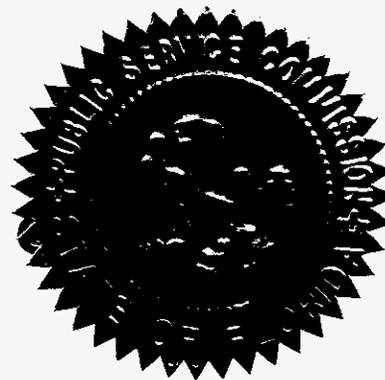


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

PETITION FOR INCREASE IN RATES BY PROGRESS ENERGY FLORIDA, INC. DOCKET NO. 090079-EI

PETITION FOR LIMITED PROCEEDING TO INCLUDE BARTOW REPOWERING PROJECT IN BASE RATES, BY PROGRESS ENERGY FLORIDA, INC. DOCKET NO. 090144-EI

PETITION FOR EXPEDITED APPROVAL OF THE DEFERRAL OF PENSION EXPENSES, AUTHORIZATION TO CHARGE STORM HARDENING EXPENSES TO THE STORM DAMAGE RESERVE, AND VARIANCE FROM OR WAIVER OF RULE 25-6.0143(1)(C), (D), AND (F), F. A. C., BY PROGRESS ENERGY FLORIDA, INC. DOCKET NO. 090145-EU



VOLUME 24
Pages 3325 through 3473

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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

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I N D E X

WITNESS

	NAME:	PAGE NO.
1		
2		
3		
4	MASCEO S. DesCHAMPS	
5	Cross Examination by Mr. Wright	3329
	Cross Examination by Ms. Klancke	3350
6	Redirect Examination by Ms. Triplett	3384
7	JOHN "BEN" CRISP	
8	Direct Examination by Mr. Walls	3393
	Prefiled Rebuttal Testimony inserted	3398
9	Cross Examination by Mr. Rehwinkel	3416
	Cross Examination by Mr. Moyle	3457
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

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16
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21
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EXHIBITS

NUMBER:	ID.	ADMTD.
209, 210 and 213		3391
211, 212, 214 and 215		3391
309		3392
310 PEF 2008 Proxy Statement	3354	3392

P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume @22.)

4 ACTING CHAIRMAN EDGAR: We are gathered
5 together again. We're going to go ahead and get
6 started. We are back on the record, and I believe when
7 we took a short break that it was your turn for cross,
8 Mr. Wright.

9 MR. WRIGHT: Thank you, Madam Chairman.

CROSS EXAMINATION

10
11 BY MR. WRIGHT:

12 Q Good afternoon, Mr. DesChamps.

13 A Good afternoon, Mr. Wright.

14 Q We introduced ourselves to each other a few
15 minutes ago. I'm Scheff Wright, and I represent the
16 Florida Retail Federation in this case, and I have a few
17 questions for you this afternoon.

18 I want to start with the -- some questions
19 about the company's four incentive compensation plans
20 that you discuss at pages 3 and 4 of your rebuttal
21 testimony.

22 A Okay.

23 Q And I understand correctly that those are the
24 employee cash incentive plan, the management incentive
25 compensation plan, a long-term equity incentive plan,

1 and is there a -- there's a fourth one?

2 A There's the executive incentive plan in
3 addition to those you listed.

4 Q Thank you. Okay. I'm looking -- and I'm
5 going to ask you some similar questions about each of
6 the four plans, but let's just start with the ECIP, the
7 employee cash incentive plan that you discuss on page 3.

8 At lines 9 through 11 you state that the ECIP
9 is an annual short-term cash incentive plan that rewards
10 eligible employees with cash bonuses when strategic
11 company and business goals are achieved, and my question
12 for you is exactly what goals are included there?

13 A With respect to the current plan, the
14 strategic company, I would say that's our corporate EPS
15 goal. With respect to the business unit goals, I will
16 just sort of in general hit things from the standpoint
17 of safety goal, environmental index goal, service
18 reliability, budget adherence goals, plant production
19 and efficiency type goals.

20 Q I think you said in there that there is a
21 service reliability goal.

22 A Yes.

23 Q Okay. Do you know exactly what that is?

24 A No, just in general with regard to that.
25 Those are generally our focus areas of the types of the

1 goals.

2 Q Do you know whether there is a specific weight
3 assigned to whether the company achieves its service
4 reliability goals in computing the incentives to be paid
5 under the ECIP?

6 A My understanding with regard to the goals is
7 that each goal in the goal set is equally weighted, if
8 that's your question.

9 Q Well, that wasn't my question. My question
10 was, do you know whether there is a specific percentage
11 weight assigned to whether the company achieves the
12 service reliability goal in determining the payments
13 made under the ECIP?

14 A What I do know is that the goals are equally
15 weighted and there's no specific weight assigned per
16 the -- a particular goal set.

17 Q From the perspective of a Progress Energy
18 Florida employee, would that -- who, let's assume, has
19 responsibility for providing service reliability --
20 would that employee know that if the company's service
21 reliability goal is met, that he or she -- his or her
22 incentive payment would be increased by any particular
23 amount?

24 A Yes. Generally with respect to that we
25 communicate on an annual basis to our employees when we

1 announce the goals for the upcoming performance year.
2 In addition, on a quarterly basis we status the goals
3 and communicate that to our employees as well.

4 Q Was that a general answer as to all goals, or
5 would, say, a distribution line worker know that if the
6 SAIDI index goal is met, that his or her incentive
7 payment would be five percent higher or ten percent
8 higher?

9 A Yeah. As I said, the communication is
10 provided to all of our employees on what the goals are,
11 and we also status basically how we're doing on
12 achieving our goals on a quarterly basis, so the
13 communications is rolled out to all our employees.

14 Q Does that communication include a specific
15 identification of the amount of the employee's incentive
16 payment that is tied to the reliability measure?

17 A When we announce the provisions of the plan at
18 the beginning of the year, we tell the employees how the
19 plan will work and how the goals will factor into the
20 calculation of their incentives, so generally we have
21 ten incentive goals, and each one of those goals counts
22 so much toward the calculation of their ultimate
23 incentive payout.

24 Q Do they know how much that is --

25 A Yes.

1 Q -- by specific goal?

2 A Yes. We communicate with respect to the ten
3 -- your applicable business unit, your ten incentive
4 goals. Achieving the first five counts toward
5 five percent of the total 75 percent weight of that
6 goal, of that goal set. So the first five, achieving
7 the first five will get you 25 percent, and then
8 achieving the next ten, you receive ten percent per goal
9 up to the total of 75 percent of your incentive goal
10 weighting relative to the incentive goals.

11 Q What are the first five?

12 A I can't remember right offhand what the first
13 five are for the different business units. There are
14 multiple goal sets.

15 Q And so you don't know what the second five
16 are, either, the ones this count ten percent?

17 A No, but I would say that the total ten
18 incorporates those focus areas I just mentioned earlier
19 with regard to safety, environmental, service
20 reliability, budget adherence or cost management goals.

21 Q And you said that -- I think I -- would it be
22 fair to interpret your previous answer to mean that 75
23 percent of the total possible incentive is tied to the
24 business unit goals?

25 A Right.

1 Q And does that mean that 25 percent is tied to
2 the corporate EPS goal?

3 A Wait a minute. The employee cash incentive
4 plan has two equally weighted performance measures with
5 a maximum payout against target of 150 percent, and you
6 can achieve of that weighting 75 percent on the
7 incentive goals and then 75 percent on the corporate EPS
8 goal.

9 Q And you don't know what -- whether the
10 reliability goal is a five percent or a ten percent, do
11 you?

12 A No, and I don't think we -- we don't rank
13 them, I don't think we rank them. We say they're
14 equally weighted. So if you had a lineup of ten goals
15 and the reliability goal is number ten but it's still
16 one you achieve in our calculation of five, it would
17 receive five points, five percentage points.

18 Q Okay. I think I misunderstood your earlier
19 answer. If you achieve five, you get 25 percent.

20 A Right.

21 Q If you achieve six, you get 35 percent.

22 A Right.

23 Q It doesn't matter which five or --

24 A It doesn't matter which five.

25 Q I've got that part now. Thank you.

1 Is one of the goals for the company to have
2 lower rates?

3 A No. Lower rates, you mean lower rates we
4 charge customers?

5 Q Yes, sir.

6 A No, not an incentive goal, not to my
7 knowledge.

8 Q Do you know whether one of the goals is to
9 achieve a lower heat rate at the company's generation
10 plants?

11 A I'm not familiar with that goal.

12 Q Do you know whether one of the goals is to
13 reduce transmission line -- transmission line and
14 transformation losses on the company's transmission
15 system?

16 A No, I do not.

17 Q The same question with regard with regard to
18 distribution losses.

19 A No, I do not.

20 Q I want to ask you essentially these same
21 questions regarding the management incentive
22 compensation plan. If you could answer in kind of the
23 same framework that you explained the EPS portion and
24 the business unit goals portion with regard to the ECIP,
25 that would be great.

1 A Okay, I'll try. I was trying to remember your
2 question.

3 Q Here's my question. I apologize. I was doing
4 the wrong thing, I was assuming that you remembered the
5 previous questions.

6 On page 4 of your testimony you're talking
7 about the management incentive compensation plan, and at
8 lines 8 and 9 you talk about the purposes of that plan
9 to promote the achievement of annual performance
10 objectives.

11 A Okay.

12 Q What objectives?

13 A Well, with regard to the management incentive
14 compensation plan, the management incentive compensation
15 plan has two metrics, one corporate EPS and the other
16 being the applicable legal entity EBITDA, EBITDA being
17 earnings before interest, taxes, depreciation and
18 amortization.

19 Q Thank you. So there are not reliability or
20 efficiency goals included in the determination of the
21 management incentive compensation plan awards, is that
22 correct?

23 A Yeah, and let me just explain that a little
24 bit.

25 Q Was that a yes? I thought you said yeah and

1 went on, but was that a yes and then you were going to
2 explain?

3 A Right. I was going to explain how the
4 management incentive plan works.

5 Q Thank you.

6 A Do you want me to do that or are you moving
7 on?

8 Q No. You answered -- you gave kind of a quick
9 answer, yeah, that -- I thought it was like a yeah, but
10 was it a yes with explanation?

11 A Well, let's just, so that we're clear, could
12 you just restate the question, then I'll --

13 Q Sure. You told me that there are two goals in
14 the MICP, corporate EPS and a business unit EBITDA.

15 A Right.

16 Q Do I interpret that answer accurately to mean
17 that there are not specific performance goals along the
18 lines of reliability, efficiency, et cetera, that were
19 included in the determination of the payments under the
20 ECIP?

21 A Yes, with respect to -- yes, those are the two
22 measures that are used for establishing the parameters
23 of the payout, yes.

24 Q Thank you. And if you wanted to continue with
25 an explanation, I have no objection to that.

1 A No, I'll stop there.

2 Q Okey-doke, to use the legal term.

3 Again, I'd like to ask you the same question
4 with regard to the executive incentive plan. What
5 annual performance objectives determine whether eligible
6 executives receive payments under the executive
7 incentive plan?

8 A Yes, it's the same metrics. As I stated
9 earlier, the primary intent of the executive incentive
10 plan is to preserve the tax deductibility of our
11 incentive payments. With regard to how payments are
12 calculated to be paid out under the provisions of the
13 employee -- of the executive incentive plan, the
14 committee will refer to -- when I say, "the committee,"
15 the Organization and Compensation Committee will refer
16 to the metrics under the management incentive plan, and
17 I'll just reiterate again that the executive incentive
18 plan is an umbrella plan over the management incentive
19 compensation plan.

20 Q So again, the two metrics for the EIP are the
21 same as for the MICP, and those are EPS and EBITDA?

22 A Well, the way I would describe it is the
23 metrics are the same, and the committee will look to the
24 management incentive plan's metrics for establishing
25 that payment that will be made under the umbrella

1 provisions of the executive incentive plan.

2 Q Thank you.

3 And finally, I want to ask you about what I
4 gather are the annual and long-term incentive plans that
5 are discussed in -- at lines 12 through 19 of your
6 rebuttal testimony on page 4. That is the fourth plan,
7 right?

8 A Yes.

9 Q Okay. And again at line 14 on page 4, you
10 talk about sustained achievement of financial and
11 operational goals, and my question for you is what are
12 the metrics of those goals?

13 A Yes. The metrics for the performance shares
14 on the long-term incentive plans is relative total
15 shareholder return and earnings growth, and these are
16 measured over a three-year performance period, hence
17 targeting the achievement of that, sustained achievement
18 of financial goals and operational goals.

19 Q And those are the metrics for that program?

20 A For that -- yes.

21 Q Okay. Thanks.

22 I read your biographical summary in your
23 direct testimony, and that indicates you've been with
24 Progress Energy Carolinas and its predecessor, CP&L, for
25 something more than 30 years. Is that accurate?

1 A That's right. I know the answer to that one.
2 That's correct.

3 Q You're doing great with your answers, Mr.
4 DesChamps. Thank you.

5 You never worked for Florida Power
6 Corporation, did you?

7 A No, sir.

8 Q Did you ever have occasion to study the
9 history of the corporate goals of Florida Power
10 Corporation?

11 A No, sir.

12 Q Are you aware whether Florida Power
13 Corporation ever had a corporate goal with respect to
14 its rates with relative to other utilities in Florida?

15 A No, I do not.

16 Q Are you aware of any utilities that did have
17 goals with respect to their rates to customers relative
18 to other utilities in their jurisdictions?

19 A No, I do not.

20 Q You talked at some length in your testimony
21 about how the company's incentive compensation plans
22 benefit customers and I want to ask you some questions
23 about that.

