exhibit which is

the complete Responses to staff's First Set of Interrogatories that Mr. Pollock provided. I think the next number would be 463, and I've previously distributed that to everybody, so --

CHAIRMAN CARTER: Hang on a second, let me flip to the back pages. 463?

MR. MOYLE: Yes, sir.

CHAIRMAN CARTER: And Mr. Pollock?

MR. MOYLE: That's right, it's FIPUG's Responses to Staff's First Set of Interrogatories, Nos. 1 through 14.

CHAIRMAN CARTER: Is that what Ms. Kaufman promised us last night?

MR. MOYLE: That's right.

(Exhibit No. 463 marked for identification.)

MR. MOYLE: And I think also we're making some headway, I think the Intervenors would also be willing to stipulate Mr. Reed, if that helps.

CHAIRMAN CARTER: Mr. Reed?

MR. MOYLE: That's right.

CHAIRMAN CARTER: What about it, Ms. Clark?

MS. CLARK: We would -- I guess we are in the same posture as Mr. Klepper and Mr. Kollen, we would like him to put on his summary.

MS. BENNETT: Staff also has one or two

questions for Mr. Reed.

CHAIRMAN CARTER: What's her name, Rosanne Rosannadana said, there's always something.

Okay, no problem. That's cool. Any further preliminary matters before we begin from any of the parties?

COMMISIONER EDGAR: Did we enter 463? Do we need to do that?

CHAIRMAN CARTER: Oh, without objection, done.

(Exhibit No. 463 admitted into the record.)

MS. BENNETT: And were there any exhibits to go with Mr. Hanser's rebuttal?

CHAIRMAN CARTER: Mr. Hanser's rebuttal?

MR. ROSS: No exhibits with Mr. Hanser's rebuttal.

CHAIRMAN CARTER: No exhibits.

Okay, so the prefiled testimony of the witness will be inserted into the record as though read for Witness Hanser, and without objection, show it done. The parties have stipulated to him, so it's entered into the record.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF PHILIP Q HANSER

DOCKET NO. 080677-EI

AUGUST 6, 2009

Q. Please state your name and business address.

A. My name is Philip Q Hanser. My business address is *The Brattle Group*, 44 Brattle Street, Cambridge, MA 02138.

Q. Did you previously submit direct testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any rebuttal exhibits in this case?

A. No.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to comment on the direct testimony of Office of Public Counsel witness Brown, relating to the FPL forecasts that I support in my direct testimony. Specifically, I will explain why the in-sample mean absolute percentage error (MAPE) value I discussed in my direct testimony does not preclude necessary and appropriate adjustments to the net energy for load (NEL) econometric model. I would also like to address a comment of Ms. Brown with regard to a characterization of my testimony.

Q. Please summarize your rebuttal testimony.

A. The purpose of my testimony is to address Ms. Brown's misinterpretation of the in-sample MAPE statistic presented in my direct testimony, as well as her mischaracterization of the mean percentage error (MPE) statistic, and her ultimate interpretation and use of these. As I previously stated in my direct testimony, it is imperative to adjust FPL's NEL econometric model for the over-forecasting tendency that became clearly evident in early 2008. It would be incorrect to ignore the over-forecasting tendency in the model on the grounds that the unadjusted model has a low in-sample MAPE statistic, as argued by Ms. Brown. Further, Ms. Brown incorrectly interprets the MAPE and MPE statistics. These statistics each measure different qualities of the forecasting model and, as a result, cannot be directly compared to each other as Ms. Brown has done. This inapposite comparison of the statistics then leads Ms. Brown to reach the incorrect conclusion that FPL's *ex post* adjustments were unnecessary.

Q. What are the MAPE and MPE statistics used for and how do they differ from each other?

A. As I previously discussed in my direct testimony, the MAPE statistic is a standard *measure of accuracy* in statistical regressions whose data are observations over time. The MAPE statistic is defined as the average absolute percentage error of the model's predictions. The MAPE statistic is, by virtue of its definition, necessarily zero or higher, i.e., non-negative. On the other hand, the MPE statistic is calculated by taking the average of all individual percentage errors for a given estimation period and provides a *measure of the bias* in a regression

model. The MPE statistic has no restrictions on its sign, i.e., it can be negative, zero, or positive. Indeed, since there are potentially negative and positive error percentages, there may be cancellation of terms of opposite sign in the calculation of the MPE. Therefore, in absolute terms, the MPE must, by virtue of its definition, be lower than or equal to the MAPE statistic's value when calculated for the same period. More importantly, and this is clear from their definitions, the MAPE and MPE are statistics used for different purposes.

Q. Do you agree with Ms. Brown's assumption that the in-sample MAPE statistic indicates that FPL's adjustments to the NEL econometric model were unnecessary?

A. No. Ms. Brown suggests in her direct testimony that the in-sample MAPE statistic indicates that FPL's adjustments to the NEL econometric model were unnecessary. There are major flaws in Ms. Brown's argument. First, Ms. Brown confusingly and inappropriately compares the MAPE and MPE statistics. Ms. Brown refers to the MPE statistic as the "error rate" and argues that the error rate adjusted for incremental efficiency and wholesale loads results in a smaller value for the January 2008 through October 2008 period *compared* to the MAPE value calculated for the same period. As noted above, these two statistics measure different qualities of a regression model and Ms. Brown is incorrect to compare them. Second, a relatively low in-sample MAPE statistic does not preclude the use of necessary and appropriate *ex post* adjustments to the model. In fact, it would be plain wrong to ignore some of the factors driving changes in NEL just because a relative improvement in what Ms. Brown describes as the "error rate"

results when the model is adjusted for some but not all of the information available. It is a fundamental principle of statistics that all relevant data should be brought to bear in analyzing or, in this case, forecasting a particular variable.

Q. Ms. Brown at page 32 of her testimony claims that you "observed a shift from over-forecasting to under-forecasting in 2008". Does that correctly characterize your testimony?

A. No, that does not. What I stated in my testimony at page 14 was that "Starting in March 2008, the NEL per customer predictions from FPL's monthly NEL forecasting model are above the actual values of NEL per customer." I never characterized FPL's NEL model as under-forecasting prior to March, 2008.

Q. Does this conclude your rebuttal testimony?

A. Yes.

CHAIRMAN CARTER: That should be all matters pertaining to Hanser, correct?

MS. CLARK: Yes, sir.

CHAIRMAN CARTER: And we'll look to you guys to continue your dialogue and we'll move further.

Anything further?

Ms. Alexander, good morning. You're recognized.

MS. ALEXANDER: Thank you, Mr. Chairman. Florida AFFIRM calls Witness Russell Klepper to the stand. Mr. Chairman, the witness has been sworn. Whereupon,

RUSSELL L. KLEPPER

was called as a witness on behalf of Florida AFFIRM and, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. ALEXANDER:

Q Please state your full name and business address for the record.

A My name is Russell L. Klepper. My business address is Energy Services Group, LLC, 316 Maxwell Road, Suite 400, Alpharetta, Georgia, 30009.

Q Are you the same Russell Klepper who prepared and caused to be filed in this docket direct testimony

consisting of 14 pages and two exhibits?

A Yes, I am.

Q Do you have any corrections or changes to make to the prefiled testimony?

A I do not.

Q If I were to ask you the questions contained in your written testimony previously filed, would your answers be the same as contained therein?

A Yes.

MS. ALEXANDER: Mr. Chairman, I move that Mr. Klepper's prefiled testimony be inserted into the record as though read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be inserted into record as though read.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

RUSSELL L. KLEPPER

ON BEHALF OF AFFIRM FLORIDA

DOCKET NO. 080667-EI

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Russell L. Klepper. I am a Principal of Energy Services Group, LLC, an energy and utility consulting firm that I helped to found. Our business address is 316 Maxwell Road, Suite 400, Alpharetta, Georgia 30009.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I hold a Bachelor of Science in Business Administration with a major in Economics and a Master of Business Administration with a major in Finance, both from the University of Florida, and a Master of Professional Accountancy from Georgia State University. I have over thirty-two years of applicable utility experience, the first seven of which were spent in the financial areas of Georgia Power Company. During my last three years of employment by that electric utility, I held the title of Manager of Financial Services. For the past twenty-five years, the preponderance of my time has been spent as an independent consultant on utility finance, rates and regulation, and regulatory transition

issues, as well as certain facets of the economics of both regulated utilities and unregulated firms that produce, sell, and distribute energy for consumption by ultimate consumers. I have provided professional services to both investor owned and governmental utilities, to private companies that have significant interests in the energy industry, and to entities such as the World Bank, the United States Energy Association, and the Edison Electric Institute. As a consultant, I have developed and presented two national seminars and numerous in-house seminars that focus on different aspects of utility planning and decision-making. A more detailed Summary of Professional Credentials is attached as an Exhibit RLK-1 to this direct testimony.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am here on behalf of Florida AFFIRM (the "Association For Fairness In Rate Making" or "AFFIRM"), a coalition of quick serve restaurants that have substantially similar electrical usage characteristics. The Members of AFFIRM are the corporations and the corporations' franchisees that own and operate over 500 business locations served by Florida Power & Light Company ("FPL" or the "Company") under the following brand names: Waffle House, Wendy's, Arby's, and YUM! Brands, doing business as Pizza Hut, Kentucky Fried Chicken, Taco Bell, Long John Silver's, and A&W.

Q. PLEASE BRIEFLY SUMMARIZE THE PURPOSE OF YOUR TESTIMONY.

A. As explained in detail below, the AFFIRM Members are economically disadvantaged in the purchasing of electric service from FP&L because the pricing alternatives currently available to such multi-location customers do not reflect the economies of scale to FP&L that result from providing such service and because the load characteristics of the AFFIRM Members are not effectively captured by FPL's currently available rates. Accordingly, this testimony will propose that the Florida Public Service Commission (the "Commission") direct the Company to establish one or more new rates to be available to commercial customers that will (1) more effectively reflect the beneficial cost causation characteristics of the AFFIRM Members and similarly situated FPL customers, and (2) provide a realistic, cost based economic incentive for commercial customers to undertake load shifting and other voluntary measures to control loads and associated costs

Q. HOW ARE THE AFFIRM MEMBERS ECONOMICALLY DISADVANTAGED IN PURCHASING ELECTRIC SERVICE FROM THE COMPANY?

A. There are two distinctly different ways in which the AFFIRM Members are economically disadvantaged in such purchases. First, the electrical usage characteristics of the AFFIRM Members reflect consumption patterns that materially differ from the majority of commercial customers. Most AFFIRM Members (1) open in the morning, and business activity starts in earnest before the stores open; (2) remain open until late in the evening, and some remain open twenty-four hours per day; (3) are open for business every weekend day and every holiday, with the possible exception of Christmas; (4) have a significant percentage of their load in exterior lighting, with the preponderance of such

loads occurring during off-peak hours, and (5) have significant around-the-clock refrigeration loads that are not typical for commercial customers except for restaurants. Most AFFIRM Members will peak during the Company's designated peak hours, but because exterior lighting is a significant portion of the loads, almost none of the AFFIRM Members will peak in the specific hours during which the Company will experience its monthly peak loads. Typically, the peaks of the individual stores will occur during the lunch rush or after sunset, during the hours that many utilities will designate as either off-peak hours or "shoulder hours" rather than on-peak hours. Based on the electric usage characteristics set forth in this paragraph, when compared to the majority of commercial customers, the AFFIRM Members cause a disproportionately smaller contribution to the Company's monthly system peaks, and also use a disproportionately greater percentage of total energy consumption during off-peak periods.

Almost all of the individual locations of the AFFIRM Members are served under GSD-1. (The very few exceptions are generally smaller stores that are located in shopping mall food courts.) The structure of GSD-1 is highly unfavorable, for several reasons, to any commercial customers, including the AFFIRM Members, that have the electrical usage characteristics described in the previous paragraph.

Q. WHY DO YOU CONTEND THAT GSD-1 IS UNFAVORABLE TO THE MEMBERS OF AFFIRM?

A. First, GSD-1 assumes that all customers served under this rate will make approximately the same contribution to the system peak. But as explained above, this assumption is incorrect with respect to the AFFIRM Members, whose monthly peaks typically occur during what most utilities deem to be either off-peak hours or shoulder hours rather than on-peak hours. Second, GSD-1 sets forth a base energy charge for all hours of 1.390 cents per kWh, based upon an assumption that the allocation of energy usage between on-peak and off-peak hours is approximately the same for all commercial customers. But as explained above, this assumption is incorrect with respect to the AFFIRM Members, whose pattern of energy consumption is disproportionately higher during off-peak hours compared to the commercial class as a whole. Third, GSD-1 provides that during the five winter months, the period from 6:00 PM to 10:00 PM will be a peak period. Because of the outdoor lighting loads of most AFFIRM Members, the monthly peaks for these customers will almost always occur during these hours. But data produced by the Commission Staff published in the February 2009 Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act (FEECA), attached hereto as Exhibit RLK-2 and entitled "Typical Florida Daily Electric Load Shapes", shows that the winter peaks during the PM hours are no more than 82% of the corresponding winter peaks during the AM hours. Based on such data, customers that peak during the winter PM hours are unjustifiably penalized.

In summary, GSD-1 is made available as a "one size fits all" rate for commercial customers, but the AFFIRM Members have usage characteristics that make GSD-1 particularly ill-suited. Regrettably, notwithstanding the very poor correlation between the

structure of GSD-1 and the usage characteristics of the AFFIRM Members, there is no other rate that provides a better economic result to the individual locations of the AFFIRM Members.

Q. PLEASE EXPLAIN WHY NO RATE OTHER THAN GSD-1 WOULD PROVIDE A BETTER ECONOMIC RESULT TO THE AFFIRM MEMBERS.

A. There are only two rates and one rate rider available from FPL to commercial customers with loads between 20 kW and 500 kW. These rates are GSD-1 (General Service Demand), as discussed above, and GSDT-1 (General Service Demand – Time of Use). The Company also offers a Seasonal Demand - Time of Use Rider, but this rider has little value to a business that is not seasonal in nature.

In its present form, GSDT-1 is a highly ineffective rate. From a technical standpoint, the structure of this rate is deficient because the generally higher cost incurred under GSDT-1 weighs against the use of this rate and thereby precludes any benefits that might otherwise be obtained through the rate incentive offered by a time of use rate. Under the rate structure of GSDT-1, it is nearly impossible for any commercial customer to obtain a better economic outcome by using the GSDT-1 rate instead of the GSD-1 rate. This situation exists because the around the clock base energy charge under GSD-1 is 1.390 cents per kWh, while under GSDT-1, the base energy charge under GSDT-1 is 3.244 cents per kWh during the peak hours and 0.892 cents per kWh during the off-peak hours. Accordingly, in order to achieve a lower cost under the commercial time of use rate, the

customer can consume no more than 21.2% of its total energy usage during on-peak hours. By way of comparison, the number of on-peak hours during a calendar year is about 25% of the total hours, and the total energy provided by FPL during on-peak hours is in the neighborhood of 45% of all energy provided by FPL. To place these percentages into perspective, a typical AFFIRM Member consumes about 32% of its total energy usage during on-peak periods, compared to around 45% for the total system, so the load pattern of the AFFIRM Members is clearly more favorable than the Company's total load because the costs incurred in serving off-peak loads are substantially lower than the corresponding costs incurred in serving on-peak loads.