24 For example, on page 5 you testified that the
25 performance of the parent company and PEF's specific

1 goals, such as cost management, operational efficiency,
2 et cetera, benefit customers. So far, so good?

3 A Yes.

4 Q Are you responsible for recommending overall
5 pay levels for the company?

6 A Let me think about, when you say pay levels,
7 to make sure -- what I am responsible for, and let's see
8 if we're talking about the same thing when you say, "pay
9 levels."

10 Q Great.

11 A My job is I'm responsible for establishing the
12 market reference or market values for jobs. With
13 respect to how much an employee is paid based on his or
14 her performance, that is left to their management.

15 Q Do you have any responsibility for making
16 recommendations as to overall wage and/or salary budgets
17 for the company?

18 A We have -- I have responsibility for doing the
19 appropriate market surveys or supervising the gathering
20 of information per the market surveys and making
21 recommendations or preparing proposals for review with
22 regard to recommendations on pay increases.

23 With regard to the overall budgeting, that is
24 not my responsibility with regard to setting budget
25 guidelines for the company.

1 Q We had some -- and I want to ask you some
2 questions in the context of the company's labor costs,
3 salaries, wages, incentive pay. We had some discussion
4 yesterday regarding the company's goals to achieve
5 certain productivity gains and also with regard to the
6 company having engaged or being engaged in some belt-
7 tightening measures. Were you here for that?

8 A Yes.

9 Q Thanks. My question for you is, are you aware
10 of any specific productivity gain metrics that would be
11 used in setting overall salary and wage levels for the
12 company?

13 A No, not to my knowledge at this point.

14 Q Are you aware of any -- as the company has
15 used the term, are you aware of any -- or as anyone
16 might use it -- aware of any belt-tightening measures
17 with regard to salary, wages and employee compensation?

18 A No, I'm not, with regard to belt-tightening.

19 What I am trying to make sure that we do is
20 make sure that we stay as true to the market as we can
21 with regard to our compensation program.

22 Q Further down on page 5 you cite to Mr.
23 Dolan's, Mr. Toomey's and Mr. Sullivan's testimony to
24 the effect that a financially strong company can access
25 capital more easily at a lower cost. Are you with me?

1 A Yes.

2 Q My question for you is this: Are you aware of
3 any specific analysis that ties company returns to lower
4 overall weighted average cost of capital?

5 A Any corporate analysis of Progress Energy?

6 Q Yes, sir.

7 A No, I've not been privy to those analyses.

8 Q Are you aware of whether they even exist?

9 A No, I'm not aware whether they exist or not.
10 I've not seen them.

11 Q I just want to ask you a couple of questions
12 about your testimony beginning on the last line of page
13 6 and continuing on to the top of page 7. You basically
14 say that if Progress did not provide incentive
15 compensation, you'd have to increase base pay. The
16 question I want to ask you is this: If the PSC were to
17 disallow part or all of the incentive compensation in
18 determining Progress's revenue requirements in this
19 case, would there be any prohibition against the company
20 still giving incentive pay at the expense of the
21 shareholders?

22 A When you say "prohibition," what are you --

23 Q Is there any reason that the company could not
24 decide to make the incentive payments at the expense of
25 shareholders?

1 A I'm just -- you said "decide"? I didn't
2 understand your question, I'm sorry.

3 Q I'm sorry. For reference, we're here in this
4 rate case. At the end of the case, the PSC's going to
5 determine a total allowed revenue requirement for the
6 company.

7 A Right.

8 Q Total dollars. You all want half a billion,
9 we want something a lot less than that. So far, so
10 good?

11 A Understood.

12 Q Okay. Among the issues in the case are
13 whether the Commission should set rates that includes
14 the company's full ask for incentive compensation or
15 something less than that.

16 A I understand.

17 Q Okay. If the PSC disallows part or all of the
18 incentive compensation that you advocate, is there any
19 reason that the company could not go ahead and make the
20 incentive payments anyway at the expense of
21 shareholders?

22 A That I don't know. I wouldn't want to
23 speculate how we would respond to that.

24 Q At pages 7 and 8 of your testimony you're
25 rebutting Witness Schultz's and Witness Marz's

1 discussion of other jurisdictions, and you also talk
2 about the Tampa Electric case. Do you know what
3 percentage of TECO Energy's total earnings, or any other
4 financial metric you might want to use, is accounted for
5 by Tampa Electric Company, the regulated utility?

6 A I do not know in a specific percent. No, I do
7 not.

8 Q Do you know what percentage of Progress
9 Energy, Incorporated's, PGN's, total earnings is
10 accounted for by Progress Energy Florida?

11 A I do not know an exact percentage, no, I do
12 not.

13 Q About half?

14 A It's significant, right.

15 Q But you don't know -- you haven't got a
16 ballpark percentage?

17 A I would say it's close to half if you're
18 just -- from an approximation standpoint.

19 Q That's good enough. I think that there's
20 probably a better number already in evidence and I won't
21 trouble you further with that line.

22 Following up on some questions that I think we
23 can -- questions posed to you by Ms. Kaufman, and I
24 think we can cover this pretty quickly, you further down
25 on page 8, at lines 14 through 16, criticize Witness

1 Schultz and Witness Marz by stating, "There are
2 important distinctions between the utilities involved in
3 those proceedings," meaning in other jurisdictions, "and
4 PEF."

5 Now, in your cross-examination by Ms. Kaufman,
6 she asked you whether you knew any of the factors that
7 you referred to further down on the page, size,
8 generation mix, complexity of operation, type of
9 employees, et cetera, with respect to the utility that
10 was the subject of the Vermont proceeding. I'll bet you
11 remember that discussion.

12 A Yes, I do.

13 Q My question for you is this: There are a few
14 other jurisdictions identified in Witness Schultz's and
15 Witness Marz's testimony and they include Pepco in
16 Washington, D.C., a utility in Texas, a utility in
17 Wyoming, the Vermont utility and Connecticut, and my
18 question for you is, do you know any of the factual
19 information, size, generation, complexity of operations,
20 type of employees, et cetera, with respect to any of
21 those other utilities?

22 A The answer is no, I do not, and I did explain
23 further that these were not -- he was not referring to
24 some of our peers here as well, so --

25 Q Well -- but when you made the statement,

1 "There are important distinctions between those
2 utilities and Progress," you cannot tell the Commission
3 a single such distinction, can you?

4 A I can make the distinction and not locate it
5 in Florida.

6 Q That's a good one. Okay.

7 And no others, correct?

8 A That's right. At least and be absolutely sure
9 on those distinctions, but I would carry it further and
10 say they're not one of our peers.

11 Q In preparing your testimonies in this case,
12 were you asked by anyone in Progress Energy Florida or
13 Progress Energy, Incorporated, management to consider
14 lower pay raises than those advocated in this case?

15 A No, I was not.

16 Q Were you asked to consider lower incentive
17 payments than those advocated by the company in this
18 case?

19 A No, I was not.

20 Q Were you asked to consider the prospect of
21 shareholders' bearing part or all of the responsibility
22 for incentive pay?

23 A No, I was not.

24 Q If the Public Service, the Florida Public
25 Service Commission approves the company's rate increase

1 request in this case, is the company under any legal
2 obligation, to your knowledge, to give out the full
3 amount of the approved incentive pay?

4 A The company would follow -- with regard to
5 that, the company would pay out the incentives based on
6 the provisions of the plan and based on our performance
7 as employees with regard to how we achieve those
8 performance measures in those plans, and I would say
9 that what we have reflected in our request is these
10 incentives paying out at the target level, and that's
11 basically a best practice we follow for estimating what
12 the payout -- that's the way you state your opportunity
13 for awards, and similarly, we follow that same practice
14 with regard to stating what would be the -- for purposes
15 of this filing, the payout would be at the target level.

16 Q After the Commission renders its final
17 decision in this case, is the company prohibited from
18 cutting pay?

19 A I would say no, I don't think it's prohibited
20 from cutting pay. I don't think that's -- I don't know
21 if that's something we would do from a competitive
22 standpoint with our philosophy to stay market
23 competitive.

24 Q Is the company prohibited after the Commission
25 makes its decision -- or before, for that matter -- is

1 the company prohibited from freezing hiring?

2 A I don't think it would be prohibited. I think
3 those decisions would be made in the context of what our
4 senior management committee would deem appropriate for
5 us in trying to continue our business.

6 Q I understand that, and I've got one more
7 question, one more general question on that line and
8 that is, is the company prohibited from laying off
9 workers?

10 A No.

11 Q Okay. Do you follow -- to what extent did you
12 follow the Tampa Electric rate case, Mr. DesChamps?

13 A Not greatly.

14 Q Do you follow the news with regard to utility
15 employment?

16 A Not the news. You know, I hear certain
17 anecdotal information. You know, you hear blurbs in
18 different periodicals and publications, but do I follow
19 unemployment specific to utilities, no.

20 Q Well, in your tracking of anecdotes, did you
21 become aware that Tampa Electric cut a number of
22 positions after the Commission, the Florida Public
23 Service Commission rendered its order granting it a rate
24 increase?

25 A I did hear something with regard to they had

1 some staffing changes made after that and I don't know
2 if the right term was cut, but I do know they had some
3 staffing strategies that they went ahead and
4 implemented.

5 Q Do you recall whether folks were laid off?
6 You said staffing changes. I'm just trying to get a
7 little more specific.

8 A Yeah, I don't know if they were laid -- I know
9 they had some staffing changes, with regard to whether
10 it was layoffs or other retirements or what.

11 MR. WRIGHT: One minute, Madam Chair.

12 Thank you. That's all the question I have.
13 Thank you, Madam Chair, and thank you, Mr. DesChamps.

14 ACTING CHAIRMAN EDGAR: Are there questions
15 from staff on cross? There are.

16 CROSS EXAMINATION

17 BY MS. KLANCKE:

18 Q Good evening, Mr. DesChamps.

19 A Good evening, Ms. Klancke.

20 MS. KLANCKE: At this time I'm having passed
21 out PEF's Corrected Response to OPC's Third Set of
22 Interrogatories, No. 127.

23 Madam Chairman, for clarity of the record, I
24 don't need an exhibit number for this as it has already
25 been entered in the record as item number 5 of Exhibit

1 45.

2 ACTING CHAIRMAN EDGAR: Thank you.

3 BY MS. KLANCKE:

4 Q Mr. DesChamps, we discussed this interrogatory
5 response during your deposition on September 17th. Do
6 you remember that?

7 A Yes.

8 Q This interrogatory response provides a
9 breakdown of compensation by base payroll, incentive
10 compensation plan, long-term incentive plan and -- as
11 well as overtime and premium pay. Is that correct?

12 A Yes.

13 Q In addition to this interrogatory response,
14 I'd like you to turn to your rebuttal testimony
15 beginning on page 3, and I'd like to compare these two
16 documents.

17 A I do not -- okay.

18 Q Your rebuttal testimony?

19 A I'm sorry. I'm sorry, the rebuttal testimony,
20 page 3?

21 Q Page 3, the much-discussed page 3.

22 In this section you outline the four different
23 incentive compensation plans that we've discussed
24 earlier today, is that correct?

25 A Yes.

1 Q And those four incentive compensation plans
2 include the employee cash incentive plan, or ECIP; the
3 management incentive compensation plan, or MICP; the
4 executive incentive plan, EIP; and the long-term
5 incentive plan. Is that correct?

6 A That's correct.

7 Q I'm looking to correlate these four plans that
8 are described in your rebuttal testimony with the table
9 contained in your discovery response. Could you walk me
10 through the table in Interrogatory 127 and tell me where
11 these four incentive compensation plans appear in the
12 identified elements on this table?

13 A Yes. The EIP, the executive incentive plan,
14 the management incentive plan and employee cash
15 incentive plan, those numbers are reflected in the line
16 that says Incentive Compensation Plan. The long-term
17 incentive plan is reflected in the line that says,
18 Long-term Incentive Plan.

19 Q Would you please refer to the row titled
20 Overtime and Premium Pay? Do you see that?

21 A Yes.

22 Q What is premium pay?

23 A Yes. Premium pay can be related to overtime,
24 holiday pay, someone's -- for holiday reasons, they're
25 having to work. Another premium pay I understand is

1 like sort of a shift differential, in that you may be
2 assigned to working an 8:00 to 5:00 shift and you're all
3 of a sudden asked to work a 4:00 to 8:00 or some other
4 shift, so that could be a premium pay.

5 A lot of this premium pay -- or the majority
6 of this premium pay is paid under our collective
7 bargaining agreement and we try to comply, or we are
8 required to comply with the premium pay requirements
9 under that agreement.

10 Q How does premium pay differ from overtime pay?

11 A Premium pay may be paid at a higher, I think
12 at a higher rate than overtime pay.

13 Q Could you tell me what is the breakdown in
14 this column between overtime pay and premium pay?

15 A Yes. Approximately 96 percent of this amount
16 is overtime pay and four percent is premium pay.

17 MS. KLANCKE: Okay. I am now passing out an
18 excerpt from Progress Energy's 2008 Annual Report and
19 Notice of Annual Meeting and Proxy Statement.

20 ACTING CHAIRMAN EDGAR: Does this need to be
21 marked or is it already in the record?

22 MS. KLANCKE: Madam Chair, we need a number
23 for this exhibit.

24 ACTING CHAIRMAN EDGAR: 310.

25 MS. KLANCKE: And the short title will be PEF

1 2008 Proxy Statement.

2 ACTING CHAIRMAN EDGAR: Thank you.

3 (Exhibit No. 310 marked for identification.)