The inferior nature of FPL's commercial time of use rate (GSDT-1) can be amply illustrated by simply looking at the practical aspects of FPL's offering of this rate. Information obtained from FPL's Sales of Electricity by Rate Schedules, a component of FPL's filing of the 2007 FERC Form No. 1, reflects that only 1.63% of commercial customers (other than those using the season rate rider) were billed under GSDT-1. Only 1.28% of all energy sales to commercial customers were billed under this rate, meaning that the average customer using GSDT-1 consumed about 20% less energy than the average commercial customer. And worst of all, customers being served under GSD-1 (the "one size fits all" rate) paid an average revenue to FPL of 10.00 cents per kWh, while customers under the GSDT-1 (time of use) paid an average revenue to FPL of 10.75 cents per kWh, a cost 7.5% higher than customers served under the plain vanilla rate.

Q. DO YOU BELIEVE THAT A NEW COMMERCIAL TIME OF USE RATE SHOULD BE DEVELOPED AND IMPLEMENTED, AND IF SO, WHY?

A. Yes, a new commercial time of use rate should be developed and implemented. The existing time of use rate (GSDT-1) is so badly structured that for most customers, it results in a total cost that exceeds the total cost that would be realized by that same customer under the plain vanilla rate (GSD-1). Accordingly, commercial customers (including the AFFIRM Members) who wish to become more energy efficient by responding to electric price signals are denied the realistic opportunity to do so. For this reason, the Commission should instruct the Company to develop a new commercial time of use rate that would be more effective by providing periodic price signals that would in turn provide an incentive to customers to actively endeavor to control their energy costs.

Q. DOES THE COMPANY SUPPORT THE CONCEPT THAT RATES SHOULD PROVIDE APPROPRIATE PRICE SIGNALS TO CUSTOMERS?

A. It appears so. The testimony of FPL Witness Deaton states in relevant part, at page 6, line 9 of direct testimony, that "The Commission should approve FPL's rate proposals and continuation of the GBRA mechanism as presented in this testimony <u>because they are reasonable, cost-based and send the appropriate price signals to customers</u> (emphasis added)."

AFFIRM fully supports the ratemaking objectives set out by Witness Deaton, and agrees that the rates approved by the Commission in this ratemaking proceeding should be reasonable, cost-based and send the appropriate price signals to customers. Unfortunately, while the GSD-1 rate may be just and reasonable as required by applicable statutes, the indiscriminate application of GSD-1 to a group with widely differing load characteristics does not produce just and reasonable charges to all electric customers within the GSD-1 rate class. As discussed above, because the electric characteristics of the AFFIRM Members are different from the assumptions upon which the GSD-1 rate is based, the AFFIRM Members are the most disadvantaged customers within the GSD-1 rate group. Further, the only commercial rates available from FPL to the AFFIRM Members are not reasonable because they are not based on the cost causation characteristics of the AFFIRM Members, and further because such rates do not send the appropriate price signals to the AFFIRM Members or other similarly situated customers.

Q. ARE YOU ABLE TO CITE ADDITIONAL AUTHORITY PROVIDING FOR THE DEVELOPMENT AND IMPLEMENTATION OF COST BASED TIME OF USE RATES FOR AFFIRM MEMBERS AND SIMILARLY SITUATED CUSTOMERS?

A. Yes, I am. The Energy Policy Act of 2005 was enacted by Congress and became federal law on August 8, 2005. Section 1252 of the Energy Policy Act, "Smart Metering", amended Section 111(d) of the Public Utilities Regulatory Policy Act of 1978 by adding the following:

"(14) TIME BASED METERING AND COMMUNICATIONS. – (A) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's cost of generation and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology."

By submission of this direct testimony in this proceeding, the Members of AFFIRM hereby request that the Commission direct the Company to develop, within the context of this proceeding, a newly developed commercial time of use rate that will satisfy the above cited objective set forth in the Energy Policy Act of 2005.

Q. WHAT IS THE SECOND WAY IN WHICH THE AFFIRM MEMBERS ARE ECONOMICALLY DISADVANTAGED IN PURCHASING ELECTRIC SERVICE FROM THE COMPANY?

A. The AFFIRM Members are multi-location customers that receive none of the rate benefits that are extended to their single location counterparts with loads of similar size, notwithstanding the economies of scale in generation, transmission, and administrative functions enjoyed by the Company in serving the large multi-location loads of the AFFIRM Members. Currently, FPL does not make available to its customers any

multiple location rate that recognizes that multi-location customers may have aggregate electric load and usage characteristics that are similar to large single location loads served by the Company.

By way of illustration, each of Wendy's/Arby's Group and YUM! Brands has over two hundred locations served by FPL, with each having an aggregate load of approximately 16,000 kW. Under the existing FPL rates, a single location customer with a measured demand of 2,000 kW or more is entitled to be served under the "General Service Large Demand – Time of Use" rate. A customer at a single location with the exact same electrical billing determinants as 200 individual Wendy's stores would be billed under GSLDT-3 and would pay annual base charges (the customer charge, base demand charge, and base energy charges for on-peak and off peak energy consumption) totalling approximately $1,537,425. By contrast, the 200 individual Wendy's stores would each be billed under GSD-1 (a less expensive rate than GSDT-1) and would pay in the aggregate the sum of $2,084,412, an annual difference of $546,987.

The primary reason for this cost difference is that the AFFIRM Members are treated for rate making purposes as if they were hundreds of unaffiliated small retail customers. This treatment as individual customers is inconsistent with the collective manner in which the AFFIRM Members are treated in competitive markets by almost all energy suppliers, and is further inconsistent with the collective treatment that the AFFIRM Members enjoy from the suppliers of almost all other products purchased by such companies..

In fairness, it should be acknowledged that electric service to the individual locations versus the single location with a similar electric load will reflect very little difference in cost causation attributable to generation, transmission, or administration, but cost differences will result from distribution investment and from distribution operations and maintenance costs. However, the distribution related costs should be nowhere near the magnitude of the $546,987 difference in costs to the AFFIRM Members under my example. Moreover, it should be recognized that the base demand charges that would be paid by the AFFIRM Members under this circumstance would be based on the sum of the individual peak demands at each location rather than the coincident peak of all of the related retail entities, which is the load that the Company provides to the AFFIRM Members during any given hour.

Q. WHAT ACTION DOES AFFIRM ASK OF THE COMMISSION WITH RESPECT TO THE ISSUE OF THE DEVELOPMENT OF MULTI-LOCATION RATES?

A. The Commission is aware that a primary purpose of rate regulation is to attempt to create, in the absence of competition for the regulated entity, the same competitive pressures that would exist if competition were present. The Commission should take notice that in states where electric service or natural gas service has been deregulated, it is common for energy suppliers actively to seek to provide service to multi-locations customers. For that reason, AFFIRM requests that the Commission direct the Company to engage in good faith negotiations with representatives of AFFIRM such that multi-location rates can be

developed and considered in this rate proceeding or in subsequent rate proceedings of the Company.

Q. ARE THERE OTHER ASPECTS TO THE DEVELOPMENT OF MULTI-LOCATION RATES THAT THE COMMISSION, AND IN TURN THE COMPANY, SHOULD CONSIDER?

A. Yes. Another important aspect of the consideration of multiple location rates is that the customers to whom such rates would be available should be defined as all premises operated as a single brand under common ownership or under common control via written franchise agreements with a single controlling entity.

Q. WHY SHOULD ALL PREMISES THAT ARE OPERATED AS A SINGLE BRAND UNDER COMMON CONTROL PURSUANT TO FRANCHISE AGREEMENTS WITH A SINGLE CONTROLLING ENTITY BE ALLOWED TO USE A MULTIPLE LOCATION RATE/

A. The operation of certain premises under franchise agreements is an integral component of the business operation of many recognized brands, including all of the AFFIRM Members. Franchise holders operate their premises subject to the same degree of operational control by the controlling entity as the controlling entity exercises over its company-owned premises. Such controls include, but are not limited to, signage, appearance of premises, training of employees, products offered, product pricing, and

adherence to the policies and rules of the controlling entity as set forth in written documents. In essence, the controlling entity holds every incidence of ownership in the premises, with the exception of title to the premises. This is the reason that customers are unable to distinguish between stores operated by the company versus stores operated by franchisees.

The existence of a franchise arrangement should properly be viewed not as an ownership issue, but rather as an alternative form of financing. The franchisee provides the initial financing, and earns a return on that investment. The controlling entity (the franchisor) is relieved of the burden of financing, and receives revenues from franchise fees and royalties instead of through the direct operation of the premises. One of the elements of the value of a franchise or brand, which value is directly reflected in the level of franchise fees collected by the controlling entity, is the ability to realize reduced operational costs through widespread economies of scale, including the collective purchase of goods and services such as energy products and services.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

BY MS. ALEXANDER

Q Mr. Klepper, do you have a brief summary of your testimony?

A I do.

CHAIRMAN CARTER: Hang on. Mr. Klepper, you were here when I talked about the lights?

THE WITNESS: I was not. If you could help me --

CHAIRMAN CARTER: Okay, great. Here's my big chance.

The lights -- each witness is given five minutes to do their summary. The light system works this way, is that green is always good. When the amber light comes on, you have two minutes left. When the red light comes on, you have 30 seconds left, and if the red light flashes, that means that microphone will go off. So, okay?

THE WITNESS: Has this discussion used up any of my five minutes?

CHAIRMAN CARTER: Oh, no, no, no, no. That was a TV timeout.

THE WITNESS: Oh, okay. Am I ready to go?

CHAIRMAN CARTER: You're ready.

BY MS. ALEXANDER:

Q You may proceed.

A Commissioners, thank you very much for allowing me to appear. I know that I had the opportunity to stipulate, but -- and I know there may be no questions, but I thought it was important to appear for a couple of reasons.

First, this is first time that AFFIRM has intervened in a Florida proceeding and I wanted to introduce ourselves to you and make it known and have a face on what we're doing; and, second and more importantly, I wanted to shine a light on the importance of what we're requesting in this proceeding.

Simply put, AFFIRM is -- seeks a time-of-use rate where the periodic energy rates are related to the non-fuel costs that FPL incurs during the same periods, and that's straightforward. It's simple cost causation. We want to pay the cost that we cause.

As a cost issue, the time when electricity is used is just as important as the amount that you use, and this is not recognized in the rates that we're now paying.

Our issue is straightforward and compelling. No party, including FPL, has presented evidence that contradicts the thrust of my testimony, and we wanted you to hear this in part because you have an awesome responsibility in deciding the issues in this rate case,

and 98 percent of what you're hearing is revenue-related. This is a rate-related issue. This is simply -- we're not asking for any kind of revenue change. This is just simply a revenue issue that has to do with how rates are allocated fairly among the parties.

The problem that we have here is that the rates that FPL has in place for customers of the size of the AFFIRM members are simply old and worn out and they no longer relate to the costs that are caused. 97 percent of all the customers use the same rate, and it's the rate that we're on, the GSD1 rate.

That rate has two primary premises. The first premise of that rate is that all of the people on that rate contribute ratably to the peaks that are incurred in each month. Our customers do not contribute ratably. They have a disproportionately small combination to the peak.

The second underlying assumption of that rate is that the customers have a load shape, an individual load shape that approximates the load shape of the group. Our customers do not have a shape that approximates the load shape of the group. They use a disproportionate amount of their energy in off-peak periods.

Essentially what we have is a load shape that is contra to the load shape of the group as a whole and is a much more favorable load shape than the load shape of the group as a whole, and the only rate that we have available to us or the rate that produces the best rate is this one-size-fits-all rate, and it doesn't fit, and there's 97,000 customers who are a highly heterogeneous group.

The AFFIRM members operate on weekends and holidays and mornings and nights, and we don't get any benefit of that, and then Florida Power comes and says, well, you can have a time-of-use rate. They have a time of use rate that is practically worthless. Hardly anybody uses it and even less people get a benefit of it. It's simply not a good rate.

So all we are asking is that they redesign a rate that is fair and reasonable, which the rates that are now in existence are not, and that thus, give us an opportunity to pay rates that are directly related to the costs that our customers are causing.

Thank you.

CHAIRMAN CARTER: Outstanding on the time.

MS. ALEXANDER: Mr. Chairman, I tender the witness for cross-examination.

CHAIRMAN CARTER: Thank you.

Ms. Griffiths?

MS. GRIFFITHS: No questions.

CHAIRMAN CARTER: Ms. Christensen?

MS. CHRISTENSEN: No questions.

CHAIRMAN CARTER: Ms. Bradley?

MS. BRADLEY: No questions.

CHAIRMAN CARTER: Mr. Moyle?

MR. MOYLE: Just one.

CHAIRMAN CARTER: You're recognized.

CROSS EXAMINATION

BY MR. MOYLE:

Q Have your members been suffering in this tough economic time?

A Well, of course they have. I mean, everybody -- you can see -- for instance, Wendy's is one of our customers. They've been in the news, and they've been acquired by Arby's. Our customers serve the retail public, and when the retail public suffers, then our customers suffer.

MR. MOYLE: That's all I have. Thank you.

CHAIRMAN CARTER: Thank you.

Commissioner Edgar?

COMMISIONER EDGAR: Thank you, Mr. Chairman, and thank you for your comments.

You said in your summary, and I know there's

more in the prefiled testimony, but since you're with us now, that the time-of-use rate currently within the rate scheme is worthless, I believe is the word that you used. Could you just elaborate on that point a little bit more while you're here?

THE WITNESS: Sure. There are approximately 100,000 customers, commercial customers of the size in which my clients fall. According to the 1998 FERC Form 1 that has a lot of useful information on it, there -- in 2006 there were 1,536 customers on the existing time-of-use rate. That's about less than 1.6 percent of all the customers. Of the customers that were on the time-of-use rate, first of all, there was 1.6 percent of the customers, but only 1.2 percent of usage. So that means that the average usage of those 1,500 customers was well below the average usage for the group as a whole.

The second thing is that the average cost of a customer who's on the time-of-use rate was 11.3 cents per kilowatt hour. The average cost on the regular one-size-fits-all rate was 10.3 cents per kilowatt hour. So the customer who is on the time-of-use rate ended up paying one cent more than the customer who was on the regular rate, and that's contrary to what you would expect.

And what's more, part of the reason it's

worthless is that it harms the company. If you have a time-of-use rate that's really effective, people respond to the price signal, I mean, even Ms. Deaton said in her testimony, we want you to adopt these rates because we think they're fair and reasonable and they provide good price signals. Price signals is important, and when price signals are not available, then customers don't react. So if you can get customers to react to the price signals and they'll shift their usage, that will lower the cost for the company and, correspondingly, lower the cost to the customers, and that simply isn't done. In fact, if you look at it mathematically, there could be no more than 300 out of 100,000 customers who benefit from their existing time-of-use rate.

I'm not faulting the company for that. Those rates -- there hasn't been a base rate proceeding where rates have been reestablished or recalculated in a long time, but it's just time to do so, and we hope -- I mean, this is a complicated proceeding. I'm glad I don't sit where you sit. You have to make a decision that I don't want to be any part of except for my issue, and -- but, I mean, really what happens is we want to get the rates fairer and create -- my customers, because there's not a fair time-of-use rate, end up cross-subsidizing other customers in the same group because

we're the ones -- Florida Power & Light will talk about how it has like a flat load shape. The reason it's flat is because my customers are filling up the valleys, and if it weren't for that, they wouldn't have a flat load shape. So we need to redistribute the rate to give each party cost causation.

COMMISSIONER EDGAR: You discussed price signals and responding to price signals, and so let me ask you this question: First of all, on the record, would you go ahead and tell us a little bit about your members, and then secondly, are -- and I realize this is a bit of a generalization that I'm asking because I'm sure there's some variety, but are your members able to respond perhaps to price signals and -- by shifting their usage, or is the type of business that they're in such that the use is pretty much set by the type of business and customer base?

THE WITNESS: They do not have a great -- well, first let me tell you about the members. I'll take your questions in order.

Waffle House, I think most people would be familiar with them. They're pretty much a 24-hour-a-day, 365-day-a-year, except in leap year, type of operation. They're always open.

And the other quick-serve restaurants,

Wendy's, Arby's, which are part of a group, and Young Brands, which is -- people are familiar with KFC, Pizza Hut, Taco Bell, A&W, Long John Silver, those are all restaurants, and part of the way they operate, they have a -- their biggest usage is the lunch rush, and so they don't have -- and then, in what are defined as peak hours, they have a real slack time. From two o'clock to five o'clock, not that many customers come in. And then -- they have some air conditioning usage, but their real peak comes after the times that the company peaks, because what they do is they have a -- as a percentage of their total energy consumption, they have extreme lighting loads.

When you go to a Wendy's restaurant, you want to park in an area that is well-lighted, that appears safe and that it is safe. And they want to have the building lit up because they want to be attractive and have people come to their restaurant. But when they're lighting up is the hours when it gets -- it doesn't get dark in Florida during the summer until 8:30, nine o'clock, and so they're not contributing to the peak load with that kind of thing. So their natural load shape, even without any effort, is a contra load shape to the load shape that typically appears within the commercial group.

The second thing is that they do have some capabilities. We've looked at, for instance, making ice during different periods, making all the ice you need during off-peak periods. They have looked at cutting their outdoor lighting or using different kinds of lighting that will shed more light without as much kilowatt hours. They've looked at solar lighting. They have looked at dual -- particularly Waffle House is, they're really active in this, at looking at restaurant equipment that is dual-fired, that it can be electricity during some periods or gas during some periods.

So they're very sensitive, and, as a matter of fact, Wendy's has gone through two sets of redesigns in the last, we think, seven years that have made an effort to make their stores more energy-efficient, and, of course, the different restaurants that are in our group operate during different periods. I mean, obviously pizza is not a breakfast food -- well, it is, but, you know --

COMMISSIONER EDGAR: It often is at our house, I'm sorry to say.

THE WITNESS: And so they're not open in the morning, but, I mean, the idea is that Wendy's customers have their big loads, I mean, particularly on weekends and holidays. That's their biggest period, when other

people are closed. So they're simply not contributing to the peak periods in the same way as most commercial customers, but they're being treated as if they are, so --

COMMISIONER EDGAR: But then on that point again, and I know you've touched on this, but of being able to respond to price signals?

THE WITNESS: They have some ability to respond. I mean, they have -- they can't keep the customers out and they're not going to do that, so they have a limited ability to respond to the price signals, but their natural shape is still a contrary shape to the shape of the overall load of the company.

COMMISIONER EDGAR: Thank you. That was helpful. And just one final question, from me, anyway, I think: Are your members members of the Florida Retail Federation?

THE WITNESS: Truthfully, I don't know.

COMMISIONER EDGAR: Okay, thank you.

CHAIRMAN CARTER: Okay. Let's hear from the Retail Federation.

MR. LaVIA: No questions.

CHAIRMAN CARTER: Ms. Clark?

MS. CLARK: I have no questions, Mr. Chairman.

CHAIRMAN CARTER: Commissioner Skop?

COMMISSIONER SKOP: Thank you, Mr. Chairman.

Just to the witness briefly in response to the time-of-use question, are you familiar with time-of-use rate structures in other states, particularly Pacific Gas & Electric?

THE WITNESS: Yes to some other states, no to Pacific Gas & Electric.

COMMISSIONER SKOP: Okay, thank you.

CHAIRMAN CARTER: Just a comment, you know, when we take the kids from the church on their summer trip, we stop at a lot of your members' places. I think we -- the adults on the bus want to stop at one place but they always want to stop at the other places, and it's -- anyway, I won't mention them because I don't want to advertise for you anymore, but they like stopping there.

Ms. Bennett?

MS. BENNETT: No questions.

CHAIRMAN CARTER: Redirect?

MS. ALEXANDER: None, Your Honor. I would just like to move Mr. Klepper's exhibits into the record.

CHAIRMAN CARTER: Okay. Exhibits, what numbers are they?

MS. ALEXANDER: RLK-1 and RLK-2 are part of

staff's comprehensive exhibits, No. 255 and 256.

CHAIRMAN CARTER: Okay. Let me get to that page, 255 and 256. Are there any objections?

Okay. Without objection, show it done.

(Exhibit Nos. 255 and 256 marked for identification and admitted into the record.)

CHAIRMAN CARTER: Anything further for this witness?

Thank you.

THE WITNESS: Thank you.

MS. ALEXANDER: Thank you, Commission.

CHAIRMAN CARTER: Okay. Call your next witness.

MR. ROSS: FPL calls Chris Bennett.

CHAIRMAN CARTER: I beg your pardon?

MR. ROSS: FPL calls Witness Chris Bennett.

CHAIRMAN CARTER: Okay, Chris Bennett. Has Mr. Bennett been sworn?

MR. BENNETT: No, I have not.

CHAIRMAN CARTER: Okay. Mr. Bennett, would you please remain standing and raise your right hand?

Additionally, if there any other witnesses that will be testifying today that have not been sworn, if you're here in the room, would you please stand also and raise your right hand?

Whereupon,

CHRISTOPHER A. BENNETT

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

CHAIRMAN CARTER: Okay. Thank you. Please be seated.

MR. ANDERSON: Chairman Carter, may I proceed?

CHAIRMAN CARTER: One second.

Mr. Anderson, you may proceed.

MR. ANDERSON: Thank you. Mr. Bennett will be presenting his direct and rebuttal testimony together.

CHAIRMAN CARTER: Direct and rebuttal testimony for Witness Bennett.

MR. ANDERSON: And he's just been sworn.

DIRECT EXAMINATION

BY MR. ANDERSON:

Q Good morning, Mr. Bennett.

A Good morning.

Q Would you please tell us your name and your business address?

A My name is Christopher A. Bennett. My business address is 700 Universe Boulevard, Juno Beach, Florida.

Q By whom are you employed and in what capacity?

A I'm employed by FPL Group, and I am the Executive Vice-President and Chief Strategy, Policy and Business Process Improvement Officer.

Q Have you prepared and caused to be filed 24 pages of prefiled direct testimony in this proceeding?

A Yes, I have.

Q Did you have any errata to your direct testimony?

A No, not to the direct testimony.

Q Do you have in other changes or revisions to your prefiled direct testimony?

A No.

Q If I asked you the same questions contained in your prefiled direct testimony, would your answers be the same?

A Yes.

MR. ANDERSON: FPL asks that the prefiled direct testimony be inserted in the record as though read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be inserted into the record as though read.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF CHRISTOPHER A. BENNETT

DOCKET NO. 080677-EI

Q. Please state your name and business address.

A. My name is Christopher A. Bennett. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by FPL Group as Executive Vice President & Chief Strategy, Policy & Business Process Improvement Officer.

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

A. I am responsible for FPL Group strategic and business improvement initiatives, including environmental services, Six Sigma quality and information technology. For purposes of this testimony, I am addressing those initiatives only as they relate to Florida Power & Light Company ("FPL" or the "Company").

Q. Please describe your educational background and professional experience.

A. I graduated from Princeton University with a B.S.E. degree in Chemical Engineering and earned an M.B.A. from Harvard Business School. Prior to joining FPL Group, I was Vice President and practice leader of Dean & Company, a strategic management consulting company. Prior to that, my

experience includes the following positions: Executive Manager of Corporate Business Development for General Electric, Senior Engagement Manager for Mercer Management Consulting, Senior Manufacturing Engineer for Digital Equipment Corporation (now Hewlett-Packard), and Group Leader for New Technology Engineering and Components Production at Intel.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- CAB–1 - Operating Company CO_2 Emission Rates
- CAB–2 - Six Sigma DMAIC Process Map

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

A. Yes. I am co-sponsoring the following MFRs:

- B-15, Property Held for Future Use 13-month Average
- C-16, Outside Professional Services
- C-43, Security Costs

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of FPL's initiatives in the areas of environmental management, operational excellence, and information technology. These initiatives have generated a significant amount of cost reductions, productivity improvements, asset protection, and environmental benefits that have resulted in increased value to our customers. In the area of environmental management, I will describe how FPL's environmental leadership and commitment have led to significant emission

reductions and strong ecosystem protection. In the area of operational excellence, I will discuss the Six Sigma quality program at FPL and describe how it has resulted in operational efficiencies that have benefited the Company and our customers as well as created a culture of continuous improvement throughout the Company. In the area of information technology, I will describe how improvements in our information systems have created efficiencies and benefits for both the Company and customers.

Q. Please summarize your testimony.

A. Environmental Management is an area of increased importance from a national and global perspective and is an important corporate value at FPL. FPL's power plant emission rates are among the lowest of all power generators in the United States, as illustrated in Exhibit CAB-1. FPL balances the objective of reducing emissions with that of maintaining low customer rates. FPL is deeply engaged in developing policies and deploying renewable energy technologies to address the challenge of global warming. FPL has developed and implemented numerous programs to better manage the environmental performance of our operations while protecting wildlife such as endangered sea turtles, manatees and crocodiles.

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FPL has been a major proponent of efforts to address global climate change. We have led by example by creating the highest-rated customer energy efficiency programs in the U.S. (according to the Department of Energy), and through our investments to modernize older plants, increase nuclear

generation, and develop solar generation, we have achieved one of the lowest emissions profiles in the United States electric sector. We have also been a leading advocate in support of Governor Crist's and the legislature's directives to address climate change. FPL's President, Armando J. Olivera, was appointed and actively participated on the Governor's Action Team on Energy and Climate Change. Through this process and by working directly with the Florida Department of Environmental Protection (FDEP), we have been working to build consensus for an effective and principled Florida program to reduce greenhouse gas emissions. FPL supports the Action Team's recommendations which include key components to develop a cap-and-trade system with specific reduction goals.

FPL is a recognized leader in the area of operational excellence. The Company's comprehensive quality programs and culture of continuous improvement led to FPL being the first company outside of Japan to win the prestigious Deming Prize. Our quality practices have since continued to evolve in scope and capability into a much more rigorous, statistical approach called Six Sigma, a "Best-In-Class" methodology adopted by many of the world's leading quality practitioners that results in breakthrough quality improvements.

Six Sigma is a disciplined, quantitative, analytic methodology to define and solve complex business problems by examining existing processes,

eliminating non-value added work, identifying opportunities for improvement and implementing new measurement systems to monitor and control ongoing performance and quality. The improvements identified have led to operational efficiencies, reduced costs, and improved the customer experience.

FPL is investing in new IT systems that have improved and will continue to improve FPL's operating effectiveness, reduce cost, improve security and control, enhance service and reliability, and make information more available to our customers, as well as meet increasing legal and regulatory requirements. For example, FPL is investing in upgrading 15 to 20 year old systems and infrastructure which will significantly reduce risk of failure and maintenance cost, increase responsiveness to weather and other events, and provide efficiencies in areas such as work management, asset management, and distribution network management. FPL is also investing in new technologies to enhance customer service and provide customers greater control over their bills and energy consumption. Other key investments have been in the area of cyber security, which provide greater protection over the Company's (and the country's) information and critical physical assets. FPL takes cyber security very seriously, and works closely with various federal agencies and industry groups to influence the regulatory direction in this area.

Among the major projects currently under way are: 1) a nuclear fleet-wide Nuclear Asset Management System (NAMS), which will standardize processes, resulting in greater efficiencies and control over our nuclear operations; 2) SAP, an enterprise resource planning system that integrates financial control and reporting, procurement, human resources, accounts payable, and cash management; and 3) a foundational Future Enterprise Network Architecture (FENA) project that increases reliability, speed, security, and quality of our voice and data networks, and reduces risk and cost over the long term. In addition to these three projects, we will soon begin a Customer Information Systems (CIS III) project to upgrade the systems currently used for customer billing, care center operations and all customer information related needs. This project will also enable FPL to support emerging Smart Grid opportunities and requirements.

Even in the current economic environment, these investments make sense because they will result in operational efficiencies and help reduce ongoing costs, improve customer service, and give greater control to the customer to manage energy consumption. They also will position FPL for even better response to storm and other events, and enhance the Company's cyber security protection. All four of these major projects are in critical areas that benefit our customers, the Company, and the country.

ENVIRONMENTAL MANAGEMENT

Q. Please describe your responsibilities with regard to environmental matters.

A. I am responsible for FPL's Environmental Services. This is an area that has increased in importance from a national and global perspective and is an important corporate value. For years, FPL has built a committed environmental culture throughout the workforce which has established the Company as a leader in environmental management. Through industry leading efforts, FPL has demonstrated a track record of reducing emissions and protecting wildlife and ecosystems. FPL has dedicated resources in our corporate offices and throughout our facilities that manage the execution of FPL's environmental strategy, planning and compliance responsibilities.

Q. What has FPL's performance been with regard to reducing greenhouse gas (GHG) emissions and other emissions?

A. FPL's emissions rates of carbon dioxide (CO_2), sulfur dioxide (SO_2) and, nitrogen oxides (NO_x), are among the lowest of all power generators in the United States as shown in Exhibit CAB-1. Air emission regulations are becoming more restrictive, resulting in substantial retrofit costs for many in the electric industry, particularly coal-fired power generators. Recognizing these restrictions, FPL has been pursuing a strategy to add generation from new efficient combined-cycle units and nuclear. This strategy has positioned us well to be able to serve new demand while also complying with more

stringent air emission requirements for NO_x, SO_2, as well as emerging regulations on mercury. It also prepares us to be in a better position to address anticipated CO_2 reduction requirements. Of the four investor owned utilities (IOU) in Florida, FPL maintains the lowest emissions of CO_2 and NO_x and second lowest in SO_2. FPL has achieved these low emission rates, while keeping FPL's residential electricity rates the lowest among Florida IOUs.