4 BY MS. KLANCKE:

5 Q Mr. DesChamps, would you please refer to page
6 18 of this excerpt?

7 A Okay.

8 Q And in particular the table titled
9 Compensation Program Structure.

10 A Okay, I have that.

11 Q Is it correct that this table summarizes
12 Progress Energy's executive compensation program?

13 A Yes, it does, it summarizes the elements.

14 Q Would you please refer to the third element on
15 this table, titled Long-term Incentives, Performance
16 Shares?

17 A Okay.

18 Q Under the title, Brief Description, it
19 specifies, quote, "Variable compensation based on
20 achievement of long-term performance goals." Do you see
21 that?

22 A Yes, I do.

23 Q What are the long-term performance goals that
24 need to be achieved in order to qualify for this
25 compensation?

1 A Yes. The performance period is a three-year
2 performance period, and the actual performance goals are
3 the relative total shareholder return, and the second
4 one is earnings growth, and those are two equally
5 weighted performance measures.

6 Q Okay. In this same row it specifies that the
7 primary purpose of this compensation is to, quote,
8 "Align interests of shareholders and management, and aid
9 in attracting and retaining executives," end quote. Is
10 that correct?

11 A Yes.

12 Q To your knowledge, are there any additional
13 purposes for this compensation element?

14 A No, I think that briefly describes it.

15 Q Is there, to your knowledge, any benefit to
16 the customer resulting from this element?

17 A Yes.

18 Q And what might that be?

19 A The aiding -- in particular the aiding in
20 attracting and retaining the skilled executives that we
21 need to operate our business and deliver our electric
22 service to customers.

23 Q How does that benefit the customer, in
24 attracting executive personnel?

25 A Ensuring that we have the executive skill on

1 board to execute our strategy, our corporate strategy,
2 which is to deliver safe, efficient and reliable
3 electric service to our customers.

4 Q Could you please refer to the fourth element
5 in this table, entitled Long-term Incentives, Restricted
6 Stock/Restricted Stock Units.

7 A Okay.

8 Q The brief description states that this element
9 is, quote, "Fixed compensation based on target levels;
10 service-based vesting." Do you see that?

11 A Yes.

12 Q What is the service-based vesting that
13 qualifies an individual for this compensation?

14 A The service-based vesting period is a three-
15 year period to basically, when these awards are made,
16 they vest over a three-year period.

17 Q In this same row it similarly specifies that
18 the primary purpose of this compensation is to align
19 interests of shareholders and management and aid in
20 attracting and retaining executives. Do you see that?

21 A Yes.

22 Q Is there, to your knowledge, any benefit to
23 the customer resulting from this element?

24 A It would be the same as the the performance
25 shares that I just mentioned earlier.

1 Q Fair enough.

2 Could you please refer now down the table to
3 the element titled Executive Perquisites. Do you see
4 that?

5 A Yes.

6 Q Can you describe generally what these
7 perquisites are?

8 A Again, as I probably mentioned earlier, that
9 we look at our compensation on the basis of total
10 compensation, and from a market competitive standpoint,
11 that the market did show that perquisites are a part of
12 that total compensation which we look to, making sure
13 that we're competitive in our ability to retain and
14 attract the executives that we need to execute our
15 corporate strategy.

16 Q I'd like to discuss exactly what these
17 perquisites are in a little bit more detail. If you
18 would, would you please turn to page 33 of this
19 document?

20 A Okay.

21 Q And there's -- under the heading Executive
22 Perquisites, do you see that?

23 A Yes.

24 Q There's a table entitled Perquisites for First
25 Quarter. Do you see that?

1 A Yes.

2 Q The first six perquisites are listed as
3 discontinued effective April 1, 2008. Is that correct?

4 A Right.

5 Q To your knowledge, why were these perquisites
6 discontinued?

7 A As you see in that paragraph just above it,
8 the Organization and Compensation Committee had our
9 executive compensation consultant do an assessment of
10 the market competitiveness of your perquisites, and it
11 was deemed that these perquisites were not necessary to
12 continue to be competitive.

13 Q There are eight other perquisites listed on
14 the table, is that correct?

15 A Yes.

16 Q Could you please go through the remaining
17 eight perquisites and identify how PEF justifies these
18 perquisites for its executives for the test year, 2010?

19 A Okay. The first one being the business-
20 related spousal travel on aircraft, that perquisite is
21 only available at the approval of the CEO, and with
22 regard to spousal travel, generally that's in a
23 situation where there may be a personal family emergency
24 for an executive, and that the executive would have to
25 seek CEO approval for himself and his spouse to use a

1 corporate jet in that type of a situation.

2 The financial and estate planning, there we
3 seek to provide our executives financial planning which
4 includes also tax -- well, tax preparation services are
5 next, but we seek to provide our executives that
6 benefit. That is a -- in our competitive analysis, we
7 see that our competitors also provide that type of a
8 benefit to their executives.

9 Similar with luncheon and health clubs; there,
10 of course, we want to make sure that our executives,
11 with regard to a health club, have the ability to do the
12 type things to maintain their health as well. In line
13 with that we provide our executives an executive
14 physical I think every other year to ensure that they
15 are in tune or focusing on the things that they need to
16 do to maintain their health there.

17 Then Internet and telecom access, we provide
18 that for, sort of secured access for our executives to
19 access our corporate -- I guess our IT structure and to
20 be able to have the ability to communicate through the
21 Internet and other telecom features that we have.

22 And then we offer home security with regard to
23 that to make sure that executives are secure in homes
24 and the like, from that standpoint, due to their role
25 and making sure that they're safe.

1 And then accidental death and dismemberment is
2 an insurance that we provide to our executives as a
3 benefit as well.

4 Q Who is eligible for these perquisites?

5 A With respect to the perquisites here, it's our
6 senior management, our senior vice-presidents and above.

7 Q Could you name specifically what positions
8 would be eligible for this, for these perquisites?

9 A A senior vice-president, an executive
10 vice-president, a CEO, a chief operating officer if we
11 have one. We currently do not have a chief operating
12 officer. And the CEO of Progress Energy and the
13 president and CEO of our business units.

14 Is that sufficient?

15 Q Uh-huh. The footnote on the bottom of page 33
16 specifies, "Personal travel on the company's aircraft in
17 the event of a family emergency or similar situation is
18 permitted with the approval of the chief executive
19 officer." Do you see that?

20 A Yes.

21 Q This statement is true despite the fact that
22 on the table contained on this page it shows that
23 personal travel on the corporate aircraft has been
24 discontinued as of April 1, 2008. Is that correct?

25 A That's correct, but in the event of an

1 emergency, they could make a request to the CEO, but
2 it's still at the CEO's discretion to allow that.

3 Q Okay. And if an executive in such an
4 emergency were able to obtain the CEO's permission and
5 subsequently use the corporate aircraft, would the
6 company request a reimbursement for the expenses
7 incurred regarding that travel?

8 A I do not know exactly how -- whether they
9 would request reimbursement, but I'm sure with regard to
10 any value -- just remembering with regard to how that
11 might be treated is any value would probably -- income
12 would be imputed to them and it would be taxable to
13 them, but I don't know exactly the accounting with
14 regard to whether they would be requested to reimburse
15 for the cost of the jet or the aircraft.

16 Q How many times was corporate aircraft used for
17 personal travel by executives in 2009, to your
18 knowledge?

19 A None.

20 MS. TRIPLETT: Madam Chair?

21 THE WITNESS: None to my knowledge.

22 ACTING CHAIRMAN EDGAR: Ms. Triplett.

23 MS. TRIPLETT: I'm not sure if this is really
24 an objection. I just wanted to note that the corporate
25 aircraft expenses are all below-the-line expenses, and

1 if it's the Commission's pleasure to hear this line of
2 questioning, that's fine. I just wanted to make that
3 clear for the record.

4 MS. KLANCKE: That culminated my line of
5 questioning with respect to that particular perquisite.

6 MS. TRIPLETT: Okay. Thanks.

7 BY MS. KLANCKE:

8 Q Does the company, to your knowledge, request
9 any reimbursement for business-related spousal travel as
10 it is a continuing perquisite?

11 A That I do not know specifically.

12 Q Do you know the dollar value of these
13 perquisites cumulatively?

14 A Yes. The continuing perquisites?

15 Q The continuing perquisites.

16 A Yes. I think the approximate value was
17 someplace between twenty and -- the annual -- the
18 approximate annual value is someplace between \$20,000
19 and \$25,000 a year.

20 Q Referring back to your rebuttal testimony on
21 page 3, lines 13 through 20, where the earnings per
22 share component of incentive compensation is discussed,
23 is the amount of earnings per share impacted by the
24 return on equity?

25 A I'm going to say that's out of my expertise,

1 area of expertise there.

2 Q Fair enough.

3 A Certainly I would think so.

4 Q Stated differently, then, perhaps -- you talk
5 about the incentive payments and you've discussed it
6 previously during your cross-examination today. Would a
7 return -- to your knowledge, would a higher return on
8 equity result in a higher level of incentive payments?

9 A Well, I'm going to take this position: With
10 regard to return on equity, I think maybe some of our
11 other witnesses from the financial perspective will be
12 better to address that --

13 Q Okay.

14 A -- from that perspective.

15 Q Do you know what witness would be better to
16 address that?

17 A I would just say some of our financial
18 witnesses. Maybe Mr. Toomey.

19 Q Fair enough.

20 Referring back to the proxy statement, would
21 you please turn to page 24 of this proxy statement? On
22 the table that's reflected on page 24 of the proxy
23 statement, there's a column titled Company Earnings Per
24 Share. Do you see that?

25 A Yes.

1 Q And there's a series of 100 percents below
2 that Company Earnings Per Share. Do you see those?

3 A That is -- yes.

4 Q In particular, there's 100 percent denoted
5 with respect to the named executive officer William D.
6 Johnson. Do you see that?

7 A Yes, I do.

8 Q Could you explain to us what that 100 percent
9 means with respect to this individual?

10 A Yes. What it means is, from a relative
11 percentage weight perspective, that 100 percent of the
12 target opportunity for Mr. Johnson's annual incentive
13 compensation is based on the company earnings per share
14 measure.

15 And I will just say, with respect to
16 establishing the opportunity for Mr. Johnson's annual
17 incentive, it is the 100 percent of company earnings per
18 share.

19 Q And for the -- for each of the officers listed
20 with a 100 percent denoted in that column, are the 100
21 percents similarly applied to each one of those
22 executive officers?

23 A Yes. It's similarly applied to the
24 calculation of the annual funded -- fund amount for the
25 annual incentives for these listed name executives here.

1 Q Okay, so just so that I understand, each
2 officer listed receives incentive compensation based on
3 earnings per share, correct?

4 A I would say it this way: That's the basis
5 that's used for establishing what we refer to as the
6 annual incentive fund. With regard to the ultimate
7 payout, or payment, that is based on the executive's
8 performance, and executive performance including his
9 individual performance as well as that including the
10 corporate performance. But ultimately the payouts are
11 based on performance.

12 Q Fair enough.

13 I'd like to turn your attention now to PEF's
14 Response to Staff's 24th Request for Production of
15 Documents which, for the clarity of the record, was
16 contained in item number 11 of Exhibit 32. You
17 sponsored this response, did you not?

18 A Wait a minute. One more time?

19 Q This is PEF's Response to Staff's 24th Request
20 for Production of Documents, numbers -- beginning with
21 No. 159.

22 A Staff's number -- what was the number again?

23 Q 159. It's staff --

24 A Yes, okay. Let me find it.

25 I have it, I think.

1 Q Beginning with POD -- I'll refer to these
2 production of document responses as PODs.

3 Beginning with POD 159, staff asked for
4 several compensation studies. Do you see that?

5 A Yes.

6 Q Were the documents provided by PEF in response
7 to POD 159 the actual studies requested or simply
8 summaries of those studies?

9 A They are actual studies with regard to 159.

10 Q And moving on to POD 160, in this POD staff
11 requested a written analysis provided by PEF by its
12 compensation consultants. Do you see that?

13 A Uh-huh.

14 Q Were the documents provided by PEF in response
15 to this POD summaries of these studies or the studies
16 themselves?

17 A They should be the studies themselves.

18 Q With respect to POD 161 --

19 A Okay.

20 Q -- PEF responded, "See response to request
21 numbers 159 and 160 above." Do you see that?

22 A Yes, I do.

23 Q Do the responses to POD numbers 159 and 160
24 contain all of the studies and documents used by PEF in
25 the determination of the appropriate compensation

1 amounts for Progress Energy, Inc., officers and
2 directors?

3 A Yes.

4 Q Okay. Please refer to POD No. 162, in which
5 staff requests, "Any and all other studies or documents
6 used in the determination of appropriate compensation
7 amounts for Progress Energy Florida, Inc., officers and
8 directors." Do you see that?

9 A Yes.

10 Q Similarly, in response to this POD request,
11 PEF specified, "See response to request numbers 159 and
12 160 above." Do you see that?

13 A Yes.

14 Q Did this -- did the responses to POD Nos. 159
15 and 160 contain all of the studies and documents that
16 PEF used in its determination of appropriate
17 compensation amounts regarding Progress Energy Florida,
18 Inc., officers and directors?

19 A Yes.

20 Q Please refer now to POD No. 163, in which
21 staff asked for, "Any and all studies or documents used
22 in the determination of the appropriate compensation
23 amounts for PEF employees." Do you see that?

24 A Yes, I do.

25 Q Are the documents provided by PEF in response

1 to POD 163 the actual studies requested or simply
2 summaries of those studies?