Not only does FPL have one of the cleanest fossil fuel-fired fleets in the nation, FPL's nuclear units have significantly decreased FPL's air emissions profile when all sources of generation are considered. FPL's nuclear units have, in effect, reduced emissions across FPL's system by about 30 percent. To place these avoided emissions in perspective, it is important to consider the magnitude of such emissions in Florida. FPL nuclear units avoided more than 500 million tons of CO_2 since 1972. This equates to nearly three and a half years of the CO_2 emissions from Florida's entire electric sector. The avoided emissions from FPL's nuclear units are substantial by any measure.

FPL is a leader in converting older power plants to modern, highly-efficient combined cycle operations, which significantly increases the efficiency of the plants and reduces emissions. The planned modernizations of the existing Cape Canaveral and Riviera Power Plants further exemplify FPL's commitment to environmental sustainability.

Q. Briefly describe FPL's involvement in addressing Global Climate Change.

A. Consistent with Florida's emerging policy, FPL is doing its part to fight climate change by investing in even cleaner energy. FPL's plan for addressing climate change has been informed by considerable experience, including:

- Renewable energy, including significant investments in the construction of solar thermal and photovoltaic facilities. FPL is also attempting to obtain site approval for wind power facilities.
- New nuclear generation at the existing Turkey Point power plant site in south Miami-Dade County and additional nuclear generation at two existing nuclear plants (Turkey Point and St. Lucie Power Plants) – which have an impressive record of both clean energy and safety.
- Energy efficiency in electricity generation, continuing to utilize energy-efficient combustion turbine technology to reduce fleet-wide greenhouse gas emissions and use less fuel.
- Power plant modifications, converting older FPL oil-fired facilities into cleaner combined-cycle technology.
- Energy efficiency in electricity usage, where, in partnership with FPL customers, we realize cost-effective demand-side reductions in electric usage, particularly at peak times.

In addition, FPL is a strong supporter of a clean energy portfolio standard that will include aggressive targets and minimize cost impacts to customers.

Q. Is FPL currently investing in any renewable resources that help address climate change?

A. Yes. FPL is developing several utility scale solar facilities. On July 1, 2008, Governor Crist signed into law House Bill 7135 (HB 7135), which provided an opportunity to demonstrate the feasibility of developing clean, zero greenhouse gas emitting renewable generation in Florida. In accordance with the provisions of HB 7135, FPL is constructing three separate solar energy projects totaling 110 MW with different characteristics, at diverse locations. These projects will not only generate clean, renewable energy, but will also provide significant information and experience regarding key aspects of siting, constructing and operating different solar technologies at various locations in Florida.

- The Martin Next Generation Solar Energy Center ("Martin Solar") will provide up to 75 MW of solar thermal capacity in an innovative way that directly displaces fossil fuel usage in an existing FPL generating unit. When it is built, Martin Solar will be the second largest solar facility in the world and the largest solar plant of any kind outside of California;

- The DeSoto Next Generation Solar Energy Center (DeSoto Solar) will provide 25 MW of solar photovoltaic (PV) capacity, making it the nation's largest solar PV facility; and
- The Space Coast Next Generation Solar Energy Center (Space Coast Solar) will provide 10 MW of solar PV capacity. This innovative public/private partnership with the National Aeronautics and Space Administration (NASA) will allow both entities to leverage engineering, design, and operational expertise and provide unparalleled opportunities to develop and refine solar technology.

Each one of these facilities is a significant and innovative renewable generating plant in its own right, but collectively these Next Generation Solar Energy Centers will be a landmark achievement. These facilities are expected to produce a total of 213,000 megawatt hours (MWh) of electricity per year, and at peak production, provide enough power and energy to serve the requirements of more than 15,000 homes.

Q. Please describe the environmental benefits of these new solar projects.

A. Taken together, using solar energy to provide customers with renewable energy from these projects will substantially reduce greenhouse gas emissions and decrease fossil fuel usage. Over the life of the projects, FPL's proposed solar energy centers will prevent emission of more than 3.5 million tons of greenhouse gases, as well as other pollutants, which, according to the U.S. Environmental Protection Agency (EPA) is equivalent to removing

approximately 25,000 cars from our roads. In addition, these projects will decrease fossil fuel usage by more than one million barrels of oil and by about 51 billion cubic feet (Bcf) of natural gas.

Q. How will these new projects position Florida in the continuing effort to develop renewable technology and address climate change?

A. In addition to providing electricity for customers with tangible environmental and fuel usage benefits, these projects will constitute significant steps forward for Florida renewable energy and for the energy industry. Construction of these three Next Generation Solar Energy Centers will result in Florida becoming the second largest supplier of utility-scale solar power in the nation. Operating solar resources on this large utility-scale will provide a strong platform upon which Florida can build in becoming a global leader in solar power, and will further advance Florida's efforts and leadership in addressing climate change.

Q. Please describe FPL's efforts to protect endangered species and environmentally sensitive lands.

A. FPL has a history of programs that support the protection and public education of endangered species and sensitive lands. These include endangered or threatened species like sea turtles, the American crocodile, Florida manatee, and others. Here are a few examples:

- Sea turtles – As part of its commitment in support of protecting and rehabilitating sea turtles, FPL Group shareholders donated $250,000 to

the Loggerhead Marine Life Center in Juno Beach. The center helps educate the public on the importance of protecting and preserving these animals, conducts sea turtle research, and rescues and rehabilitates sick and injured turtles. FPL is proud to be a partner with this prestigious group. In addition, as required by permit conditions to operate the St. Lucie nuclear station, FPL maintains a sea turtle monitoring and research program at its St. Lucie nuclear power plant.

- American crocodile – About nine-tenths of FPL's Turkey Point nuclear power plant property south of Miami remains in its natural state of mangroves and fresh water wetlands. More than 60 species of birds and animals inhabit the 11,000 acre property, including endangered American crocodiles. To comply with the Endangered Species Act, FPL personnel help nurture young hatchlings and preserve the crocodile habitat.
- Florida manatee – An endangered species found in Florida, manatees need warm water during cooler winter months and have become dependent on man-made warm water refuges such as power plant outfalls. FPL has worked closely with regulatory agencies and environmental organizations for more than 30 years to ensure that they are protected.
- FPL's Everglades Mitigation Bank – This is a critical link to the success of restoring the Everglades ecosystem to its natural condition. The 13,455-acre project is located in southern Miami-Dade County

adjacent to FPL's Turkey Point power plant. Home to 46 protected species of wildlife designated as endangered, threatened, or of special concern, it contains several unique ecosystems. FPL's Everglades Mitigation Bank's size and unique location have created a seamless wildlife corridor between two national parks – Biscayne and Everglades national parks. These environmentally sensitive lands are a key component to the Comprehensive Everglades Restoration Plan. Mitigation banking generally involves the creation, enhancement and preservation of wetlands on a large tract at one location to provide mitigation "credits" for numerous smaller projects that will impact wetlands.

SIX SIGMA QUALITY

Q. Please briefly describe your responsibilities in the area of quality.

A. I lead an organization called Operational Excellence comprised of Six Sigma Quality-certified practitioners who are responsible for solving complex operational business problems and fostering a culture of breakthrough quality improvements throughout the Company. This involves examining existing operational processes, eliminating non-value added work, removing defects and errors, and implementing new measurement systems to monitor and control ongoing performance and quality. In addition, the Operational

Excellence group is responsible for training staff throughout the Company in Six Sigma statistical quality tools and techniques.

Q. How has FPL's quality management evolved?

A. FPL is considered a leader in the area of quality and ranks high among other utilities as well as other industries. FPL helped create and draft the bill for the U.S. Quality Award, which Congress passed in 1988 as the Malcolm Baldridge National Quality Program. In 1989, FPL was the first company outside of Japan to win the prestigious Deming Prize. The Deming Prize recognizes outstanding achievement in quality management.

In 2001, FPL introduced a new discipline called "Six Sigma" into its quality program. Six Sigma is about aligning FPL's customer needs, strategic imperatives, and key customer and process requirements, using advanced quality and statistical tools to achieve breakthrough productivity and problem solving. Trained practitioners provide expertise and guidance to business unit subject matter experts in the use of advanced statistical analysis to lead strategic high impact process improvement projects. They follow a five step process to define the problem, measure the impact, analyze the failure modes, implement changes to improve the process, and monitor the output to ensure control. This process is mapped in exhibit CAB-2.

FPL continues to be recognized as a top performer in quality and is asked to participate in many recognized events and quality boards such as the U.S.

Quality Council, American Society of Quality and the Florida Sterling Council. As a member of the Florida Sterling Council, FPL promotes and encourages quality at other Florida companies by sharing best practices and providing learning opportunities.

Q. What benefits can you attribute to quality assurance?

A. Our customers have realized the benefits of many of our quality projects. For example, one Six Sigma project undertaken addresses the momentary outages experienced by customers. This project resulted in improvements to the synerGEE system enabling the Company to more accurately report fault locations and identify the true fault causes. This has helped us to identify additional opportunities to reduce momentary outages experienced by customers. An additional benefit of minimizing outage frequency is a reduction of costs due to equipment damage. In 2008, we decreased our average momentary outages from 15.02 to 13.48 momentary interruptions per year, in part through the implementation of these Six Sigma projects.

INFORMATION TECHNOLOGY

Q. Please briefly describe FPL's recent technology investments.

A. FPL is investing in new IT systems that give customers more control and improved reliability, among other benefits. Since 2006, some of these technology investments include the upgrade of systems in the Distribution business unit including Work Management, Asset Management, Distribution

Management, and Outage Management. These systems enhance operational effectiveness through improved customer service and lower costs. FPL also has invested in new voice response systems and technology in the Customer Care Centers to give customers more choices and make it easier for them to transact business. The FPL website has been improved to make it faster and easier for customers to use. It has been updated to make it more customer friendly and to provide more useful information to customers. For instance, the website has enhanced customer billing, service and payment functionality. It also provides information on customers' energy usage, enabling them to modify their consumption patterns. These improvements have resulted in increased participation in billing, on-line payment options, and a reduction in high bill-related calls. FPL's robust and content-rich website ranked second in the ESource 2007 Review of North American Electric and Gas Websites. These and similar developments are discussed in the testimony of FPL witness Santos.

The Company also implemented the Microsoft Collaboration Suite including email, collaborative communications, file sharing, and web-based meetings. Implementation of this technology has resulted in improved operational efficiencies by reducing business travel and paper processing and improving communications. Furthermore, the Company upgraded its cyber security supporting generation plants and the transmission and distribution systems, as

well as the overall business operations through implementation of both software and hardware firewalls.

Q. Why does FPL need to invest in technology?

A. FPL invests in technology for three basic reasons: 1) to create value for the Company and our customers through greater operating effectiveness; 2) to provide security for the Company's physical and information assets; and 3) to meet legal and/or regulatory requirements. FPL's nuclear, financial, and customer systems, as well as the current communications network, are up to 15 to 20 years old. Due to their age, failure rates and the cost of maintenance of these older systems are significantly increasing. These systems will soon not be able to be effectively supported by the Company. Later in my testimony, I will describe current and future projects, such as SAP, the Nuclear Asset Management System (NAMS), and the Customer Information System upgrade (CIS III) that will allow FPL to better manage work, assets, people, and finances, while also enhancing many aspects of service to customers.

Q. How have these investments in technology contributed to the Company's superior performance?

A. The investment in technologies by FPL has improved FPL's efficiency, reduced cost, and enhanced service and reliability to customers. The new systems in the Distribution business unit have improved the scheduling of repair work; improved asset management, including pole inspections; improved inventory management, including truck stock; improved electronic

surveillance of the distribution grid; and significantly improved the ability of the Company to complete storm restoration. Overall, these initiatives have reduced cost and improved service to our customers.

The upgrade to our Customer Care Centers has reduced customers' wait time and made it easier for customers to transact business with us. At the same time, productivity of the Customer Care Center personnel has improved and additional management information to make further improvements is now available.

Upgrading the FPL website has made more information available to our customers while making the site easier for them to use, reducing their need to call the Customer Care Center. It has also improved the bill payment experience for the customer by saving the customer time and postage.

While the implementation of the Microsoft Collaboration Suite is currently in progress, its features such as web-based meetings, document sharing, and collaborative communications already show a lot of promise in improved operational and management effectiveness by allowing paperless interaction of people and groups on a real-time basis and a reduction in business travel for in-person meetings.

Q. What are some of the issues that are of concern regarding the protection of FPL's computer network and control systems?

A. Improvements in cyber security are mandatory in today's world. The improvements to our technology have protected our critical information and systems. While the Company has been rated well in periodic "ethical hacking" tests by third party cyber security experts, the stakes keep getting higher and thus will require continuous investment.

There are many aspects of cyber security that are mandated by state and federal laws or regulations. For example, laws requiring FPL to protect customer and employee Non-Public Information (NPI) have required FPL to develop and implement policies and procedures for how we handle access to this information. In addition, significant changes to our Customer Information System (CIS) were required to control employee access to this information.

After the terrorist attacks of September 11, 2001 and the 2003 Northeast blackout, Congress empowered the Federal Energy Regulatory Commission (FERC), acting through the North American Electric Reliability Corporation (NERC), to develop cyber security standards that require significant new policies, procedures, technology and documentation. For example, NERC requirements include a hardened physical and cyber perimeter around specified locations and equipment. This includes physically modifying buildings and installing cameras and card readers. For the electronic security perimeter, this includes new firewalls, intrusion detection systems, and special equipment to allow secure remote cyber access to locations. These standards

impact FPL's System Control Center, specified plants, substations and Information Technology group.

Last, the Nuclear Regulatory Commission (NRC) regulations are very similar to NERC requirements but are much more extensive.

Q. Please describe FPL's key current and future technology projects.

A. Some of FPL's most significant current and planned future technology investments are:

- Nuclear Asset Management System (NAMS) – this project will upgrade the systems currently in use to manage the operations of our nuclear plants including work management, asset management, purchasing, corrective action tracking, and radiation monitoring. The benefit of the NAMS projects is to provide a platform for standardization of all nuclear processes and transactions across the entire nuclear generating fleet. This standardization is intended to result in efficiencies and improved controls in support of this complex operation.
- SAP – this project will replace or upgrade systems currently in use for finance and accounting, human resources, payroll and supply chain with the latest version of SAP, an industry-leading enterprise resource planning system. The SAP project encompasses the design and development of fully integrated financial and control reporting for the

utility, along with implementation of a suite of modules including procurement and inventory management, accounts payable, expense reporting, and cash management. The integrated approach of SAP, along with new functionality, will improve the Company's ability to manage cost and forecast resource demands and requirements for work, materials, and labor.

- Customer Information System upgrade (CIS III) – This project will replace and upgrade the systems currently used for customer billing, care center operations, and all customer information related needs. These include support of: service and repair, restoration, demand management, customer communications, and many analytic processes. An important benefit of this project, in addition to improving operational effectiveness and customer service will be to support our efforts to provide more and better billing alternatives. Furthermore, without this project, FPL will not be able to effectively support requirements of a potential future smart grid.
- Future Enterprise Network Architecture (FENA) – this project will upgrade voice and data capability by changing the network architecture and replacing both network hardware and software, which will improve speed and capacity, resulting in improved quality and security management capability. The Company's communications network is currently a mix of technologies built over a span of 20 years. The current network is no longer adequate to transport voice

and data communications essential to conduct and manage business. The upgrade project replaces everything from switches to circuits, establishes a modern architecture with new features and functions and provides better quality of service management.

Q. What is the schedule for implementation of these projects?

A. Currently, the projects are scheduled as follows:

- NAMS project implementation is scheduled for 2009 for both FPL nuclear plants.
- SAP for supply chain and financials will be deployed in 2009 - 2010.
- FENA Phase I will be deployed in 2009 - 2010. FENA Phase I includes the replacement of the current Nortel based network infrastructure with a Cisco-based network infrastructure for 118 FPL sites. This new infrastructure is an enabling architecture that will provide the foundation for our information, operations and cyber security needs. Future phases will include new features and functions which will allow for improved business capabilities.

Q. In these tough economic times, why is it necessary for FPL to continue these measures?

A. Even in the current economic environment, these investments make sense because they result in operational efficiencies and help reduce ongoing costs, improve customer service, give greater control to the customer to manage

consumption, position FPL for even better response to storms and other events, and enhance cyber security protection.

Q. Does this conclude your direct testimony?

A. Yes.

CHAIRMAN CARTER: And, by the way, Mr. Anderson, what we did on yesterday, we had a witness that was giving their direct and rebuttal, we gave them six minutes, so we're going to continue along those lines. So you're familiar with my light story?

THE WITNESS: I am, Mr. Chairman, thank you.

CHAIRMAN CARTER: I'm fascinated by my lights.

Mr. Anderson, you may proceed.

MR. ANDERSON: Thanks.

BY MR. ANDERSON:

Q And you have two exhibits to your direct testimony?

A Yes, that's correct.

Q CAB-1 and CAB-2?

A Yes.

MR. ANDERSON: Mr. Chairman, these have been previously marked by staff as Exhibits 114 and 115 on the comprehensive exhibit list.

CHAIRMAN CARTER: 114 and 115, thank you.

MR. ANDERSON: Yes, sir.

(Exhibit Nos. 114 and 115 marked for identification and admitted into the record.)

BY MR. ANDERSON:

Q You've also submitted some rebuttal testimony, is that right?

A Yes, I have.

Q There's been distributed one errata for that, is that right?

A Yes, that's correct.

Q Of the 14 pages of questions and answers, other than the errata, would you have any changes, additions, deletions, corrections?

A Yes, I do. On page 6 of the rebuttal testimony, in the question that begins on line 11, the answer to that question, which is on lines 13 through 16, should be struck in its entirety and replaced with the following: FPL learned on August 27th that it and Miami-Dade County were not awarded this grant.

Q Any other changes, additions, deletions to the rebuttal testimony?

A No.

MR. ANDERSON: FPL asks that the rebuttal testimony be entered into the record as though read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be entered into the record as though read.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF CHRISTOPHER A. BENNETT

DOCKET NO. 080677-EI

AUGUST 6, 2009

Q. Please state your name and business address.

A. My name is Christopher A. Bennett. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420.

Q. Did you previously submit direct testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any rebuttal exhibits in this case?

A. No.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to claims made in the direct testimony of South Florida Hospital and Healthcare Association (SFHHA) witness Kollen relating to FPL's application for grant funding for the Smart Grid Initiative, as well as proposed adjustments to revenue requirements. I will also address renewable energy assertions made by Thomas Saporito.

SUMMARY

Q. Please summarize your rebuttal testimony.

A. SFHHA witness Kollen claims that any funds FPL may receive pursuant to funding requests it has made to the Federal Government pursuant to the American Reinvestment and Recovery Act ("ARRA" or "Stimulus Bill") should be removed from revenue requirements. Mr. Kollen's assertion is inappropriate and misleading. While FPL has applied for funding for three separate projects under the ARRA, each application is for work that is completely incremental to and does not replace a single dollar of what is included in FPL's rate case filing. FPL hopes to but has no guarantee of receiving ARRA funds. However, if any funds are received, FPL will ensure that they are appropriately accounted for from a regulatory perspective. Initial award announcements are not expected to occur until September. Accordingly, no adjustment or ruling is appropriate in this base rate proceeding with respect to the ARRA applications.

In the second portion of my testimony I briefly address witness Saporito's assertion that FPL has not reasonably pursued purchases and development of renewable energy resources. In fact, FPL is a leader in renewable energy in Florida as evidenced by its extensive and long-standing purchase contracts from renewable suppliers and FPL's current construction work on three major solar facilities totaling 110 MW. FPL is committed to developing the maximum cost-

effective amount of renewable resources to serve its customers and continues to explore the use of emerging renewable energy technologies.

REBUTTAL TO TESTIMONY OF LANE KOLLEN

Q. Has FPL applied to the Department of Energy (DOE) for matching grants under the Stimulus Bill?

A. Yes. FPL has applied for three grants. Two have been submitted for plug-in hybrid electric vehicles (PHEV) technology – one for PHEV Bucket Trucks to directly support electric distribution system work and another for PHEV fleet vehicles. FPL's third application, which is planned for submission by August 6, 2009, is for "Energy Smart Florida" (ESF).

Q. Please describe the PHEV Bucket Truck project and FPL's grant request.

A. On May 13, 2009 FPL applied for a grant under the DOE's Transportation Electrification program funded by the Stimulus Bill (Funding Opportunity Announcement (FOA) DE-FOA-0000028). According to the DOE, medium duty trucks (single-unit trucks with gross vehicle weight greater than 26,000 pounds) account for more than 30% of the total fuel consumed by trucks. FPL, in partnership with Navistar, Eaton, Altec, CalStart and Gridpoint, and subject to the awarding of this grant to FPL by DOE, intends to advance the development of PHEV medium-duty trucks in an effort to drive industry adoption. There are five key objectives for this project:

- Develop the electric drive train and battery system for PHEV medium-duty trucks with an all-electric drive range of more than 10 miles.
- Demonstrate on-road operation by deploying up to 200 trucks in FPL's fleet and collect data to validate fuel efficiency, emissions, performance and reliability.
- Demonstrate successful integration of the vehicle with electric charging infrastructure.
- Disseminate the field findings to the trucking industry to drive adoption.
- Create a roadmap to commercialize the PHEV platform across the medium-duty truck segment.

The total project cost is $44.2 million. This is an up to 50% matching grant program and, therefore, FPL is requesting that DOE provide $22.1 million.

Q. How are these funds treated in your rate case proposal?

A. Our rate case includes costs associated with periodic replacements of fleet vehicles. However, this project to convert some of these vehicles to PHEVs was not anticipated at the time the rate case MFRs were being prepared. Therefore, none of the incremental conversion costs or associated project costs were included. The Stimulus Bill grant award we are seeking would offset these incremental costs that are not included in the rate case. If no funds are awarded, the project, and associated incremental cost, will not be pursued.

Q. When does FPL expect to receive word as to acceptance or denial of this grant application?

A. The last formal word FPL received from the DOE was June 5, 2009. At that point, the DOE stated that the comprehensive evaluation phase would take approximately 90 days. Therefore, FPL currently expects to be provided more information, if not a final determination, in September. Should FPL be selected, it is our understanding that it generally takes another 30 days or so to negotiate final contract terms with the DOE.

Q. Please describe the PHEV fleet vehicle project and FPL's grant request.

A. On May 29, 2009, Miami-Dade County, as the primary applicant, submitted a grant proposal for the Clean Cities FY09 Petroleum Reduction Technologies Projects for the Transportation Sector (FOA DE-PS26-09NT01236-00). This is a collaborative public/private partnership between Miami-Dade County, Clean Cities Gold Coast and FPL to:

- Establish the viability of PHEVs
- Reduce fossil emissions through the conversion of fleet vehicles to PHEVs
- Reduce fleet vehicle fuel and maintenance costs
- Provide public access to plug-in stations
- Provide community education and outreach regarding PHEVs

Through this grant, FPL plans to purchase and deploy approximately 300 Toyota Prius vehicles which will be converted to PHEVs using the A123 Hymotion conversion kit. These PHEVs are designed to be charged from an 110V outlet. The total cost of this collaborative project for FPL is estimated at $13.3 million.

The associated amount of requested DOE matching funding is $6.4 million with FPL's resulting net investment being about $6.9 million.

Q. How are these funds treated in your rate case proposal?

A. This project to replace some employee-owned contract vehicles with company-owned PHEVs was not anticipated at the time rate case MFRs were being prepared. Therefore, none of the incremental purchase and conversion costs or associated project costs were included. The Stimulus grant award we are seeking would offset these incremental costs that are not included in the rate case. If no funds are awarded, the project, and the associated incremental costs, will not be pursued.

Q. When would Miami-Dade County and FPL expect to receive word regarding acceptance or denial of this grant application?

A. Similar to the other PHEV application, FPL does not expect to hear more on the disposition of the application until September. Again, if the coalition is selected for an award, it is our understanding that it generally takes another 30 days or so to negotiate final contract terms with the DOE.

Q. Please describe Energy Smart Florida (ESF).

A. At the time of writing this testimony, FPL is in the process of developing a grant proposal under the Integrated and Crosscutting Systems Topic Area of the DOE's Smart Grid Investment Grant (SGIG) Program (FOA DE-FOA-0000058). FPL's proposed ESF project will validate Smart Grid functionality by upgrading multiple portions of the electric system with intelligent devices as well as collecting, integrating and analyzing relevant data. Grid upgrades will include

installation of monitoring, control and diagnostics equipment and software applications in the areas of end-use consumption, distribution and transmission. In April 2009, FPL announced the Energy Smart Miami (ESM) project, which would enable Miami-Dade County customers to realize the benefits of an intelligent electrical infrastructure. ESM was widely acknowledged and supported by local, state and federal governments. After the DOE announced increased funding levels in its final FOA, FPL broadened the scope of ESM to become ESF.

FPL's approach to Integrated and Crosscutting Systems is comprehensive and involves equipment and software applications that cover multiple Topic Areas as defined by the DOE:

- Electric Transmission Systems
- Electric Distribution Systems
- Advanced Metering Infrastructure (AMI)
- Customer Systems

ESF is planned to be completed by the end of 2011 (essentially two years). At completion of this project, FPL will have integrated, strengthened and secured its electrical system providing customers benefits through the deployment of:

- 2.6 million automated digital customer meters with real-time data collection representing over 55% of FPL's customers
- In-Home Displays and Home Energy Controllers with planned trials of associated alternative rate structures

- Grid integration of renewable distributed generation
- Over 9,000 intelligent devices on the distribution network
- Phasor Measurement Units that will provide 100% of the coverage needed for FPL's transmission systems
- State-of-the-art cyber security encompassing ESF's systems and operations

FPL plans to file this application with the DOE on August 6, 2009.

Q. When will FPL expect to receive word as to acceptance or denial of this grant application?

A. Based on present DOE indications, FPL expects to hear in the October to November timeframe. As with the other grants, if FPL is selected for an award, it generally takes another 30 days or so to negotiate final contract terms with the DOE.

Q. What funding level is FPL applying for?

A. FPL's qualifying expenditures in the 2009-2011 period covered by the SGIG are about $580 million. FPL is requesting the maximum amount available of $200 million in matching funds.

Q. How are these funds treated in your rate case proposal?

A. The portion of the approximate $580 million ESF proposal reflected in FPL's rate case MFRs is approximately $380 million for residential and small commercial/industrial AMI deployments. These are FPL's required contributed "matching funds". As with the other projects, the DOE will match up to 50% of

the project cost under the SGIG program. The DOE's $200 million will cover the cost of the other ESF activities discussed previously in my testimony. These expenditures are over and above those included in the rate case, but the DOE's funding will permit customers to get the benefits of those investments without requiring any payment on their part. If FPL had not proposed a large integrated and crosscutting project (which includes the functionality of more than one Topic Area) the maximum DOE funding available would have only been $20 million, a mere 10% of the maximum amount now eligible. It should also be noted that the DOE also wishes to incentivize investments that are incremental to those which would have been undertaken without the provision of federal funding

Q. Witness Kollen suggests the Commission should incorporate the $20 million DOE Smart Grid Grant from the Stimulus Bill in the revenue requirement even though the Company has not yet received approval for any grant funds. Do you agree?

A. No. There is no guarantee that FPL will receive any Stimulus funds. The initial awards are not expected to occur until September with the larger award announcements in the October/November time frame. Moreover, the projects and associated funding requests to the DOE are over and above what is included in FPL's rate case filing and thus should not result in an adjustment to FPL's base rate request.

Q. On page 37 of his testimony, Mr. Kollen says that these preliminary CIS III costs are not recurring in nature and will not continue after 2012. Do you agree?.

A. No. This is incorrect because every year FPL is constantly developing and evaluating new systems. Key drivers for these investments include:

- **Lower than normal technology investment from 2004 to 2009**: Key drivers include inability to perform work due to factors, including severe hurricanes and necessary budget reductions due to the economic downturn.
- **Need for timely system upgrades / replacements:** Critical systems, including CIS are due (perhaps overdue) for normal, lifecycle replacement. This is due to
    - FPL's conservative approach of leveraging investments as long as possible
    - The lower investments mentioned above
- **Growing demands from customers and regulators:** Various drivers including climate change, customer choice, advanced grid operations (e.g. SmartGrid) are heavily reliant on a foundation of application systems that are flexible, customer accessible, and easy to use. Implementing and operating these systems are expected to address these drivers, and will require ongoing investment.

Additionally, projections beyond 2012 are based on initial, high level planning. Per our normal, accepted process, prior to 2013, FPL will develop strategies to further refine these long range plans as well as detailed annual budgets with specific investment plans. What is absolutely certain is that CIS III and other information management systems investments will continue to be required consistent with the drivers I have mentioned for 2012 and beyond at least at FPL's projected 2009-2012 levels.

All such costs have been and will continue to be properly accounted for in the future. Therefore, Witness Kollen's proposed adjustment should be rejected.

REBUTTAL TO TESTIMONY OF THOMAS SAPORITO

Q. Please comment on Mr. Saporito's assertion that FPL has failed to act with respect to renewable energy resources?

A. This assertion is baseless and ignores FPL's track record. FPL is a leader in renewable energy in the state of Florida. For example FPL has been providing a portion of its customers' energy needs from renewable resources since 1980. This energy is purchased from owners of waste-to-energy, biomass and landfill gas power plants located in Florida. During 2008 FPL provided its customers with a total of 1,627,407 MWh of electricity from these renewable resources. In addition, FPL is building three major solar facilities in the state.

Q. Please describe the three solar facilities that are currently under construction in Florida.

A. FPL has begun construction of 110 MW of zero emissions renewable solar generating projects in Florida. When these projects are completed, Florida will be the second largest electric generator of solar electricity in the United States. These solar projects will provide both the benefit of zero carbon emissions and will help meet the requirements of the state's renewable energy standard or a federal renewable energy standard if either one is enacted.