3 A This is 163?

4 Q 163, yes.

5 A Yes, this is it.

6 Q Yes?

7 A Yes.

8 Q Are the documents provided in response to
9 Staff's 24th Request for Production of Documents the
10 only support PEF has for its 2010 compensation
11 increases?

12 A One more time with that question.

13 Q Are the documents in total provided by PEF in
14 response to Staff's 24th Production of Documents the
15 only support that PEF has for its 2010 compensation
16 increases?

17 A Yes.

18 Q I'd like to turn your attention now to your
19 Exhibit MSD-12 attached to your rebuttal testimony.

20 A Okay.

21 Q Could you please explain generally what this
22 document contains?

23 A Yes. This document is -- well, first, a best
24 practice in compensation management is to make sure that
25 you're, on an ongoing basis, assessing your compensation

1 against the market. What this document represents is
2 one of the -- our process -- one of our processes. We
3 refer to it as CORE, or compensation ongoing review --
4 compensation ongoing review and evaluation.

5 And this is from the 2008 year when we took a
6 look at -- generally what we try to do in practice is to
7 look at about 20 to 25 percent of our positions on an
8 ongoing, rolling basis, so this is our study for the
9 2008 year.

10 As you will see, the scope in there on the
11 page 3 addresses the scope of the jobs we look at, in
12 particular engineering, engineering tech, environmental
13 jobs, nuclear generation jobs, occupational health and
14 safety jobs. We also looked at certain IT
15 classifications and the like, and I won't read it to
16 you, but that's the scope of the work there. And then
17 we also addressed the number of job titles that were
18 below market, and as you'll see, the total there is 58
19 job titles, and of those jobs -- that touched on 332
20 employees in that job, and also with regard to -- we had
21 13 classifications that were greater than or equal to
22 two job values below the market. So that's showing
23 results from that market study there.

24 Similarly, we talk about the cost impact
25 there, and I won't read that to you, but we -- as part

1 of that process, we identify the cost impact in our
2 decision-making and recommendations to our management
3 with regard to an implementation strategy with regard to
4 the results of the study.

5 So with regard to that, we went through that
6 process and identified the decisions that we needed to
7 make, made the recommendations, and proceeded with an
8 implementation of what was approved by our senior
9 management, and we do that on an ongoing basis. And in
10 2009 we've done the same -- a similar process, and it is
11 our process and plans to do the same thing for the 2010
12 year and going forward. And these jobs focus on our
13 non-officer positions, positions below vice-president.

14 Q Just so that I understand, who created this
15 document?

16 A This document was created under my supervision
17 by my general, what I refer to as the general
18 compensation group.

19 Q And could you please refer to page 4 of 18 of
20 this document?

21 A Page 4. Yes, okay.

22 Q It's entitled Phase 1 Findings. Do you see
23 that?

24 A Yes.

25 Q At the bottom of this page is a statement, "13

1 classifications greater than or equal to two JVs below
2 market." Do you see that?

3 A Yes.

4 Q What does this statement mean?

5 A There were two job values that were what we
6 call greater than or equal to two job values below the
7 market. Generally what that means, it's telling me that
8 for each job value or difference or differentiation
9 between job values is about seven percent. So what that
10 means is we have 13 classifications that were probably
11 14 percent or greater below the market value, the
12 competitive market value for those positions.

13 Q And could you -- let's back up one step.
14 Could you explain what exactly "job value" means?

15 A Job value, well, maybe -- I apologize for that
16 but it's probably more frequently referred to as the
17 market value. Basically this is -- based on our surveys
18 when we go out and look at the market and look at the
19 market data, this is the competitive market value of a
20 position that we benchmark our position to into the
21 general market.

22 Q Do you see the grand total of the column,
23 entitled Number of Job Titles Below Market?

24 A Yes.

25 Q It shows the number 68. Do you see that?

1 A Yes.

2 Q How many are one JV below and how many are two
3 JVs below of that figure?

4 A Okay, it's -- of course, 13 are two below and
5 55 are one below.

6 Q Is that information contained somewhere in
7 this document?

8 A No.

9 Q How can staff determine from this document
10 what positions that are affected?

11 A Well, that level of detail is not presented in
12 this report.

13 Q Fair enough.

14 I would like to turn back to page 3 of 18, the
15 preceding page. Do you see the statement at the bottom
16 of this document specifying, "268 total classifications
17 included in Phase 1," and then the parenthetical,
18 "approximately 2,100 employees." Do you see that?

19 A Yes.

20 Q I would like you to compare the statement at
21 the bottom of page 3 to the statement on the bottom of
22 page 4. Is it a fair representation that 13 out of 268
23 classifications are below market?

24 A Whoa, whoa, 13 out of --

25 Q 268.

1 A How are are you getting the 268?

2 Q 268 is contained in the total -- in the
3 statement at the bottom of page 3, 268 total
4 classifications.

5 A Yes, 13 classifications. Yes, okay, I would
6 conclude that.

7 Q Of the 268 positions reviewed, if Progress
8 found that 13 are below market, were the other 255
9 positions either at or above market?

10 A They were all at market and none above market.
11 If they were above markets, they would have been
12 reflected in here.

13 Q Turning back to page 4, under the column
14 titled Number of Employees Affected, there is a total of
15 332. Do you see that?

16 A Yes.

17 Q Does this mean that 332 of 2,100 employees are
18 below market?

19 A Yes.

20 Q To your knowledge, how many of the 2,100
21 employees are above market?

22 A None.

23 Q Is that information contained anywhere in this
24 document?

25 A No. No, it's just not stated in this

1 document.

2 Q Could you please turn to page --

3 A I will have to check --

4 Q Is that the entirety of your response?

5 A Yes, I'm good with that.

6 Q You can take a moment if you need.

7 A No, I think I'm still good with that.

8 Q Okay. Would you please turn to page 6 of this
9 document?

10 A Okay.

11 Q On page 6 there are three implementation
12 options listed. Do you see those?

13 A Yes.

14 Q Which option, to your knowledge, is reflected
15 in PEF's 2010 test year salaries?

16 A Well, as I mentioned I think in my deposition,
17 what was ultimately implemented was not exactly this
18 option. Option 1 was implemented with some changes
19 there. The dollar impact, we did not decide to make all
20 of the upward adjustments at that particular time, and
21 the overall total cost impact resulting from that was
22 about \$39,500, and I think I provided you this
23 information earlier.

24 Q Were there market findings discussed on -- in
25 this page incorporated into the salaries expense for

1 PEF's 2010 test year?

2 A Yes. If -- for whatever adjustments that were
3 made, they were made I think with an effective January 1
4 of that -- of the coming year, so basing our
5 projections, if there were any increases there, they
6 would be projected through to our filing today.

7 Q Were the findings of the CORE study used to
8 support any other salary increases reflected in the 2010
9 test year?

10 A No.

11 MS. KLANCKE: I have no further questions for
12 this witness.

13 CHAIRMAN CARTER: Thank you.

14 Commissioner Skop, you're recognized.

15 COMMISSIONER SKOP: Thank you, Mr. Chairman.

16 Good evening, Mr. DesChamps.

17 THE WITNESS: Good evening, Commissioner Skop.

18 COMMISSIONER SKOP: Just a few follow-up
19 questions. I was trying to collect my thoughts, so bear
20 with me if you will. If I could turn your attention to
21 page 3 of your prefiled testimony? That seems to be a
22 lucky number. Maybe I should play that in the Lotto or
23 something.

24 THE WITNESS: I think I'll do that. 3 and 7?

25 COMMISSIONER SKOP: Yes, sir.

1 THE WITNESS: Okay, I'm there.

2 COMMISSIONER SKOP: All right. And if I could
3 refer you generally on page 3 of your rebuttal testimony
4 as to lines 20 through 23.

5 THE WITNESS: Yes, sir, I'm there.

6 COMMISSIONER SKOP: And on those lines of your
7 testimony, you discuss a component which allows for CEO
8 discretion that can be used to offset extenuating
9 factors such as weather or general economic conditions
10 that may affect operational goals or EPs achievement.
11 Do you see that?

12 THE WITNESS: Yes, sir, I do.

13 COMMISSIONER SKOP: So essentially, if
14 executive compensation goals are set either by the Board
15 or in conjunction with the CEO and the Board, there is a
16 discretionary component which allows those goals to be
17 offset to some degree using that discretion, is that
18 correct?

19 THE WITNESS: Yes. Well, let me just see if
20 we're on the same page with regard to the plan we're
21 talking about. This statement is made in reference to
22 the employee cash incentive plan.

23 COMMISSIONER SKOP: Yes, sir.

24 THE WITNESS: And executives are not paid
25 incentive compensation out of this plan.

1 COMMISSIONER SKOP: Okay. But for the other
2 employees, whether they be managers or --

3 THE WITNESS: It would be non-managers, sir.

4 COMMISSIONER SKOP: It would be non-managers,
5 right. So for the general employees, there is the plan
6 the ECPIP -- or ECIP -- it's getting late -- and that
7 plan has certain performance-related objectives that can
8 be offset using the CEO's discretion when there are --

9 THE WITNESS: In the event the CEO has that
10 discretion -- and we'll just emphasize *discretion* -- it
11 doesn't mean that he has to, but if he deems it's
12 appropriate, the plan does allow the CEO for that
13 performance measure to add up to, if I'm correct -- I
14 want to just double-check here. CEO discretion of ten
15 percentage points on that particular metric, the EPS
16 metric.

17 COMMISSIONER SKOP: And given the fact that
18 that discretion would be used when general economic
19 conditions may be difficult, do you know how often that
20 discretion has been used, if at all, during the last
21 three years?

22 THE WITNESS: No, sir. I don't think -- I
23 don't remember. This plan was just put in -- this
24 feature was put in about two years ago, so it's
25 relatively new.

1 COMMISSIONER SKOP: All right. Just generally
2 speaking, moving to page 4, which deals more directly
3 with executive compensation levels, I have a series of
4 questions related to a line of questioning that
5 Intervenor and staff asked you in relation to who
6 should absorb the overall cost of executive
7 compensation.

8 Now, is it correct to understand that the
9 Board of Directors establishes executive compensation
10 levels?

11 THE WITNESS: Well, yes, sir, the Organization
12 and Compensation Committee of the Board does.

13 COMMISSIONER SKOP: Okay. But then the Board
14 as a whole adopts that Compensation Committee's
15 findings, is that correct?

16 THE WITNESS: Yes, that governing structure,
17 yes.

18 COMMISSIONER SKOP: Now, is the executive
19 compensation established by the Board of Directors
20 subject to further approval or ratification by Progress
21 Energy shareholders?

22 THE WITNESS: It would depend. There are
23 certain plans with regard to executive compensation,
24 like, for example, our equity incentive, what we call
25 our equity incentive plan, which is an omnibus plan

1 which the long-term incentive plan features are under
2 that is subject to shareholder approval. Also the
3 management incentive plan was subject to shareholder
4 approval as well, and the executive incentive plan was
5 also subject to shareholder approval.

6 COMMISSIONER SKOP: Okay, thank you.

7 Now, with respect to executive compensation,
8 particularly at the senior level executive level, the
9 corporate officers and such, would you agree that
10 roughly 50 percent of executive compensation is
11 allocated down to Progress Energy Florida ratepayers?

12 THE WITNESS: Yes, following that 50 percent
13 being a rough approximation.

14 COMMISSIONER SKOP: Now, subject to check,
15 would you also agree that 100 basis points of ROE in
16 this rate case is roughly equal to approximately 151 --
17 I mean, is approximately equal to \$51.6 million?

18 THE WITNESS: Well, Commissioner Skop, I'm not
19 familiar with the ROE components and how it correlates
20 in this situation, so I couldn't give you an answer
21 there, even subject to check.

22 COMMISSIONER SKOP: Would that be Witness
23 Toomey or one of the financial --

24 THE WITNESS: That would be one of the
25 financial witnesses.

1 COMMISSIONER SKOP: All right, let me reframe
2 the question, then.

3 Generally speaking, why would it not be
4 appropriate for executive compensation above a certain
5 threshold level to be funded by shareholders utilizing
6 the retained earnings of the company?

7 THE WITNESS: As I said earlier, with regard
8 to -- I think with regard to our corporate philosophy
9 and our strategy of trying to be fair to all our key
10 stakeholders, I would take that position that with
11 regard to how we're trying to operate our business, that
12 it's appropriate to take the approach that we're taking
13 with regard to how we're accounting for our executive
14 compensation.

15 COMMISSIONER SKOP: Okay. And I know that
16 you're not familiar with the specifics of the ROE, but
17 generally speaking, again, would it be correct that
18 there should be a correlation between awarded ROE and
19 the amount that shareholders are asked to absorb with
20 respect to executive compensation? Do you feel there is
21 a correlation between those two factors?

22 THE WITNESS: Specifically, I really don't
23 know.

24 COMMISSIONER SKOP: Okay. Would you agree
25 that in the context of this rate case with respect to

1 dealing with the compensation issues that you're
2 directly responsible for, would it be incumbent upon
3 this Commission to make a fair judgment call as to what
4 amount Progress Energy Florida ratepayers should absorb
5 with respect to executive compensation levels?

6 THE WITNESS: Yes, sir, I agree, on the
7 premise you said, a fair amount.

8 COMMISSIONER SKOP: All right. Moving to page
9 4 of your rebuttal testimony, please, and I think I just
10 have two more brief questions, Mr. Chair. On page 4, on
11 lines 6 through 7, do you see that?

12 THE WITNESS: Page 4, yes, sir.

13 COMMISSIONER SKOP: And lines 6 through 7.
14 Are you there?

15 THE WITNESS: Yes.

16 COMMISSIONER SKOP: Generally speaking, it
17 characterizes the EIP as an umbrella plan intended to
18 enable the company to preserve the tax deductibility of
19 incentive awards. Do you see that?

20 THE WITNESS: Yes.

21 COMMISSIONER SKOP: And that EIP plan is in
22 conjunction with the MICP plan?

23 THE WITNESS: Yes, sir.

24 COMMISSIONER SKOP: Okay. Now, with respect
25 to the tax deductibility of the incentive awards, as

1 applied to Section 162(m) of the Internal Revenue Code
2 which I believe is mentioned expressly on page 5, does
3 the statement in your testimony mean that the incentive
4 awards under the EIP plan are less than the one million
5 dollar deduction limitation, or are such awards
6 performance-based under a performance-based plan
7 exemption such that the deduction limitation would not
8 apply?

9 THE WITNESS: With regard to -- if I
10 understand your question correctly, with regard to
11 today, the awards that have been paid or most recently
12 have been paid have been below the one million dollars.

13 COMMISSIONER SKOP: Okay, so basically the
14 provisions of the EIP plan are not subject to
15 performance-based plan exemption, and they would just be
16 strictly limited to the one million dollar deduction
17 limitation under Section 162(m)?

18 THE WITNESS: Okay, let me see if I understand
19 what you're saying. 162(m) requires that the pay be
20 performance-based to -- and -- it requires it, and if
21 the payment is above -- and in order -- if the payment
22 is above a million dollars, that's where 162(m) kicks
23 in.

24 COMMISSIONER SKOP: Okay. I didn't look at it
25 specifically, but I was trying to understand from memory

1 the tradeoff between that.

2 THE WITNESS: Yes, sir. It's above the
3 million, but it does require that it be performance-
4 based.

5 COMMISSIONER SKOP: But anything below a
6 million, it's -- even if it's not performance-based, it
7 still falls within the exemption, is that correct?

8 THE WITNESS: Yes, and I think -- and I'm not
9 going to get too much into the tax side of that, but I
10 would say with regard to our plan, even without the EIP,
11 we're still a performance-based annual incentive plan as
12 provided under provisions of the management incentive
13 comp plan.

14 COMMISSIONER SKOP: And just for your
15 understanding, what I was trying to do was ascertain the
16 magnitude of whatever payments might be awarded under
17 the EIP incentive plan by virtue of the testimony that
18 stated that there was the desire to preserve the tax
19 deductibility, so I was trying to read between the lines
20 there, if you will. So I appreciate your clarification.

21 And just one additional question. On page 6
22 of your rebuttal testimony, lines 7 through 18, in that
23 question and answer basically Witness Schultz had given
24 his opinion, as well as Witness Marz, as to why some of
25 the proposed -- or the company's request for incentive

1 compensation should be denied. Do you agree or disagree
2 with both of those witnesses and, briefly, if you do not
3 disagree, why -- or if you do disagree, why, briefly.

4 Yes, sorry. It's getting late.

5 THE WITNESS: Okay. I do disagree with regard
6 to both witnesses here. Both witnesses take positions
7 with regard to incentive pay that is calculated or
8 influenced by performance metrics that are earnings per
9 share, that that portion of the incentive pay should not
10 be borne by the customers or ratepayers. As I've stated
11 earlier that we do not follow that belief in that
12 regard, and, as such, I've taken the position that I've
13 taken here.

14 COMMISSIONER SKOP: Very well. Thank you.

15 CHAIRMAN CARTER: Thank you, Commissioner
16 Skop.

17 Commissioners, anything further from the
18 bench?

19 Redirect?

20 MS. TRIPLETT: Yes, sir.

21 REDIRECT EXAMINATION

22 BY MS. TRIPLETT:

23 Q Mr. DesChamps, early in your cross -- it's
24 been a couple of hours maybe -- Mr. Rehwinkel asked you
25 whether or not there had ever been a year where PEF did

1 not pay some level of incentive compensation. Do you
2 remember those questions?

3 A Yes.

4 Q And in any year that PEF did pay incentive
5 compensation, was the amount arbitrary or was it based
6 on how many incentive goals each business unit met?

7 A The payment was based on the achievement or on
8 the number of incentive goals actually met.

9 Q And would I be correct to assume that as a
10 general matter, the more goals a business unit obtained,
11 the higher the level of compensation, and the fewer
12 goals obtained, the less the level compensation?

13 A That is correct.

14 Q And can you explain the benefit of a pay-for-
15 performance payroll philosophy as compared to a straight
16 base-pay philosophy?

17 A Well, first, with regard to -- I think a best
18 practice is to have pay for performance, and pay should
19 be -- payment should be made accordingly. In the event
20 as -- and I'll link it back to PEF. We approach
21 compensation looking at it from a total compensation
22 perspective. If we did not have an incentive
23 compensation, we would probably have to make that up in
24 base pay; however, if we made that up in base pay, that
25 takes away your flexibility with regard to how do you --

1 to paying for performance. So I think it's very
2 important to have a lever out there that, in the event
3 when employees do not perform as they are expected to
4 perform, that you have that lever to at the same time
5 adjust their pay accordingly to their performance.

6 Q Thank you. And Mr. Rehwinkel also asked you
7 about PEF employees having two retirement plans. Do you
8 remember that?

9 A Yes.

10 Q And is it accurate to say that what PEF
11 employees actually have is one pension plan and the
12 option to also participate in an optional employee
13 savings plan?

14 A Yes. More specifically, employees have what
15 we call a defined benefit, which is your traditional
16 pension plan, and they also have a 401(k), or if you
17 want to use the term *savings plan*, which is elective for
18 them to participate in. It's not mandatory, but it is
19 an elective retirement savings vehicle.

20 Q So it's also true that if employees elect to
21 contribute their own money to that optional savings
22 plan, that contribution necessarily would come from
23 their own funds rather than from the company?

24 A Yes, the contributions to your saving plans
25 would come from your own compensation, your

1 contributions.

2 Q Thank you. And Mr. Wright asked you questions
3 about whether the company had certain goals regarding
4 transmission disruptions. Do you remember that?

5 A Yes.

6 Q Would the best person --

7 MR. WRIGHT: I have to object. I didn't ask
8 that. I asked whether he knew whether there was a
9 specific transmission reliability variable or index that
10 was used as the incentive as then defining the goal.

11 CHAIRMAN CARTER: To the objection?

12 MS. TRIPLETT: I apologize if that was -- I
13 will accept his characterization. And my question is --

14 CHAIRMAN CARTER: Well, let's move on.

15 BY MS. TRIPLETT:

16 Q My question is just would the best person to
17 answer that question be Mr. Dale Oliver?

18 A Yes.

19 Q And Mr. Wright also asked you questions about
20 distribution goals, and would the best person to answer
21 those questions be Mr. Jackie Joyner?

22 A Yes.

23 Q And I believe Mr. Wright also asked you about
24 generation unit goals. Would the best person to answer
25 those questions be Mr. David Sorrick?

1 A Yes.

2 Q Mr. Wright also asked you about the MICP plan
3 and what goals make up that plan. Do you remember those
4 lines of questions?

5 A Yes.

6 Q Do you disagree with me that part of the goals
7 for the MICP plan that you have to meet include service
8 company goals, which include things like supporting the
9 business units, to carrying out --

10 MR. WRIGHT: I object. This is clearly
11 leading, not appropriate for her own witness.

12 CHAIRMAN CARTER: To the objection?

13 MS. TRIPLETT: I'll rephrase.

14 CHAIRMAN CARTER: Rephrase.

15 BY MS. TRIPLETT:

16 Q Could you explain, sir, what the service
17 company goals are with respect to the MIC plan, MICP
18 plan?

19 A Well, the service company goals are similar --
20 under the management incentive compensation plan, are
21 similar to all the others. It's the corporate EPS and
22 legal entity EBITDA. That's -- those are the goals for
23 management incentive plan.

24 With respect to the ECIP plan, a large portion
25 of the service company's goals are in support of the

1 business units' achieving their goals along with service
2 company goals about safety, the budget, budget cost
3 management, and also some degree of customer
4 satisfaction as well.

5 Q Thank you. Mr. Wright also asked you
6 questions about whether the company would be prohibited
7 from reducing pay increases or not paying out incentives
8 or making cuts to employees. Do you remember those
9 lines of questions?

10 A Yes.

11 Q Are there any current plans to freeze
12 salaries?

13 A None that I'm aware of.

14 Q And do you know whether there are any current
15 plans to not pay out all of the incentive compensation?

16 A None that I'm aware of.

17 Q And are there any current plans to lay off
18 employees that you're aware of? Are there any current
19 plans to lay off employees that you're aware of?

20 A None that I'm aware of.

21 Q Thank you.

22 MS. TRIPLETT: I have no further questions,
23 Mr. Chair.

24 CHAIRMAN CARTER: Exhibits?

25 MS. TRIPLETT: Yes. We would move 209 through

1 215.

2 CHAIRMAN CARTER: Objection, Ms. Kaufman?

3 MS. KAUFMAN: Yes, Mr. Chairman. FIPUG would
4 object to 211, 212, 214 and 215. We cross-examined Mr.
5 DesChamps and he admitted that he had not prepared nor
6 reviewed the underlying data for those exhibits except
7 as they relate to Progress, and we object on the grounds
8 of hearsay, and further that there is no witness from
9 any of these companies to authenticate these documents.

10 CHAIRMAN CARTER: That's on 211, 212, 213, 214
11 and 215, is that what you said?

12 MS. KAUFMAN: It's 211, 212, 214 and 215.

13 CHAIRMAN CARTER: 211, 212, 214 and 215.

14 MS. KAUFMAN: Yes, sir.

15 CHAIRMAN CARTER: To the objection?

16 MS. TRIPLETT: Sir, I believe that this falls
17 within the previous objections made to some of the
18 exhibits on Mr. DesChamps' direct testimony exhibits. I
19 believe that your ruling would also apply to this, that
20 the -- this is an administrative proceeding, that the
21 Commission is allowed to consider hearsay evidence and
22 give it whatever weight it deserves, and I would also
23 point out that Mr. DesChamps relies upon this sort of
24 information in the normal course of carrying out his
25 business.

1 CHAIRMAN CARTER: Ms. Cibula?

2 MS. CIBULA: I recommend that the exhibits be
3 admitted and the Commission can give them the weight
4 that it deems appropriate.

5 CHAIRMAN CARTER: Okay. They'll be admitted.
6 (Exhibit Nos. 211, 212, 214 and 215 admitted
7 into the record.)

8 CHAIRMAN CARTER: Any objections to the rest
9 of the exhibits?

10 MS. TRIPLETT: No objection, sir.

11 CHAIRMAN CARTER: No, no. You're moving them.

12 MS. TRIPLETT: Oh, I'm sorry, I thought you
13 were moving on to the others ones. Well, I don't have
14 any objections to my exhibits.

15 CHAIRMAN CARTER: That's good to know. We
16 just dealt with 211, 212, 214, and 215. Those are in
17 evidence. So the remaining -- you would move the
18 remaining exhibits starting at 209 through 214, is that
19 correct?

20 MS. TRIPLETT: Yes, sir.

21 CHAIRMAN CARTER: Any objections?

22 Without objection, show it done.

23 (Exhibit Nos. 209, 210 and 213 admitted into
24 the record.)

25 CHAIRMAN CARTER: Anything further for this

1 witness?

2 MS. KLANCKE: Staff requests that you --

3 CHAIRMAN CARTER: Staff?

4 MS. KLANCKE: Yes.

5 CHAIRMAN CARTER: Okay. You're recognized for
6 Exhibit 309, three zero nine.

7 MS. KLANCKE: I believe it is in fact --

8 CHAIRMAN CARTER: Hold on, hold it.

9 Mr. Rehwinkel?

10 MR. REHWINKEL: I'll move 309.

11 MS. TRIPLETT: And no objection to 309.

12 CHAIRMAN CARTER: All right. I'll have to get
13 a dance card here.

14 (Exhibit No. 309 admitted into the record.)

15 CHAIRMAN CARTER: Staff, you're recognized for
16 310.

17 MS. KLANCKE: Staff recommends that you move
18 Exhibit 310 into the record.

19 CHAIRMAN CARTER: Are there any objections?

20 MS. TRIPLETT: No objection, sir.

21 CHAIRMAN CARTER: Without objection, show it
22 done.

23 (Exhibit No. 310 admitted into the record.)

24 CHAIRMAN CARTER: Okay. This witness has been
25 here for direct and rebuttal. Anything further for this

1 witness from any of the parties, staff?

2 Thank you. You may be excused. Have a great
3 evening.

4 Call your next witness.

5 MR. WALLS: We call Ben Crisp.

6 CHAIRMAN CARTER: Has Mr. Crisp been sworn?

7 MR. WALLS: Yes, he has.

8 CHAIRMAN CARTER: He has.

9 Whereupon,

10 JOHN "BEN" CRISP

11 was called as a witness on behalf of Progress Energy
12 Florida and, having been duly sworn, was examined and
13 testified as follows:

14 DIRECT EXAMINATION

15 BY MR. WALLS:

16 Q Mr. Crisp, you realize you are still under
17 oath?

18 A Yes.

19 Q Have you filed rebuttal testimony and exhibits
20 in this proceeding?

21 A Yes, I have.

22 Q And do you have your prefiled rebuttal
23 testimony and exhibits with you?

24 A Yes, I do.

25 Q And do you have any changes to make to your

1 prefiled rebuttal testimony?