FPL is constructing a 75 MW solar thermal steam generating facility which will be integrated into an existing combined cycle power plant at the Martin Power Plant site in Martin County, Florida, thereby creating the world's first hybrid energy center. Martin Solar will be the second largest solar generating facility in the world. This generation plant is being constructed on an approximately 600-acre site and will be the first of its kind to integrate solar technology with a combined cycle natural gas plant.

The DeSoto Solar project is being built utilizing solar photovoltaic ("PV") technology. The project is planned to be 25 MW of capacity and is projected to produce an average of 51,000 MWh of electricity annually. When completed, this project will be the largest solar PV facility in the country. Construction of the plant began during the first quarter of 2009 with a projected in-service date during the fourth quarter of 2009.

The Space Coast Solar Energy Center also will utilize solar PV technology and will be located at NASA's Kennedy Space Center in Florida. The project is planned for 10 MW of installed capacity that is projected to produce approximately 17,000 MWh of electricity annually. Construction of the project is expected to begin in the third quarter of 2009 with a projected in-service date during the third quarter of 2010.

Q. Mr. Saporito claims there could be benefits from allowing customers to install renewable generation and sell excess capacity back to FPL through a process called net metering. Please comment.

A. FPL agrees that there are benefits from net metering in that it encourages customers to invest in renewable energy.

Q. Is net metering approved in Florida?

A. Yes. F.A.C. Rule 25-6.065 (Interconnection and Net Metering of Customer-Owned Renewable Generation) was modified and passed by the Florida Public Service Commission on March 19, 2008 allowing the interconnection and net metering of customer-owned renewable generation up to 2 megawatts.

Q. Please describe net metering.

A. Net metering allows FPL customers who install up to 2 megawatts of renewable generation an opportunity to get full retail credit for their excess generation.

Q. Is FPL involved in any projects to promote rooftop solar facilities?

A. Yes. FPL has promoted rooftop solar in cooperation with SunSmart Schools, along with numerous projects including three Publix Stores (Miami Lakes, Boca Raton and Palm Beach Gardens) and the FAU Downtown Ft. Lauderdale campus. FPL is currently working on the installation of six ground-mounted solar arrays at Mandarin Lakes Elementary in Miami-Dade County, Deerfield Middle School in Broward County, Suncoast High School in Palm Beach County, J. D. Parker Elementary School in Martin County, Hinson Middle School in Volusia County and L. A. Ainger Middle School in Charlotte County. FPL is also developing a

"living lab" with various working solar rooftop technologies at its Juno Beach headquarters to educate employees and customers on rooftop solar.

Q. Mr. Saporito claims that FPL could sponsor LED street lights to its customer resulting in cost savings. Do you agree?

A. No. While LED lighting shows promise as a way to conserve energy, reduce costs and reduce light pollution, it is clear based on FPL's research and testing that greater technological advancement and industry development to drive economies of scale are needed for this to be a cost-effective choice for our communities. At this point LED streetlights are far more expensive than conventional lighting and their maintenance and life expectancy are unknown.

Q. Are there any other claims that Mr. Saporito makes in his testimony that you would like to address at this time?

A. No. Other issues raised by Mr. Saporito are subsumed in the FPL rebuttal testimony of other intervenor witnesses.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MR. ANDERSON:

Q There were no exhibits to your rebuttal testimony, right?

A No, there were not.

Q You've prepared a short summary of your direct and rebuttal testimony?

A Yes, I have.

Q Please present your summary to the Commission.

A Mr. Chairman, Commissioners, good morning.

My testimony today explains how FPL's initiatives in environmental management and global climate change have resulted in the company being one of cleanest utility companies in the United States, and well-positioned for the future requirements of a low carbon environment.

My testimony also addresses why claims made in the direct testimony of South Florida Hospital and Healthcare Association Witness Kollen relating to stimulus bill funding are inaccurate and inappropriate.

As well, I will address the status of FPL's applications for grant funding from the Department of Energy for stimulus projects pursuant to the American Reinvestment and Recovery Act.

In environmental management, FPL has demonstrated its leadership and commitment to emissions

reductions and strong wildlife and ecosystem protection. FPL's power plant emissions of carbon dioxide, sulfur dioxide and nitrogen oxides are among the lowest of all power generators, not just in Florida but in the entire United States.

For example, as shown in the chart in front of you and appearing behind me to my right, FPL's carbon dioxide emissions rate is 40 percent below the national average and much further below that of the worst industry performers. FPL has achieved these low emission rates while keeping residential rates the lowest among Florida's utilities.

As the air emissions regulations continue to become more restrictive, the cost of retrofitting power plants with environmental control equipment is growing substantially for the electric industry. To counter this trend, FPL has been a pursuing a strategy to modernize older existing generation and meet new demand as needed with new, efficient combined cycle units and nuclear. This strategy results in a cleaner environmental footprint for FPL and lower compliance costs to our customers for future environmental regulation. It also helps to make our generation more efficient, thereby lowering fuel costs.

FPL is a recognized leader on both the federal

and state levels in the effort to address global climate change. We advocate for effective climate change legislation that fairly recognizes FPL's investment in clean energy resources. Being a leader on this issue is very important for the long-term interests of FPL's customers, and advocating for fair policies that recognize FPL's investments in clean generation and low emissions will better position FPL to comply with future regulations and will lower costs for our customers.

In recognition of these efforts, just this morning FPL Group was named one of the top companies in sustainability performance in North America by Dow-Jones. We have led by example with our demand side management programs which attained the number-one-rated cumulative customer energy efficiency savings in the U.S., according to the Department of Energy.

We have also demonstrated our leadership through substantial investments in clean energy for Florida, including the current construction of 110 megawatts of solar, thermal and photovoltaic generating facilities. These facilities, which were strongly supported by the Governor and approved by this Commission, will contribute to fuel diversity and, for the long term, are powered by free fuel from the sun. FPL is also a major supporter of rooftop solar

facilities and is working with a number of Florida schools and several Publix stores.

All of these efforts to modernize older generation and add new combined cycle, solar and nuclear capacity demonstrate that FPL is acting, not just advocating for a low carbon future.

With regard to FPL's potential grant funding from the DOE, FPL applied for three matching grants: One for 22.1 million for plug-in hybrid electric bucket trucks to directly support our distribution system work; a second for 6.4 million for plug-in hybrid electric fleet vehicles; and a third for 200 million for FPL's Energy Smart Florida Smart Grid Investment Program.

FPL was notified on August 7th that it was not a grant recipient for the plug-in hybrid bucket trucks program, and on August 27th we learned that we were not awarded a grant pursuant to the our plug-in hybrid electric fleet application. The remaining proposal for $200 million for the smart grid investment grant is still under consideration, and award announcements are expected in the October time frame.

Mr. Kollen's claim that grant funds should be removed from revenue requirements is not appropriate. The work under these grant applications is completely incremental to and does not replace a single dollar of

what was included in FPL's rate case filing. In the event FPL receives a grant award for its remaining application, the Commission can be assured that such funds will be used to provide FPL -- benefits to FPL customers incremental to expenditures detailed in this rate case filing. Accordingly, no adjustment is appropriate in this base rate proceeding.

Thank you for this opportunity to summarize my testimony.

MR. ANDERSON: Mr. Bennett is available for cross-examination.

CHAIRMAN CARTER: Ms. Griffiths?

MS. GRIFFITHS: Yes, Mr. Chairman, I have questions, and I'd like to make sure that staff has the confidential exhibit that I've requested from them. I think it might be best if we go ahead and pass it out at this time.

CHAIRMAN CARTER: Okay, let's take a moment.

MS. GRIFFITHS: Just for the record, the exhibit that will be passed out is the company's Response to Staff's Fourth POD No. 55-A, supplemental, and that is the company's request to the DOE for the smart grid program.

CHAIRMAN CARTER: Okay, for the record.

MS. GRIFFITHS: And I've coordinated

previously with Mr. Butler. This exhibit is confidential, but I've been told that I can talk in sort of ballpark figures regarding some of the specifics of it, so please feel free to interrupt me if you think that I'm going too far --

CHAIRMAN CARTER: No, it's actually Ballpark franks. It's supposed to be Ballpark franks.

MS. GRIFFITHS: Ballpark franks, okay.

CHAIRMAN CARTER: Go ahead, Ms. Griffiths. I just wanted to make sure you're awake. You may proceed.

MR. ANDERSON: If I might --

CHAIRMAN CARTER: Mr. Anderson?

MR. ANDERSON: -- and just to help with that, is if Mr. Bennett feels that confidential information is being elicited, if he could just indicate that also?

CHAIRMAN CARTER: Hang on one second. Let's kind of take a break in place.

Mr. Anderson, why don't you go over and kind of make sure that he's on the one on this before we --

MS. GRIFFITHS: And I'll just -- I have clarified, actually, with Mr. Butler the specific questions that I'm going to be asking, and they pertain to the very last page of the confidential exhibit.

CHAIRMAN CARTER: Okay. Let him --

MS. BENNETT: Mr. Chairman, for --

CHAIRMAN CARTER: Ms. Bennett?

MS. BENNETT: -- clarity of the record, it is staff's Confidential Composite Exhibit 36, and I believe it is -- is it item 4 or item 5 on the confidential exhibit list? It's item 4 on the confidential exhibit --

CHAIRMAN CARTER: On the confidential list. Okay. Mr. Anderson, are you okay?

MR. ANDERSON: Uh-huh.

CHAIRMAN CARTER: Ms. Griffiths, you may proceed.

CROSS EXAMINATION

BY MS. GRIFFITHS:

Q Mr. Bennett, do you have the exhibit in front of you?

A I do.

Q Okay. We'll be getting to it shortly.

Now, just for the sake of this cross-examination, is it okay if I use the term *stimulus bill* interchangeably with the American Recovery and Reinvestment Act of 2009? Are those one and the same?

A I'm fine with that, yes.

CHAIRMAN CARTER: Hang on a second. Okay, just give me a voice check on you. Just A, B, C, D, E, F, G.

THE WITNESS: Testing, testing.

CHAIRMAN CARTER: A typical engineer, can't follow instructions.

Go ahead, Ms. Griffiths.

MS. GRIFFITHS: All right. Okay.

BY MS. GRIFFITHS:

Q Now, you are aware, are you not, that Mr. Kollen's recommendation in this proceeding was not to credit $200 million in received grants to the revenue requirement, correct?

A I'm aware that Mr. Kollen -- maybe this is restating what you just said, Ms. Griffiths, but I think what I understood Mr. Kollen to say is that the $200 million grant, if it were to be received by FPL, should be excluded from the revenue requirements.

Q Okay. And I'm sure Mr. Kollen's testimony will speak for itself in his direct testimony that was submitted into the record, but are you aware that his recommendation was to credit $20 million to rate base associated with any potentially -- any grants that are actually received for the smart grid program and to create a regulatory liability for any other grant monies that would be received, are you aware of that, sir?

A Yes.

Q Okay. All right. Now, FPL's biggest grant

request to the DOE under the stimulus bill was for a $200 million grant to fund its Energy Smart Florida program, correct?

A Yes, that's correct.

Q All right. And you have before you that actual application that was submitted to the DOE, and if we turn to the back page of that, which is Bates-stamped FPL 160370, the Commissioners can look in that and see for the record what specifically that $200 million would go to if it were received, is that correct?

A Yes.

Q Okay. And I'm told that I can ask this question: But isn't it accurate that there is a certain amount of the $200 million that would go for Smart Meters, correct?

A That's correct.

Q And a certain amount that would go for data management application and interfaces to support those Smart Meters, correct?

A That is correct.

Q All right. And there is also some moneys that, if received, would go to educating the customers and your own staff and personnel for the Smart Meters, correct?

A I don't know about educating our own staff,

but certainly for customer education, yes.

Q Okay. And I'm just going to -- this is where I'm going to speak in ballpark figures, but the actual number for the Smart Meter and data management application interfaces, if it were received, would be somewhere in the ballpark of between $50 million to $70 million for that specific element of the project?

A That is correct.

Q All right. All right. Now, the company submitted this grant application in response to a funding opportunity announcement by the DOE. Is that accurate?

A Yes.

Q All right, Mr. Bennett, I'm going to pass out that funding opportunity announcement to you.

CHAIRMAN CARTER: Do you need a number?

MS. GRIFFITHS: Yes, I do.

CHAIRMAN CARTER: Okay. We're at 464 Commissioners, No. 464. Short title, or a title?

MS. GRIFFITHS: Okay. DE-FOA-0000058.

CHAIRMAN CARTER: That's it?

MS. GRIFFITHS: I got it short this time.

CHAIRMAN CARTER: Mr. Mendiola gave you the -- he broke the code for you, right, or was it Mr. Wiseman?

MS. GRIFFITHS: I just got schooled, that's

all.

CHAIRMAN CARTER: She's not going to give guys credit. Now you know that, right?

(Exhibit No. 464 marked for identification.)

BY MS. GRIFFITHS:

Q Do you have that funding announcement in front of you, sir?

A Yes, I do.

Q And if you look at the first page of that, does it appear to be the DOE's funding announcement for the Smart Grid Investment Grant Program, and the funding opportunity number is the same that you have listed in your rebuttal testimony at page 6, is that accurate?

A I'd have to check my rebuttal testimony, but the first part of your statement is correct.

Q Okay. And if you could peruse through this, is this the DOE funding opportunity that the company relied upon to submit the grant request?

A Yes, it is.

Q All right. Now, on page, I believe it is 8, of your rebuttal testimony, you say that FPL has $580 million in qualifying expenditures in the 2009 through 2011 time period. Is that accurate?

A That's approximately correct. I think the actual number may be 578, but that's about right.

Q All right, and so those -- that $580 million investment, is that essentially eligible investment that would fall under the grant's terms?

A It's the total investment which would be subject to the 50 percent matching grant up to a maximum of $200 million under the funding opportunity terms, that's correct.

Q And of that $580 million of qualifying expenditures, does some $380 million of that 580 relate to planned AMI investment for residential and small commercial customers in Florida?

A Yes, it does.

Q Okay. And I think we've already gone over this, but of the $200 million request, FPL is asking the DOE to award funds for the advanced meters and data management systems, correct?

A Among other components of the request, yes.

Q Okay. And advanced meters could not necessarily be utilized as they should without the data management systems that you need to support them, correct?

A They could not be utilized to do, I believe, some of the type of customer technologies and presenting information to customers that we would like to have as part -- and what's been applied for is part of this,

that's correct.

Q Okay.

Now, I believe that Ms. Santos testified a little bit the other day about the grant program, and were you here for her testimony or did you listen in to it?

A I saw some of it over the Internet. I haven't seen -- I wasn't familiar with all of it, no.

Q Okay. Well, do you agree with her that the company should know by the October-November time frame whether or not it would receive some of the grant moneys?

A We believe that is the time frame when we would know, yes.

Q Okay. And under a worst-case scenario, FPL would receive nothing, correct?

A That's correct.

Q And under a best-case scenario, you'd receive $200 million use to use towards the smart grid program?