2 A Yes, I do. Based on this Commission's earlier
3 ruling and the withdrawal of Witness Marz's testimony
4 regarding the impact of reduced sales, please delete on
5 page 2 of my rebuttal testimony lines -- starting at
6 line 16, midway through the sentence on line 16, place a
7 period where there is a comma, and remove the remainder
8 of the sentence on line 16 and the remaining sentence on
9 line 17.

10 On page 3, line 7.

11 On page 4 --

12 CHAIRMAN CARTER: On page 3 --

13 THE WITNESS: Yes, sir, line 7.

14 CHAIRMAN CARTER: Line 7, delete it?

15 THE WITNESS: It's Exhibit No. JBC-9.

16 CHAIRMAN CARTER: Okay.

17 THE WITNESS: And on page 4, lines 2 through
18 7, starting midsentence on line 2.

19 CHAIRMAN CARTER: Okay.

20 THE WITNESS: Page 15, lines 10 through 23.

21 Starting at the last sentence on page 16
22 through lines 1 through 7 on page 17.

23 MR. WRIGHT: Mr. Chairman?

24 CHAIRMAN CARTER: Mr. Wright.

25 MR. WRIGHT: I did not track the last

1 deletion.

2 CHAIRMAN CARTER: Okay.

3 THE WITNESS: Are you talking about lines --
4 or page 16 and page 17?

5 MR. WRIGHT: I am, Mr. Chairman.

6 THE WITNESS: On page 16 and page 17, starting
7 with the last sentence on page 16, which is line 21,
8 delete lines 21 through 23 on page 16. On page 17,
9 delete lines 1 through 7.

10 MR. WRIGHT: Thank you, Mr. Chairman. Thank
11 you, Mr. Crisp.

12 MR. MOYLE: Can I just make sure I'm clear,
13 and I may not be reading it correctly, but thank you for
14 doing that. I had looked at it and I thought I had all
15 of 16 coming out.

16 MR. WALLS: I believe Mr. Crisp said 16, lines
17 1 through 23, but --

18 MR. MOYLE: Okay, so the whole page?

19 MR. WALLS: Yeah.

20 CHAIRMAN CARTER: That's not what I have.
21 I've got starting at line 22, 21.

22 MR. WALLS: Well, that's what it should say.

23 THE WITNESS: Page 16 in its entirety. Page
24 16 in its entirety.

25 MR. MOYLE: I mean, I have from page 15 where

1 it starts, "Load and sales forecast," on line 10,
2 everything coming out all the way out to, "Does this
3 conclude your testimony?"

4 MR. WALLS: Yeah, I agree.

5 CHAIRMAN CARTER: So, starting at line 10 on
6 15, is that correct?

7 MR. MOYLE: Yes, it starts on page 15, line
8 10, the section entitled, "Load and sales forecast," and
9 runs all the way through to page 17, line 7 should be
10 struck, and then, "Does this conclude your testimony?"

11 CHAIRMAN CARTER: We're leaving lines 9 and
12 10, right, on 17?

13 MR. MOYLE: Yes, sir.

14 CHAIRMAN CARTER: Are we all on the same page?
15 Okay. Mr. Walls, you may proceed.

16 BY MR. WALLS:

17 Q With those changes, Mr. Crisp, if I asked you
18 the same questions in your prefiled rebuttal testimony
19 today, would you give the same answers?

20 A Yes, sir.

21 MR. WALLS: We request that Mr. Crisp's
22 prefiled rebuttal testimony with those changes be
23 entered into the record as if it was read here today.

24 CHAIRMAN CARTER: The prefiled testimony with
25 the necessary changes will be inserted into the record

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as though read.

**In re: Petition for increase in rates by Progress Energy Florida
Docket No. 090079-E1**

**REBUTTAL TESTIMONY OF
JOHN B. CRISP**

1 **I. Introduction and Summary.**

2 **Q. Please state your name and position.**

3 A. My name is John Benjamin (Ben) Crisp. I am employed by Progress Energy
4 Florida, Inc. ("PEF" or the "Company) as the Director of System Planning and
5 Regulatory Performance for PEF.

6

7 **Q. Have you provided testimony in this proceeding?**

8 A. Yes, I provided direct testimony in this proceeding.

9

10 **Q. Have you reviewed the Intervener testimony filed in this proceeding?**

11 A. Yes, I have reviewed and I will provide rebuttal testimony to the testimony of
12 Jack Pous ("Pous"), filed on behalf of the Office of Public Counsel ("OPC") and
13 the testimonies of Jeffrey Pollock ("Pollock") and Martin Marz ("Marz"), filed on
14 behalf of the Florida Industrial Power Users Group ("FIPUG"). Specifically, I will
15 rebut the portions of Pous and Pollock's testimonies with respect to the average
16 service lives of PEF's generating units, and I will rebut the portion of Marz's
17 testimony regarding the Company's load and sales forecast.

18

19 **Q. Have you prepared any exhibits to your testimony?**

1 A. Yes, I have prepared or supervised the preparation of several exhibits, as follows:

- 2 ● Exhibit No. ____ (JBC-7), PEF's 2008 Generation Plant Retirement
3 Scenario supplied in response to OPC Seventh Request for Production of
4 Documents No. 174;
- 5 ● Exhibit No. ____ (JBC-8), PEF's Chart of the Comparison of Retirement
6 Date Projections for PEF plants; and
- 7 ● Exhibit No. ____ (JBC-9), PEF's revised May 2009 load and sales forecast.

8 These exhibits are true and accurate.

9

10 **Q. Please summarize your rebuttal testimony.**

11 A. PEF's estimated service lives for its coal- and oil-fired steam units, and its combined
12 cycle units, are based on PEF's expertise and experience with the condition,
13 operation, and maintenance of these units to meet PEF's unique load demands
14 under the operational, environmental, and regulatory conditions facing PEF. The
15 intervenor witnesses have not and do not operate and maintain PEF's production
16 assets to meet current load and they have not and do not have to plan to meet
17 PEF's future load demands. Their recommendations are based on nothing more
18 than self-serving references to select instances where certain other utilities
19 apparently plan for longer service lives for their unique units under the unique
20 conditions and environments they face. This is no reason for the Commission to
21 substitute their judgment for PEF's planning judgment with respect to the
22 Company's service lives for its units. PEF's estimated service lives reasonably
23 reflect its planning judgment based on the Company's expertise and experience.

1 PEF's original load forecast projected low growth commencing in 2009
2 and continuing in 2010. PEF's revised load forecast demonstrates the recession
3 was deeper and longer than originally projected with load growth commencing
4 again in 2010, not 2009, and from a lower point. As explained by Mr. Toomey,
5 PEF is not potentially overearning under such conditions, as intervenor witness
6 Martz asserts, rather PEF needs additional revenue requirements just to cover the
7 cost to provide quality electric service to its customers.
8

9 **II. Service Lives.**

10 **Q. What are the Company's recommended service lives for its Anclote steam unit,**
11 **Crystal River coal units, and combined cycle units?**

12 A. PEF's estimated service life for its Anclote oil-fired steam units is an average of 46
13 years based on a proposed retirement date of 2022. Please see Exhibits Nos. ____
14 (JBC-7) and (JBC-8) to my rebuttal testimony. The estimated service lives for
15 PEF's Crystal River coal units, Units 1 and 2, is an average of 53 years based on a
16 retirement date of 2020 for the units. (Id.). PEF's estimated service lives for its
17 other coal units, Crystal River Units 4 and 5, is an average of 52 years based on
18 an estimated retirement date of 2035 for these units. (Id.). Finally, PEF's
19 estimated service lives for its combined cycle units at the Hines Energy Complex
20 and at Bartow is 30 years. (Id.).
21

22 **Q. Do the Intervenor witnesses challenge the Company's estimated service lives**
23 **for these production assets?**

1 A. Yes. Both Pous and Pollock challenge PEF management's decisions with respect to
2 the estimated service lives for its coal units and recommend different longer service
3 lives. Pous limits his recommended service life changes to only two of the four PEF
4 coal-fired steam units, Crystal River Units 4 and 5. (Pollock Test., pp. 43-46; Pous
5 Test., pp.44-51). Pollock also challenges PEF's estimated life spans for its
6 combined cycle generation units and recommends that the Commission extend those
7 service lives. Pous also challenges the service lives for PEF's combined cycle units
8 but makes no specific recommendation other than a recommendation that the
9 Commission order PEF to conduct a study of the operational service lives of its
10 combined cycle units. (Pollock Test., pp. 47-48; Pous Test., pp. 51-52). Finally,
11 Pous challenges PEF's estimated service life for its oil-fired steam unit at Anclote
12 but Pollock does not. (Pous Test., pp. 50-51). In the case of each recommendation,
13 however, these witnesses request that the Commission substitute their judgment for
14 the judgment of PEF's management with respect to the estimated service lives for
15 these PEF generation units.

16
17 **Q. Do their recommendations reflect a uniform judgment with respect to the**
18 **service lives for these generation units?**

19 A. No. Pous recommends 60 years for PEF's coal units while Pollock recommends 55
20 years. (Pous Test., p. 51, L. 2; Pollock Test., p. 46, L. 5-6). Pous recommends 50
21 years for only one of PEF's two remaining oil-fired steam units and Pollock makes
22 no recommended change. (Pous Test., p. 51, L. 3-4). Pollock recommends 35 years
23 for PEF's combined cycle units and Pous makes no specific recommended change.

1 (Pollock Test., p. 48, L. 17-18; Pous Test., p. 51, L. 18-22). Their own
2 recommendations demonstrate that there is no single, uniform industry standard
3 service lives for any of these units. They certainly reference no such industry
4 standard and I am unaware of any such standard. Instead, each utility will
5 individually determine the appropriate service lives for their various generation units
6 on their systems depending on a wide variety of unique factors including the utility's
7 system load characteristics, available production units, dispatch stack, weather, and
8 operation and maintenance plans.

9
10 **Q. What do the intervenor witnesses rely on to support their recommendations?**

11 A. The intervenor witnesses point to the apparent results of several other regulatory
12 proceedings at various places around the country to support their recommendations.
13 They fail to provide the decisions in these regulatory proceedings or explain them so
14 it is difficult to determine the reasons for these decisions from their testimony.
15 (Pous Test., p. 51, L. 2; Pollock Test., p. 46, L. 5-6). Indeed, Pous supports his
16 recommendation with two "settlements" in a Utah and a Texas proceeding,
17 respectively (Pous Test., p. 48), and settlements by their very nature involve the
18 give-and-take of negotiations between the parties. They also do not explain what
19 other utilities are planning for all the other coal- and oil-fired steam and combined
20 cycle units in operation in the country and even the ones they selectively choose to
21 discuss show that these particular utilities have made management decisions that
22 result in different service lives for their respective utilities. There is no indication in
23 their testimony of the differences in management planning and operational and

1 maintenance practices that explain the individual determinations of the service lives
2 for the generation units at issue in each of the specific decisions they chose to
3 include in their testimony.

4
5 **Q. Should PEF look to decisions in other jurisdictions to determine the service**
6 **lives for its generation units?**

7 A. No. PEF must make its decisions regarding the service lives for its generation units
8 based on the environment that PEF faces in planning for the current and future
9 operation of its generation system to meet the electrical power needs of its
10 customers. These intervenor witnesses apparently believe that the Commission
11 should substitute its judgment for PEF management regarding the appropriate
12 planning, maintenance, operation, and capital expenditure decisions that must be
13 made to determine how long these units will be in service based on nothing more
14 than what some but certainly not all utilities in the country have decided to do with
15 respect to their generation units in light of the different environments they face.

16
17 **Q. How did PEF establish projected life spans for Anclote, the Crystal River**
18 **coal units, and the combined cycle units in the depreciation study filed by**
19 **PEF?**

20 A. Mr. Robinson, PEF's depreciation expert, was provided with PEF's internal
21 projections for on-going operations and projected retirement dates for all of PEF's
22 generating units. PEF develops these projected retirement dates in the course of
23 its regular planning process based on many factors including, but not limited to,

1 the: (1) specific current condition of each the generating units; (2) updates,
2 changes, and reconfigurations made at each plant that affect operating
3 characteristics; (3) complexity of operations and maintenance and longer term
4 viability of the units; (4) subtropical operating environment in which the plants
5 serve; and (5) bulk system operating requirements and demands placed on the
6 generating plants in the past, currently and as projected into the future. The
7 selection of these service lives is not based on some singular study done at a
8 particular point in time, as these intervenor witnesses recommend (Pous Test., p.
9 51, L. 18-21). Rather, these decisions reflect the Company's accumulated past
10 and current experience with operating these units under the Company's operating,
11 environmental, and regulatory conditions to meet the Company's load demands.
12 This is an on-going process based on what the Company does every day of every
13 week and our decisions in resource planning regarding the service lives of our
14 units reflect this accumulated experience. For a summary of this plan please see
15 Exhibit No. ___ (JBC-7) to my rebuttal testimony.

16
17 **Q. Can you provide examples of the information the Company accumulates**
18 **from its experience operating these units that it takes into account when**
19 **determining the service lives for PEF's generation units?**

20 **A.** Yes. With respect to the current condition of each of the generating units we must
21 take into account the past, current, and projected future costs of operating and
22 maintaining the generating plants for their planned remaining service life. This
23 includes the current and projected future additional cost requirements to maintain

1 environmental, health, and safety compliance for each of the specific generating
2 plants. In this regard, we must consider the impact of the subtropic environment
3 in which these units operate. The heat, humidity, and salt in the subtropic
4 environment in Florida means more wear and tear for our units and different
5 operation and maintenance issues from those for coal- and steam-fired steam units
6 in the drier, less humid environments that exist in some of the places cited by the
7 intervenor witnesses.