A Correct.

Q But regardless, the amount of the grant award should be known and measurable by the end of this year, correct?

A We believe that to be the case, yes.

Q Okay. And you'll know long before the 2011

test year whether or not you're going to receive those grant awards, correct?

A We certainly hope so.

Q All right. Okay. But FPL is not proposing to credit a single dollar of any awarded funds to reduce its annual revenue requirement for the 2010 or 2011 test years, is that correct?

A That is correct, and the reason for that is, as I explained in my summary, the investment that -- the grant that was applied for would be for components for smart grid and for AMI which were not originally planned to be deployed in the 2010-2011 time frame and are not part of the MFRs which were submitted.

Q All right. And I believe Ms. Santos testified, I think it was on Friday, that she thought that it was a DOE requirement that FPL's grant applications only go to incremental investment. Did you hear -- listen in on that? Are you aware of that testimony?

A I did hear her mention that, yes.

Q Okay. And I know that federal grants often have many requirements to them, so I wanted to explore some of the grant requirements associated with this one, and that's -- and with that being the case, I'd like you to turn to Exhibit 464, which is the funding opportunity

announcement.

A Which page number?

Q Yeah, could you turn to page 13 of that exhibit?

All right. Now, is it true that the DOE in its funding request clearly laid out which projects would be eligible projects for the -- under the grant program? And we can see that criteria beginning on page 13 of the exhibit and going on to page 14, is that correct?

A Yes, I would agree with that.

Q All right. And the DOE also defined, and I believe it was set out in statute, eligible investments for the grant and non-eligible investments for the grant. Do you see that, sir? And that is beginning on pages 14 and going through 15.

A I see those headings, yes.

Q Okay. And you are not a lawyer, are you, sir?

A No, I am not.

Q So if we wanted to, we could turn to this grant application and look at the eligible investment criteria and non-eligible investment criteria to actually look at what the DOE says its requirements are for the smart grid program, could we not?

A Yes, we could.

Q All right. And in addition, the DOE has laid out in its grant application, I believe on page 38, if you'd turn to that, merit review criteria the DOE would rely on, and I believe, if you look at numbers -- that's letter C under Merit Review Criteria, you can see the various categories upon which they will grade the grants that are submitted to them. Do you see that, sir?

A Yes, I do.

Q All right. And I don't really want to go into all the gory details of what the grant says, but just suffice it to say, is it correct that there are four criteria that lay out the merit review criteria that the DOE will rely on, and we could review this to see if any of the requirements of the DOE grant application were that it would only allow incremental investment?

A I'm sorry, could you repeat that question?

Q Sure. We could look at the merit review criteria laid out in this funding opportunity announcement to determine whether it was a DOE requirement that grant applications only be for incremental investment as opposed to planned investment?

A I don't know whether this review criteria here would cover that. This seems to be the merit of the approach for the project itself.

The DOE did announce other criteria outside of

the funding opportunity announcement which we have here. There were clarifying town hall meetings which they had in Washington and other sessions in which they, subsequent to issuing this document, did give some guidance around what they were looking for, in addition to how they're going to score the approach to how to perform the projects.

Q Okay, but we could look at this, and I understand that there are some other criteria that have been listed, but the company has not submitted that into the record, has it?

A I am not aware if we have or not.

Q Okay. And we could also look at the eligible statutory criteria for investment to rely on that as well, could we not?

A I don't know what you mean by that.

Q I'm sorry, let me clarify for that. We could look at the statutory criteria laid out in the funding announcement to determine whether or not it is a requirement that the grant application be for incremental versus planned investment?

A I believe we probably could get a sense of that, again, from this document. There were a number of discussions that took place, again, outside the confines of the document itself with the DOE, again, in

Washington, where they attempted to clarify a bit more what types of projects they were looking for, the fact that in particular, for the smart grid investment grant program, they were looking for larger, crosscutting types of projects for this piece of the grant.

If you recall, there are two smart grant programs under the DOE funding opportunity announcements. There is one for demonstration projects, which I believe is about a six hundred, $615,000 program, and then this program, which is for much larger implementations, is a $3.4 billion program. And what was clarified in some of those sessions was specifically the types of programs that they were looking for and how they would weight some of those in their thinking.

Q Okay. Now, let's switch gears a little bit and talk about the planned AMI deployment of FPL, and, Mr. Bennett, you're aware, aren't you, that FPL is currently planning large-scale AMI deployment to begin in 2009 and to run through 2013, correct?

A Yes.

Q All right. And the total capital costs associated with that project are about 645 million, does that sound right, sir?

A I believe that's correct, yes.

Q Okay. And total expense related to that

project is about 34 million, does that sound accurate?

A The total expense associated with it, the O&M you mean?

Q Yes. Sorry, O&M.

A Yes, that's correct.

Q And during 2010 FPL expects about $418,000 in operational savings primarily related to decreased meter-reading expense, are you aware of that, sir?

A I'm not familiar exactly where what the savings or the benefits are. That was in, I think, Witness Santos's testimony.

Q Okay. And I know that the record speaks for itself, but let me just ask whether or not you are aware of this. Isn't it the case that during 2011 FPL expects to receive about $4.7 million in operation expense savings for 2011, and that is, again, related primarily to meter-reading expense decreases?

A Again, that would be within the purview of Witness Santos. I'm not aware of what the savings or the benefits were in that piece of the proposal.

Q Okay, so -- but are you aware that parties are disputing the amount of operational savings that would result from AMI deployment?

A No, I was not aware of that.

Q Okay, so you have no knowledge that there are

parties in this case that say that the savings should actually be higher than what FPL says they are?

A I think what I'm aware of or what I've heard is that the hard-dollar savings we do have a quantified number on, and that we believe there will be additional upsides in terms of customers' ability to get more data about what their energy consumption is and the ability to make choices on that, but I'm not aware that there has been any quantification of that by either FPL or Intervenors at this point.

Q Okay. Well, then, let me ask you this and pose the question and you answer it if you can.

It seems to me that if FPL were to receive that grant and double its AMI investment in 2010 or in 2011, wouldn't it follow that there would be increased savings from installing those meters?

A There probably will be increased savings from the installation of those meters, but a lot of it will be dependent on the systems development required to support that in order to generate those savings and provide the right information to customers via the customer billing system and some other information systems which we will not have in that time frame.

I believe in the 2010-2011 time frame it's really the hard benefits, the meter-reading savings that

I think are the ones that are quantifiable.

Q Okay. And your grant application, just to follow up on that, does include dollars that would go to the data management infrastructure or the, basically the systems that you'd need to put in place to fund that increased investment and to result in that increased operational savings, does it not?

A It will fund a very small piece of what is needed. The additional piece that's needed to support that will be the customer information system which is due to be designed and then implemented over the 2010-2013 time frame when it would be deployed.

Q Okay. And just assume with me that FPL does get the $200 million grant, which I know is an unknown at this point, but if it does receive that grant and followed through and installed the number of meters that it says that it would, isn't it the case that the company does not plan to reflect any of those operational savings in the revenue requirement that it's asking the Florida ratepayers to pay?

A I believe in the, again, in the test year and the subsequent year we aren't expecting any additional upside benefits. Beyond that, I think there will be additional benefits which are not known or quantifiable at this point in time.

MS. GRIFFITHS: Those are all the questions I have. Thank you.

CHAIRMAN CARTER: Thank you.

Mr. McGlothlin?

CROSS EXAMINATION

BY MR. McGLOTHLIN:

Q Mr. Bennett, I have several questions about your opening summary and what I believe is an exhibit to your testimony that's been distributed. Do you have that available to you?

A Which exhibit would that be, Mr. McGlothlin?

Q The CAB-1, the bar graph.

A Yes.

Q Do I understand correctly that this is taken from the exhibits to your prefiled testimony?

A Yes, it is.

Q In your summary you said that, "FPL is well-positioned to manage under a low carbon environment," and by "a low carbon environment," do you have in mind the potential for a regulatory regime that is more stringent with respect to the emissions of CO^2?

A Yeah. I think what I said was that we are well-positioned to meet the potential requirements or demands of a low carbon environment, which would in fact reflect a more stringent legislative regime most likely

either at the state or the national level for carbon dioxide emissions.

Q And we don't know what form that could take or when, but it could be either in the form of either tax on emissions or a cap-and-trade program among alternatives, correct?

A There are various alternative being floated at the moment, among which are the ones that you just cited.

Q And under such a regulatory pattern, utilities, depending upon their circumstances, could be required to retrofit units to comply or they may be required to purchase allowances or otherwise alter their current operating patterns, correct?

A That is correct, and that impact will be much more severe for the, the so-called dirtier utilities or mostly coal-based utilities in other states, particularly outside of the state of Florida.

Q And that's the point you make with this bar chart, is it not? You make the point that emissions profiles vary significantly among operating utilities?

A That's correct.

Q And would it be fair to assume that those utilities who are characterized by high emissions relative to either the average or their peers would have

a more difficult time complying with the more stringent program than with those who have low emissions relative to either the average or to their peers?

A We believe that to be the case. Again, it will be somewhat dependent on the direction of what legislation -- the direction the legislation may go. Certainly all of the proposed legislation that we've seen over the last few years does reward or, said another way, tends not to penalize FPL relative to other, dirtier utilities as a result of being a cleaner carbon-dioxide-emitting company.

Q Would you agree that it would be likely more difficult for those utilities having higher emissions relative to their peers or to the average to continue to operate their units in compliance with new regulations and on an economical basis than those who are below the average?

A I think that in general that's correct. I think what will have to happen is, if any form of carbon legislation goes forward and a price is put on carbon, we will probably see that those operations, those companies will have to make some substantial operating changes to their business in order to comply.

Q And by the same token and for the same reasons, those utilities that have low emissions

profiles relative to either the average or their peers would have less difficulty in continuing to operate their units in compliance and economically?

A Yes, that's true.

Q And you show on your bar chart that FPL is 40 percent below the national average, is that correct?

A In CO^2 emissions intensity, that's correct.

Q And that's measured in a manner that takes into account all of FPL's generators?

A Yes.

Q Including those that operate on oil, gas and coal?

A Yes, it includes those. It also includes sources from purchased power outside of the state of Florida that we buy.

Q Now, is it true that sometimes, when certain companies in the utility business have any kind of difficulties, that creates opportunities for others?

A I'm sorry, could you repeat your question?

Q Yes. I'll be more specific.

In the event that certain utilities characterized by high emissions relative to the average or their peers encounter difficulties either in operating their units or in acquiring allowances, does that present some opportunities for companies such as

FPL that do not encounter such difficulties, either in the form of selling allowances or selling wholesale power?

A It may present some opportunities for us outside of the state of Florida, particularly, where we could sell, you know, in the affiliated business some cleaner power to some of those utilities, correct.

Q Were you in the room when counsel for FPL distributed an analysis of the pending House bill and its potential impact on the utility industry in the United States?

A No, I was not.

Q Oh, in that event, I'll have no further questions. Thank you.

CHAIRMAN CARTER: Thank you, Mr. McGlothlin.

Ms. Bradley?

MS. BRADLEY: Thank you. I have just a few questions.

CROSS EXAMINATION

BY MS. BRADLEY:

Q Did you go to any of the customer service hearings?

A I did not attend the customer service hearings, but I did read the written briefings that were documented for each of them.

Q Was that the full hearing or just a summary of the hearing, when you say "briefings"?

A It was a listing of, I believe, every speaker, every customer at the hearing, and essentially documented what their issue was.

Q So it was a summary that your staff prepared?

A Yes, it was prepared by somebody on the staff.

Q Okay. Did you hear the hearing -- did you review the complaints that came in from some of the customers about problems with lights going out and power surges and that type of thing?

A I saw all the complaints and issues that were generated as part of those.

Q And did those include the complaints about power surges and outages and tree-trimming and all of that?

A Some of them, yes.

Q In your testimony, you talked about the momentary interruptibles.

A Yes.

Q What do you consider momentary?

A We consider a momentary interruption anything that is an outage for less than 60 seconds and then resets itself in the system.

Q So that wouldn't have included the complaints

from some of your customers that say they were talking about two-hour outages when the power goes out?

A No, it would not have.

Q Okay. Now, you talked about serving on the Six Sigma Quality Assurance Group or something?

A Yes, I oversee that area.

Q And that was to remove defects and errors, and I assume that would also include some of the problems with the outages we were talking about and the meter-reading errors which Ms. Santos mentioned as well?

A I have not been involved in any meter-reading errors, but my group has been involved in working on the momentaries and the interruptions, the outages of longer than one minute, and in fact I think it was Witness Spoor the other day, when he was speaking about the improvement in performance in those areas, which I think has been pretty significant over the last couple of years.

We ran some Six Sigma projects in conjunction with his team to actually identify, as he described, some of the problem feeders and lines within the network, almost the, what we call the Pareto analysis, the top ten or top 20 percent of feeders that cause 80 percent of the problems, and via some statistical analysis and using some Six Sigma tools, were able to

specifically focus on addressing the problems of those areas which made some improvements in both outages and momentaries.

Q You mentioned in your testimony that you had reduced the amount of outages and that type of thing, but the way you spoke, it seems to indicate you haven't eliminated those problems.

A Certainly there's -- we have not eliminated all outages that do occur in the system. Within the last, I believe it is, again, the last year, as I think Witness Spoor testified, the outage duration, on average, per customer, declined from about, I believe it was 73 minutes, to approximately 69 minutes as a result of some of the work that had been done in this area. That's about half the rate of the rest of the utility industry or the average within the utility industry. So we have made improvements in those areas, but certainly haven't removed all outages at this point.

Q Ms. Santos talked the other day about problems with late payments and the fact that they wanted to -- your company wants to increase the late payments so these people that are struggling to pay their bills and may pay late would be incentived to improve their bad behavior.

In your discussion groups with your Six Sigma

Quality Group, did you all discuss the possibility of Florida Power & Light paying these customers that are subject to all these outages and momentary interruptions and the lights blinking and all of this kind of stuff, maybe paying them in order to incent your company to correct this bad behavior?

A I'm sorry, paying the customers?

Q Yeah, the ones that are suffering from outages and that type of thing.

A My team has not been involved in discussions on that. What we have been involved in is a project that we've been looking at for the past six months or so on customer deposits.

I think, as everyone knows, with the economy being the way it is, you know, today and as it has been, there's been a lot of concern about deposits. We've spent a lot of time looking at how deposits are actually computed for customers, and we have noted that there are some improvements that we can make in being able to differentiate between different types of customers on the basis of credit, but, more importantly, on the basis of things that we have not captured as well in the past, such as what type of residence they actually occupy. I believe our system today does not appropriately account for the size of a residence that a customer may live in

and whether they live in an apartment, for example, versus a home.

And we noticed, as we went through and looked at some detailed data on customer payment behavior and the size of the deposits, that in fact we were averaging the deposit level over all customers on that basis. We're in the process right now, as a result of that Six Sigma project, of trying to refine that a bit so that the appropriate deposit is targeted at the appropriate customers.