8 Another impact on the current and future condition of the units that affects
9 the service lives for them is the demands placed on them by the customer load.
10 The load on our system varies from other systems and, naturally, this means that
11 our units will be operated differently to meet our load signal throughout the day
12 and over the course of the year from the way other utilities operate their units to
13 meet their load. The operation of our generation units, in fact, includes historical
14 periods of extended severe duty operation, cyclic duty, and extraordinary
15 operating conditions during and after storms, for example. This has an impact on
16 the determination of the service lives for these units. Changing and evolving
17 market conditions for capital, fuels, and consumer demand also impact the way
18 we operate our units to meet load and, therefore, the estimated service lives for
19 these units.

20 We also consider the implications for PEF's generation unit operations
21 over time as a result of significant evolving policy changes including, but not
22 limited to, environmental risks (e.g. ash piles, sulfur, mercury), climate change,
23 renewable energy requirements, and conservation mandates. The current and

1 projected comparative life cycle costs for new generating units that could replace
2 PEF's generating plants must be considered too in estimating the service lives for
3 PEF's units. All of these factors affect the long term economic feasibility of
4 operating our generation units and all of them are accounted for on a continuing
5 basis as part of our integrated resource planning.

6
7 **Q. Are these planning factors typical and representative of a utility's normal**
8 **internal review process?**

9 A. The planning factors that I have described are typical and representative of a
10 prudent assessment process for the Company's ongoing operations and
11 maintenance plan as well as the projected retirement date for each generating
12 facility. It's just that these factors will differ from utility to utility based on each
13 utility's unique generation units that make up each utility's dispatch to meet load,
14 each utility's unique load demands, each utility's unique operational and
15 maintenance requirements, each utility's unique operational environment, and
16 each utility's unique regulatory environment. For these reasons, PEF's plans for
17 its units which include its estimated service lives cannot be expected to be the
18 same as some other utility.

19
20 **Q. Did Mr. Pous or Mr. Pollack address any of these specific considerations in**
21 **their testimony regarding their recommended life spans for PEF's generating**
22 **units?**

1 A. No, they did not. They seem to assume that all utility operations should be the
2 same even though their references to other jurisdictions in their testimony
3 demonstrate that they are not the same. Also, their testimony fails to indicate
4 whether either of them have any experience with the operations and system
5 planning considerations for any of the utilities in the jurisdictions they cite. They
6 certainly have no experience with system planning considerations for PEF's
7 system and, to my knowledge, they have not even visited PEF's generation plants.

8

9 **Q. Did Mr. Robinson review the Company's projected retirement dates?**

10 A. Yes, he did. As I explained above, he discussed with our resource planning staff
11 the factors in the resource planning process and the Company's estimated service
12 lives. In his review, he did not suggest that any of the proposed dates were
13 unreasonable or outside the norm for utility planning.

14

15 **Q. What information about PEF's projected plant retirements does PEF
16 normally provide in its annual Ten Year Site Plan filing?**

17 A. PEF's Ten Year Site Plan lists planned changes, additions, and retirements for the
18 proscribed ten year planning period. Planned changes beyond the ten year
19 horizon may be mentioned, but are not normally discussed in detail.

20

21 **Q. In PEF's planning reviews that were used in the development of the service
22 lives for PEF's generation units in the Company's Depreciation Study, were**

1 **the retirement dates provided reasonable based on PEF's knowledge,**
2 **experience, and planning judgment?**

3 A. Yes. With respect to the Anclote oil-fired steam unit, PEF's estimated service life
4 is based on a proposed retirement date of 2022. PEF has extended the retirement
5 date and therefore the service life for this unit by three years to an average life of
6 46 years compared to the 2019 retirement date included in PEF's 2005
7 Depreciation Study. Please see Exhibit No. ___ (JBC-8) to my rebuttal
8 testimony. Pollock does not contest the estimated service life for this unit and
9 Pous recommends a service life of 50 years, or only 4 additional years for this
10 unit. PEF's judgment that 46 years is the appropriate service life for Anclote
11 cannot be considered unreasonable in light of this recommendation. PEF's
12 current estimated service life for Anclote is based on PEF's specific knowledge
13 about and experience with the condition, operation, and maintenance of this unit
14 and its planning judgment with respect to the service life for this unit on PEF's
15 system.

16 PEF has four coal units, Crystal River Units 1 and 2 and Crystal River
17 Units 4 and 5. In PEF's 2005 Depreciation Study, the proposed retirement date
18 for Crystal River 1 and 2 was 2018. In the current Depreciation Study, the
19 proposed retirement date for Crystal River 1 and 2 is 2020, representing an
20 extension of 2 years to an average service life of 53 years. Please see Exhibit No.
21 ___ (JBC-8) to my rebuttal testimony. PEF's current estimated service life for
22 these units is an example of the impact of current and future environmental
23 requirements and policy on PEF's planning judgment with respect to the service

1 lives for its generation units. PEF's estimated retirement dates for Crystal River
2 Units 1 and 2 reflect a current agreement with the Florida Department of
3 Environmental Protection ("DEP") to retire these units upon the commercial
4 operation of Levy Unit 2, one of PEF's two planned nuclear units. This current
5 agreement allows the Company to meet the specific permit conditions and
6 requirements for the continued operation of these units and address existing and
7 future environmental regulatory concerns, including future carbon constraints.
8 Please see Exhibit No. ____ (JBC-7) to my rebuttal testimony. As with its other
9 generation units, PEF will, however, continue to evaluate the operating plans for
10 Crystal River 1 and 2 given evolving policy and market conditions, and adjust
11 these retirement dates as deemed appropriate.

12 PEF has also extended the estimated service lives for its other coal units,
13 Crystal River Units 4 and 5, just not as far as the intervenor witnesses would like.
14 As reflected in PEF's 2005 Depreciation Study, the proposed retirement date for
15 Crystal River 4 and 5 was 2021. In the current Depreciation Study, the proposed
16 retirement date for Crystal River 4 and 5 is 2035. This is an extension of 14 years
17 to an average service life of 52 years. Please see Exhibit No. ____ (JBC-8) to my
18 rebuttal testimony. With the addition of flue gas desulfurization ("FGD") systems
19 at these units, PEF currently expects that the operating life of these units will be
20 extended, as reflected in the revised projected retirement dates. Again, however,
21 PEF will continue to evaluate the operating plans for Crystal River 4 and 5,
22 especially given evolving policy and market conditions, such as future carbon
23 constraints, and adjust these retirement dates as deemed appropriate.

1 Pollock proposes service lives of 55 years for PEF's Crystal River coal
2 units and Pous proposes 60 years for only Crystal River Units 4 and 5. PEF's
3 judgment that 53 and 52 years, respectively, are the appropriate service lives for
4 its Crystal River coal units cannot be considered unreasonable in light of these
5 recommendations. PEF's current estimated service lives for Crystal River Units 1
6 and 2 and Crystal River Units 4 and 5 are based on PEF's specific knowledge
7 about and experience with the condition, operation, and maintenance of these
8 units and its planning judgment with respect to the service lives for these units on
9 PEF's system.

10 With respect to PEF's combined cycle units, the Company's estimated
11 service lives in PEF's 2005 Depreciation Study were based on the proposed
12 retirement dates for the new combined cycle units at the Hines Energy Complex
13 (Hines Units 1 and 2). Since that Study, PEF has added two more combined cycle
14 units at the Hines Energy Complex, Hines Units 3 and 4, and repowered the
15 Bartow steam units with new Bartow combined cycle units. The Company has
16 not adjusted the estimated service lives for these combined cycle units and
17 therefore the proposed retirement dates still reflect a projected life span of 30
18 years in the current Depreciation Study. These combined cycle units are typically
19 used in intermediate service, which requires load following and cycling duty, that
20 has an impact on the maintenance and operational life for these units. As a result,
21 the Company believes a projected life span of 30 years is still appropriate for
22 these units.

1 Pollock proposes service lives of 35 years for PEF's combined cycle units.
2 Pous makes no specific proposal. PEF's judgment that 30 years is the appropriate
3 service lives for its combined cycle units cannot be considered unreasonable in
4 light of these recommendations. Again, PEF's current estimated service lives for
5 its combined cycle units are based on PEF's specific knowledge about and
6 experience with the condition, operation, and maintenance of these units and its
7 planning judgment with respect to the service lives for these units on PEF's
8 system.

9
10 **III. Load and Sales Forecast.**

11 **Q. What does Witness Marz assert with respect to the Company's sales**
12 **projections in 2010?**

13 A. Marz testifies that the Company's projected sales in the 2010 test year are much
14 lower than in the recent 10 years. (Marz Test., at p. 7). He further claims that the
15 Company's lower sales forecasts mean higher rates and could lead to Company
16 overearnings in the future. (Id. at p. 8).

17
18 **Q. Since the Company's initial filing of its direct testimony, has the Company**
19 **updated its load forecast?**

20 A. Yes, it has. We revised our load forecast in May of this year and provided an
21 updated revised jurisdictional cost of service study that incorporated the revised
22 load forecast in response to an interrogatory from OPC. I have attached the updated
23 load forecast to my rebuttal testimony as Exhibit No. __ (JBC-9). Mr. Slusser will

1 sponsor the updated revised jurisdictional cost of service study as an exhibit to his
2 rebuttal testimony.

3
4 **Q. Is the forecasting methodology used to develop the updated load forecast**
5 **consistent with the methodology you used to develop PEF's original load**
6 **forecast?**

7 A. Yes, it is. PEF followed its standard forecasting methodology, as described in my
8 direct testimony, to develop its updated load forecast.

9
10 **Q. Why did PEF update its load forecast?**

11 A. It is a normal business practice to periodically review and adjust the load forecast to
12 reflect changing conditions. Such updates help the Company, for example, with
13 short-term purchase power planning and managing its generation fleet. Specifically,
14 in this instance, the effects of the economic recession impacted the load forecast in
15 such a way that a revision was necessary.

16
17 **Q. What conclusions can be drawn from PEF's updated load forecast?**

18 A. PEF expects that its customer base, energy sales, and peak demand will grow at even
19 weaker growth rates for 2010 than projected in its original load forecast. PEF
20 originally expected to see a gradual improvement in economic conditions in 2009
21 and 2010, and a corresponding increase in retail energy growth projections. The
22 revised load forecast indicates that the recession was deeper than expected, resulting
23 in further sales declines in 2009 rather than the originally projected gradual

1 improvement in load and sales beginning in 2009. As a result, the gradual
2 improvement in the load and resulting sales forecast is delayed until 2010 and starts
3 from a lower point. This gradual improvement continues after 2010 as the economy
4 and load slowly return. Mr. Martz's assertion that there will be an opportunity for
5 increased revenues with lower loads is wrong because, as demonstrated by PEF's
6 revised load forecast and explained by Mr. Peter Toomey, lower load and sales
7 means PEF needs increased revenue requirements to cover costs.

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

10 **A. Yes.**

11
12

1 BY MR. WALLS:

2 Q Mr. Crisp, do you have a summary of your
3 prefiled rebuttal testimony?

4 A Yes, sir.

5 Q Will you please provide that summary to the
6 Commission?

7 MR. REHWINKEL: Before you do that, are you
8 going to identify the exhibits that are -- for the
9 record? Have we already done that? I apologize.

10 CHAIRMAN CARTER: No, we did not do that
11 because they're listed in the attachment as JB-7, 8, so
12 what numbers are those, Mr. Walls, on the comprehensive
13 exhibit list?

14 MR. WALLS: On the comprehensive exhibit list
15 they would be 216, 217, but 218 would be withdrawn,
16 which is JBC-9.

17 CHAIRMAN CARTER: 218 is withdrawn.

18 MR. WALLS: Which we wouldn't plan to enter
19 into evidence.

20 MR. REHWINKEL: I just -- I understand.

21 CHAIRMAN CARTER: Mr. Rehwinkel?

22 MR. REHWINKEL: Yes, sir. I just wanted to
23 understand whether that was being identified or not.
24 Thank you.

25 CHAIRMAN CARTER: Okay, thank you.

1 You may proceed.

2 BY MR. WALLS:

3 Q Mr. Crisp, can you provide the summary?

4 A Yes, sir. My rebuttal testimony addresses
5 Mr. Pous' and Mr. Pollock's unrealistic recommendations
6 with respect to the average service lives of past
7 generating units based on selected references to
8 generating units run by different companies under
9 different circumstances and in different environments in
10 different parts of the country.

11 PEF's estimated service lives for its coal-
12 and oil-fired steam units and its combined cycle units
13 are based on PEF's expertise and experience with the
14 condition, operation and maintenance of these units to
15 meet PEF's unique load demands under the operational,
16 environmental and regulatory conditions facing PEF.

17 The Intervenor witnesses have not and do not
18 operate and maintain PEF's production assets to meet
19 current load, and they have not and do not plan to meet
20 PEF's future load demands. Their recommendations seem
21 to assume that all utility operations should be the same
22 even though their references to their -- to other
23 jurisdictions in their testimony demonstrate that they
24 are not the same. Their references merely indicate that
25 certain other utilities apparently plan for longer

1 service lives for their unique units under the unique
2 conditions and environments they face. This is no
3 reason for the Commission to substitute their judgment
4 for PEF's planning judgment with respect to the
5 company's service lives for its units.

6 PEF's estimated service lives reasonably
7 reflect its planning judgment based on the company's
8 expertise and experience.