Q Thank you for sharing, but if we can go back to my question, what I asked you was, you're trying to incent your customers to, as you put it, something along the lines of incent them to stop this bad payment behavior, have you thought about applying that same criteria to your company?

A No, we have not, that I'm aware of.

MS. BRADLEY: No further questions.

CHAIRMAN CARTER: Thank you, Ms. Bradley.

Ms. Kaufman?

MR. KAUFMAN: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MR. KAUFMAN:

Q Good afternoon, Mr. Bennett.

A Good afternoon, Ms. Kaufman.

Q I am Vicki Kaufman, and I am here on behalf of the Florida Industrial Power Users Group.

I just wanted to follow up on Ms. Bradley's questions a little bit. On page 14, line 20, of your direct testimony, you are talking about the Six Sigma Group.

A Yes.

Q And on line 20 you say that one of their activities involves eliminating non-value-added work.

A Correct.

Q Can you tell us what non-value-added work is?

A Sure.

In our business we have a great many processes, operational processes, legacy processes where information, because it has historically been transferred from one department or one person to another, has gone through a number of different people and maybe even across organizations, which -- without providing any value along the way, until it gets to the final person or organization that has to do something with it -- essentially is what we call non-value-added work. It's work that's required either because of the state that the systems are in that we have, or just the business process flows that we have, that we've gone in and tried to streamline so that if we know we need to

have a person in Distribution working directly with someone in Customer Service, that we get the right people together.

And a lot of my job is in what I call eliminating white spaces. Our business, like many other businesses, historically have been defined by very strict hierarchies or fiefdoms, if you will, of functions. Part of what I do in business process improvement is to look across -- how business actually is performed across those functions and try to remove the number of handoffs and be much more direct about how we deal with problems or even standard business flows.

Q So if I understand what you're saying, you might look at a particular process and perhaps -- I don't know if this is the right way to say it -- but eliminate the middleman to get the people that really need to do the work together?

A That's correct.

Q And does that sometimes involve the elimination of positions?

A Sometimes it does.

Q And I'm assuming that in that particular context, when you've accomplished your goal, that makes the particular process that you've looked at more efficient?

A Yes, absolutely.

Q And does it make it less costly, or could it make it less costly?

A Generally it would, yes, in that case. Eliminating non-value-added work almost always results in less cost.

Q And to the extent that people are eliminated or processes are eliminated, that's going to make costs more efficient, correct? Not costs, that's going to make company more efficient and reduced costs?

A Correct.

Q Now, you also talk on line 21 about removing defects and errors.

A Yes.

Q Now, is that something different than eliminating non-value-added work?

A Yes. Defects and errors are simply improving what we're doing to make sure that we have the right information and that we are performing the right functions with the information that is provided.

Q Now, Ms. Bradley talked to you about the momentary interruptions that some customers have been concerned with, and you said that's an area that your group or, I guess, the Sigma Six Group has looked at --

A Yes.

Q -- or is working on?

What other -- are there other defects and errors that you are trying to eliminate?

A Well, there's things like that all over the company.

You know, if you diagnose, again, any problem in any large organization, or, really, any organization and even in our own personal lives, we have found that anywhere from ten to 20 percent of activity generates 80 percent of the problems. And the problems can be defects, it can be longer cycle time, it may be things that require rework that have to get fixed.

And so the effort really is to try to identify either the problem areas or, if it relates to an asset like the grid, what are the problem network elements in the grid that have the worst performance, and then trying to either replace those or diagnose what the problems are. And once you're able to focus in on the top ten or 20 percent, oftentimes 80 percent of the problem will go away.

Q So in your description it's perhaps eliminating that ten or 20 percent of inefficiency or, you know, whether it's problem personnel or problem equipment, that's what you were referring to by trying to remove defects and errors?

A That's correct.

Q You tell us at the beginning of your testimony, Mr. Bennett, that you're responsible for strategic and business improvement initiatives, and I guess that's part of what we've been discussing, correct?

A Yes.

Q And would it be correct that the point of all of this is to provide better and more efficient service?

A It certainly is to provide better and more efficient service. Part of my job on the operational improvement side or the business process improvement is to do things in a more efficient way. It's to figure out how to do things right.

The strategy side of my role is really more concerned with what's the right thing to do, typically a little bit further down the road, and so in strategy I spend most of my time looking at -- generally it's technology-related initiatives. And so I spend time on smart grid, I spend time looking at distributed generation, how is that going to affect the company, what role should FPL play in distributed generation.

We look at energy storage as an area of opportunity. We've been looking at deployment of plug-in hybrid electric vehicles which we think are one

of the newest technologies that has a lot of promise for providing a lot of energy security for our country in removing a lot of gasoline-powered vehicles from the road.

But from our standpoint we need to understand, what role should FPL play in those types of new technologies or, if indeed it's something we want to do, what should our strategy be? Should we be deploying charging stations for these vehicles within communities? Who should we be partnering with? Should we be partnering with various communities, which was part of what we were doing with Miami-Dade in the Clean Cities smart -- or not the smart grid, but the plug-in hybrid application that we made.

So I spend a lot of time on that, as I describe it, thinking about what is the right thing for the company to be doing down the road; and on the operational improvement side, for the things we do today, how do we do them right, how do we do them better.

Q Then you would agree with me that the point of your activities, at the end of the day, is to provide more efficient and more cost-effective service to the ratepayers?

A It's to provide more efficient, more cost-

effective and better service, or new products and services that don't exist today, that's correct.

Q And certainly you would agree that that is part of what the Commission and your ratepayers would expect a regulated utility to do?

A I believe that's what they do expect. I think that's what this Commission has encouraged in the past, and I think within the state, this state has been I think the most open and the most progressive to supporting those types of initiatives that are going to improve reliability and offer new services for customers.

Q And that's certainly, I imagine -- those goals or objectives, you stress those to your employees and you expect your employees to follow that same pattern of trying to improve service --

A Absolutely.

Q -- and be cost-effective?

We've talked some in this proceeding about the regulatory compact that a regulated utility has with the ratepayers and with the Commission, and you would agree that what we've just discussed is certainly part of that regulatory compact?

A The regulatory oversight I believe has to be an important part of that. I don't think that we can

move forward, certainly, on any of the initiatives I just described without the understanding and the support and collaboration of this Commission to make some of those happen.

Q I'm going to switch topics, Mr. Bennett, for this next line of questions, and my first question is, you are an employee of FPL Group, correct?

A Yes, that's correct.

Q You're not an employee of the regulated utility?

A That is correct.

Q And we've talked some and you've described in some detail your responsibilities in your position.

A Uh-huh.

Q And do you do any work for NextEra?

A Yes, I do.

Q And NextEra is a pretty big player in the renewable area, would you agree?

A I believe it's the largest renewable player in the United States.

Q I think that the chairman of FPL Group called it the largest generator in North America of renewable energy from wind and the sun. Would you agree with that?

A That's correct, yes.

Q And so part of your responsibilities relate to that company's activities, correct?

A In the same functions or areas that we've just spoken about, operational improvement and strategy for NextEra as well as FPL.

Q And NextEra, am I right, has facilities outside of the state of Florida?

A Yes, it has operations in 26 states and Canada.

Q Do you have occasion in your work to visit those facilities?

A Yes.

Q Now, you're one of the top executives, as we've called them in this proceeding, of FPL Group, correct?

A I am an executive. I'm not one of the named executive officers in the proxy, but I'm an executive of FPL Group, yes.

Q You're one of the, I have haven't counted these up, but 12 or so employees that are listed in the annual report, is that right?

A I believe that's correct, yes.

Q I'll just ask you this: Is your compensation one of the ones that's confidential or is it one of the ones that's revealed in the proxy?

A It is not revealed in the proxy.

Q Would you agree with me, however, that part of your compensation at FPL Group is determined by that company's return on equity and its earnings per share?

A Of FPL Group?

Q Yes. That's who compensates you, correct?

A My compensation is really determined by -- I don't know if it's determined specifically by those metrics, but it's determined by performance of both the utility and NextEra as part of FPL Group, as well as objectives that I have, you know, every year that I'm expected to meet.

Q Is part of what is considered in your compensation return on equity and earnings per share of FPL Group?

A I do not know if there's a formula for my compensation that is based on those parameters.

MS. KAUFMAN: Well, let me distribute an exhibit.

CHAIRMAN CARTER: Do you need a number, Ms. Kaufman?

MR. KAUFMAN: Sorry, I'm not sure, Mr. Chairman.

CHAIRMAN CARTER: Okay. Well, let's see how it goes.

MR. KAUFMAN: I was just going to say, this, I believe, is part of staff's composite, so if Ms. Bennett verifies that --

CHAIRMAN CARTER: Well, let's take a second here and have Ms. Bennett check it out, and less is always more. If it's already in, there's no need to --

MS. KAUFMAN: I agree. I'm just not 100 percent sure.

CHAIRMAN CARTER: That's okay. Not a problem. It's getting close to that time.

MR. KAUFMAN: I knew you were going to say that, Mr. Chairman.

CHAIRMAN CARTER: It's usually Mr. Butler and Mr. McGlothlin, so I guess equal time, equal pay, right?

MR. KAUFMAN: Thank you. Absolutely.

CHAIRMAN CARTER: I have two daughters, so I'm all in favor of that.

MR. KAUFMAN: I have two daughters as well.

CHAIRMAN CARTER: Staff?

MS. BENNETT: It is -- in staff's composite exhibit, it's number 13 on page 5.

MS. KAUFMAN: Thank you.

CHAIRMAN CARTER: Well, we don't need to mark it because I think it will be -- or if it's not already in, it will be entered in --

MS. BENNETT: We're having to walk all of ours in, so I'm not sure that this is getting in, so maybe she should go ahead and enter it.

MS. KAUFMAN: That would be fine.

So if we could have --

CHAIRMAN CARTER: Hang on a second.

Okay. I thought you guys were getting together on those exhibits, is that right, guys, the ones for staff? Did I miss something?

MS. KAUFMAN: I'm sorry, Mr. Chairman, I'm not sure what you're referring to.

CHAIRMAN CARTER: Did you hear what Ms. Bennett just said? Because I thought what the agreement was is staff would have all exhibits together, but as the different witnesses came in, they would put them in in that capacity. Is that -- did I miss something?

MR. KAUFMAN: That's my understanding, too.

MS. BENNETT: Well, we haven't gotten through all of our exhibits yet, and so there might be some that are objected to that don't go into the record.

CHAIRMAN CARTER: Okay, then let's give this 465. It's not your fault, Ms. Kaufman, it's close to that hour.

MR. ANDERSON: Right. And just to help people out, 465, this was a Kathleen Slattery interrogatory

response, so she's another candidate for any questions related to this, okay?

CHAIRMAN CARTER: 465 is, you're saying?

MR. ANDERSON: Yes, that's a Slattery. Kathleen Slattery is the witness who sponsored this and prepared this response.

CHAIRMAN CARTER: What do you think, Ms. Kaufman?

MS. KAUFMAN: I understand that it's Ms. Slattery, but I would like to talk to this witness about his conversations.

CHAIRMAN CARTER: Okay, so it will be 465, Mr. Bennett, offered by FIPUG, and, let's see here, FPL's Responses to OPC's First Set of Interrogatories, No. 33?

MR. KAUFMAN: Yes, sir.

CHAIRMAN CARTER: Okay.

MR. KAUFMAN:

(Exhibit No. 465 marked for identification.)

BY MR. KAUFMAN:

Q Mr. Bennett, so now you have Exhibit 465 in front of you, correct?

A Yes, I do.

Q And as your counsel's pointed out, this response was prepared by Ms. Slattery. Do you know Ms.

Slattery?

A Yes, I do.

Q And do you have any reason to think that this information is incorrect?

A I don't believe the information is incorrect. My only question is, which I don't know, is whether the information contained herein is applicable to all FPL Group and FPL executives or whether it is solely applicable to the named executive officers in the proxy. This is the first time I have seen this exhibit or any of these answers as part of compensation plans. So I think the question would have to be for Ms. Slattery: Are these applicable to all executive or simply the named executive officers?

Q Well, let me ask you this, Mr. Bennett: I would imagine your compensation is important to you just like it's important to everyone, is that correct?

A Yes.

Q Okay. And is it your testimony here today that you don't know whether or not, as an officer of FPL Group, that, when your compensation, including your incentives and bonuses, are being determined, whether or not return on equity of Group and earnings per share is something that is factored into your evaluation?

A I am unaware whether that, or, in fact, the

number of other targets or parameters that are listed here, are in fact part of that determination, because I've never had that actually broken out in terms of compensation for me.

Q So that would be no, you don't know whether or not --

A I don't know.

Q -- this is included in your compensation?

A I do not know, correct.

Q Okay. Did you listen to any part of Mr. Olivera's appearance here or watch it or --

A I listened to some of it. It was, frankly, like a miniseries, so I couldn't be part of every single hour of it, I'm afraid.

Q Well, let me ask you this: Do you agree with Mr. Olivera and are you aware that the company in this rate case is seeking increases for its employees in the 2010 and 2011 test year, and that would include yourself?

A I believe that is the case, yes.

Q Okay. Do you know whether the nature of your compensation this year, and particularly your bonus or your incentives, will have any relationship to the outcome of this rate case?

A I do not know.

Q I think some other of the top executives have been asked this question, so I'll ask you as well.

We've heard a lot about the difficult economic times of Floridians and the high foreclosure rates, and we've heard some talk about the late payment problems that the company has experienced. In order to mitigate some of that, would you be willing to forego the increases in 2010 and 2011?

A I am always willing to do in the short run what is required or what the company asks me to do, you know, in order for us to meet our expectations, and that's something that I think we have done in the past. I believe, as has been described by Mr. Olivera, I think we did do some of that last year when we did reduce compensation targets and bonuses, and certainly I've done that in the past.

Where I think we have to be careful is that in thinking about a proceeding such as this, I don't think that this proceeding is necessarily a short-term proceeding. I think that the results from this really influence where this company and to some extent, I think, the state go in terms of its electric utility and its energy policy as it moves forward on a longer term. I believe that an adverse finding in this case would be detrimental to the momentum that --

MR. KAUFMAN: Mr. Chairman, I was just going to interrupt. I think we're kind of getting far afield from my question, and I don't think I got a yes or no. And I know -- I know it's getting near lunch.

CHAIRMAN CARTER: It always happens. It always happens, you know, what did I call it -- what was the term I said when we get --

COMMISSIONER SKOP: The lunch effect.

CHAIRMAN CARTER: Have you got another line you're getting ready to go down?

MR. KAUFMAN: I am, sir.

CHAIRMAN CARTER: Okay. Why don't we go ahead to lunch. See you at 2:15.

(Hearing adjourned at 1:00 p.m.)

(The transcript continues in sequence with Volume 25.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)

COUNTY OF LEON)

I, RAY D. CONVERY, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings at the time and place herein stated.

IT IS FURTHER CERTIFIED that the foregoing transcript is a true record of my stenographic notes.

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

DATED this 8th day of September, 2009, at Tallahassee, Leon County, Florida.

RAY D. CONVERY