9 This concludes my summary, and I'm happy to
10 answer any questions that you may have.

11 MR. WALLS: We tender Mr. Crisp for cross.

12 CHAIRMAN CARTER: Mr. Rehwinkel, you're
13 recognized.

14 MR. REHWINKEL: Thank you, Mr. Chairman.

15 CROSS EXAMINATION

16 BY MR. REHWINKEL:

17 Q Good evening, Mr. Crisp.

18 A Good evening, sir.

19 Q Good to see you again.

20 I'm not going to ask you to turn to page 3
21 right now, but can I --

22 A Is there an echo?

23 Q Almost. Your purpose here on rebuttal is for
24 the sole purpose of responding to the testimony of
25 Witnesses Pous and Pollock, is that correct?

1 A Yes, sir.

2 Q Okay. And I've got a copy of your direct
3 testimony here and I'm not going to ask you about
4 anything that's in it, but I just want to make sure that
5 nothing in what you filed in your direct testimony on
6 March 20th relates to the depreciation study that was
7 filed in this case, is that correct?

8 A That's correct.

9 Q And is it also true -- do you know what
10 Exhibit 84 is on this docket?

11 A No, sir, I do not.

12 Q Would you accept my representation that
13 Exhibit 84 is the depreciation study filed as an exhibit
14 to Mr. Robinson's testimony?

15 A I have not seen it. I cannot say yes or no to
16 that.

17 Q You can't accept my representation that that's
18 what it is?

19 A I can accept your representation that that's
20 what it is.

21 Q All right. So when I refer to Exhibit 84,
22 would you accept that I am referring to the depreciation
23 study that was filed in this case as these three
24 documents here that's almost a foot tall? Have you seen
25 the depreciation study before?

1 A I have not seen the depreciation study.

2 Q But you're aware that one has been filed,
3 correct?

4 A Yes.

5 Q Okay. And is it also true that nothing in
6 your rebuttal testimony is intended to support Exhibit
7 84?

8 A The service life document information that I
9 provided in Exhibits 7 and 8 support the depreciation
10 study.

11 Q So it's your testimony, even though you've
12 never seen Exhibit 84, that you filed testimony that
13 supports it?

14 A I provided the facility service lives of the
15 power plants that were used in the depreciation study.

16 Q Okay. But in filing your rebuttal testimony,
17 is what you provided in your rebuttal testimony intended
18 to support the documents that were filed on March 20,
19 2009?

20 A Can you please restate your question? I don't
21 understand it.

22 Q In filing your rebuttal testimony on August
23 31, 2009, you did not intend, did you, sir, to support
24 the depreciation study that was filed on August -- on
25 March 20, 2009, did you?

1 A The information that I provided in my rebuttal
2 testimony specifically addressed the information that
3 was addressed by Mr. Pous and Mr. Pollock pertaining to
4 the service lives of the units.

5 Q You cannot show me anywhere in your rebuttal
6 testimony where you testify that -- well, let me start
7 over again before I ask that question.

8 Exhibit JBC-7, is that the document that you
9 referred to that has the service lives?

10 A That's correct.

11 Q Okay. So this document here, nowhere in your
12 rebuttal testimony do you state that that document is
13 intended to support the depreciation study filed in this
14 case, do you?

15 A This is the information that was provided to
16 support the depreciation study. This is the information
17 that states the service lives of the generating units
18 that was provided to Mr. Robinson to perform the
19 depreciation study.

20 Q Okay. Mr. Crisp, I'm not asking you questions
21 that -- I'm entitled to get a yes or no and then if you
22 feel like it's necessary to explicate, you can do so.
23 Do you understand the rules on that?

24 A Yes, sir.

25 Q Okay. So my question to you is, isn't it true

1 that nowhere in your rebuttal testimony does it state
2 that Exhibit JBC-7 is offered to support Exhibit 84?

3 A I would have to go back through my testimony
4 and read it to make sure of that.

5 Q Okay. Well, I'm going to ask you to do that,
6 then.

7 A Okay.

8 COMMISSIONER ARGENZIANO: Mr. Chair?

9 CHAIRMAN CARTER: Commissioner.

10 COMMISSIONER ARGENZIANO: I'm just making sure
11 I didn't lose you guys. It went real quiet.

12 CHAIRMAN CARTER: Mr. Crisp is reading over
13 his --

14 COMMISSIONER ARGENZIANO: Okay. I thought so,
15 but I was just going to check just to make sure.

16 CHAIRMAN CARTER: I'm glad you checked in
17 because, from where I'm sitting, it looked like he had
18 his eyes closed.

19 THE WITNESS: I read very quietly, except when
20 I read with my lips.

21 MR. WALLS: If we direct Mr. Crisp to page 7,
22 lines 17 through 22.

23 CHAIRMAN CARTER: Thank you, Mr. Walls.

24 THE WITNESS: Okay, sir. Can you please
25 re-ask your question again?

1 BY MR. REHWINKEL:

2 Q My question to you, Mr. Crisp, is, can -- is
3 that you cannot show me -- now, let me -- isn't it true
4 that nowhere in your rebuttal testimony do you state
5 that Exhibit JB-7, JBC-7 is intended to support Exhibit
6 84?

7 A I would disagree with that, sir.

8 Q Well, I guess -- it's a yes or no.

9 A No.

10 Q Okay. So show me the words in your testimony
11 that say that this Exhibit JB-7 is intended to support
12 the depreciation study.

13 A On page 7, line 20, Mr. Robinson is clearly
14 stated as PEF's depreciation expert. The information
15 that was provided to Mr. Robinson from my department was
16 specifically provided to Mr. Robinson to support the
17 depreciation study, as it clearly states in lines 20,
18 21, 22.

19 Q So you're offering it in your rebuttal
20 testimony to support the depreciation study, is that
21 your testimony?

22 A Yes. This information was clearly provided to
23 Mr. Robinson to support the depreciation study.

24 Q And those words are in this testimony?

25 A We provided Mr. Robinson, our depreciation

1 expert, with this information specifically to support
2 his testimony.

3 Q So is it your testimony that everything that
4 you gave Mr. Robinson is part of the support for the
5 depreciation study?

6 A The information provided in JBC-7 and JBC-8 --
7 or JBC-7 was provided specifically to Mr. Robinson.

8 Q What about JBC-8?

9 A JBC-8 is a summary table that was derived from
10 JBC-7.

11 Q JBC-8 was prepared specifically for your
12 rebuttal testimony, correct?

13 A It was provided to clarify JBC-7.

14 Q And JBC-8 was not provided to Mr. Robinson,
15 correct?

16 A That's correct.

17 Q And JBC-7, you're telling the Commission that
18 that was given to Mr. Robinson, but you're not offering
19 it here today as support for the depreciation study
20 yourself, are you?

21 A Please restate.

22 Q You're not offering JBC-7 as support for the
23 depreciation study yourself, are you?

24 A That -- no. That information was provided to
25 Mr. Robinson to support his depreciation study.

1 Q Okay. You criticized Mr. Pous and Mr. Pollock
2 because they do not work for PEF, correct?

3 A That's not correct.

4 Q You criticized Mr. Pous' and Mr. Pollock's
5 testimony on the service lives of production plant
6 because they do not work for PEF, correct?

7 A That's not correct. I criticized Mr. Pous'
8 and Mr. Pollock's information because it used only
9 information from other areas around the country that do
10 not correlate to Progress Energy Florida's units and do
11 not correlate to the climate, do not correlate to the
12 operating conditions, do not correlate to the load
13 requirements and do not correlate to the regulatory
14 structure of Florida.

15 Q Don't you criticize Mr. Pous and Mr. Pollock
16 as not having ever operated a PEF generating station?

17 A Yes, I did. And the fact is that Mr. Pous and
18 Mr. Pollock have not been in any of the units. They do
19 not keep track of the units. They do not keep track of
20 the operating criteria. They did not tour the units on
21 a regular basis like we do. They do not go through the
22 mechanics of the systems and ensure that the units are
23 operational and they do not keep track of all of the
24 upgrades and the repairs that have been done to the
25 units that provide support in the analysis of the

1 lifespan studies.

2 Q Then on page 3 of your rebuttal testimony, on
3 lines 14 through 17, you specifically state that, "The
4 Intervenor witnesses have not and do not operate and
5 maintain PEF's production assets to meet current load,
6 and they have not and do not have to plan to meet PEF
7 future load demands," correct?

8 A That's correct.

9 Q Now -- and because of that, you believe that
10 they are not eligible to make recommendations on service
11 lives, correct?

12 A That's not correct. Mr. Pous and Mr. Pollock
13 may make recommendations to other areas. They can
14 certainly make recommendations anywhere they feel like
15 it, but the information respective to Florida's units is
16 based on information that my department provides, and
17 Mr. Pous and Pollock are not knowledgeable of how the
18 units have been maintained, how they've been operated
19 and the operating criteria that I mentioned before.

20 Q Okay. But on lines 14 through 17 on page 3,
21 you specifically criticize them for not operating and
22 maintaining PEF's production assets with respect to the
23 recommendations they make, isn't that true?

24 A That's true. There are considerable other
25 factors involved here that Mr. Pous and Mr. Pollock do

1 not qualify for.

2 Q But right following that criticism, you state,
3 "There is no reason for the Commission --" and you're
4 talking about the Florida Public Service Commission
5 here, correct?

6 A That's correct.

7 Q " -- to substitute their judgment for PEF's
8 planning judgment with respect to the company's service
9 lives for its units," correct?

10 A That's correct.

11 Q And when you say "their judgment," the "their"
12 that you're referring to is Mr. Pous and Mr. Pollock,
13 correct?

14 A That's correct.

15 Q Okay. So you're saying to this -- your
16 testimony to this Commission, isn't it true, that
17 because of the factors you've cited immediately
18 preceding this sentence, the Commission should not
19 accept Mr. Pollock and Mr. Pous' recommendations,
20 correct?

21 A That is not my testimony, no, sir. This
22 Commission can utilize any information that they deem
23 fit, but my statement is merely to state the difference
24 between the fact that Mr. Pous and Mr. Pollock have not
25 been familiar with the units, that they do not have a

1 background with the units. They do not understand the
2 Florida operating environment.

3 Q Okay. Members of the Public Service
4 Commission staff, any of them operate and maintain a PEF
5 production asset?

6 A Not that I know of.

7 Q What about members of the Public Service
8 Commission?

9 A Not that I know of.

10 Q Okay, so is it your testimony that the staff
11 and the Commission cannot pass judgment on the service
12 lives that are contained on the piece of paper, the
13 single piece of paper that is JBC-7?

14 A That is not my testimony. As I said before,
15 the Public Service Commission and the staff can use
16 whatever information that they deem necessary to rule
17 on.

18 Q When did you give that piece of paper that is
19 JBC-7 to Mr. Robinson?

20 A The information contained in JBC-7 was passed
21 to Mr. Robinson over a period of time in August and
22 September of 2008.

23 Q I mean, it would have just been given to him
24 on one time, right?

25 A Not necessarily. The information on all the

1 units was provided in communication from one of my
2 managers to Mr. Robinson. That period of time frame
3 during those discussions was August and September.

4 Q Well, didn't you specifically give him that
5 document?

6 A I did not. My manager did.

7 Q Okay. But PEF, regardless of who the
8 individual was, gave him that specific document,
9 correct?

10 A My manager gave Mr. Robinson that document.

11 Q Okay. Can I ask you to turn to page 4 of your
12 rebuttal testimony?

13 A I'm there.

14 Q And direct you to pages 9 through 20 -- I mean
15 lines 9 through 20. It is getting late.

16 A I'm there.

17 Q Okay. Isn't it true that the information
18 contained in those lines on that page is a restatement
19 of the service lives, some of the service lives that are
20 on JBC-7?

21 A Yes, that's correct. Specifically it refers
22 to Anclote, the service life of Anclote, the Crystal
23 River units and the Bartow unit, the Hines Energy
24 Complex.

25 Q Okay. On page 6 of your rebuttal, lines 4

1 through 8, isn't it true there that you mention a wide
2 variety of unique factors including the utility system
3 load characteristics, available production units,
4 dispatch stack, weather and operation and maintenance
5 plans, is that correct?

6 A Yes, sir, that's correct, certainly not
7 limited to those factors.

8 Q And I think I said "including."

9 A Pardon me?

10 Q I said "including."

11 A That's correct.

12 Q Okay. Now, isn't it true that these are all
13 general factors that could affect the service lives of
14 the plants on JBC-7 for purposes of establishing
15 depreciation rates?

16 A Each of these factors, and certainly not
17 limited to these factors, can be used to evaluate and
18 determine the service lives of the generating units.

19 Q And you would agree that these factors are
20 general in nature, correct?

21 A As described in the document and not limited
22 to these factors, I would agree that this is a general
23 statement, but the very, very specific information that
24 is provided within each of these factors and measured on
25 each of the generating units and tracked on each of the

1 generating units and provided through the operating
2 discussions, the maintenance discussions and the
3 planning discussions becomes very specific.

4 Q Would you agree that the actual values for
5 each plant related to each of the general factors, and
6 not limited to those factors, goes into your
7 determination regarding the service lives for the
8 individual units?

9 A Not limited to these general pieces of
10 information, these general pieces of information do go
11 into the resource plan, the planning for the units, the
12 service lives of the units, in addition to a significant
13 amount of other information.

14 Q But my question to you was, there are specific
15 values that apply -- that relate to each of these
16 factors that relate to the individual units, correct?

17 A No, sir. There are specific values that roll
18 into each one of these general points.

19 Q So I think -- that was my question to you, is
20 that these are general factors, and if you pick, say,
21 Anclote, the system load characteristics as it affects
22 Anclote --

23 A Right.

24 Q -- that will be unique to Anclote and it may
25 be different from CR-4, correct?

1 A The system load characteristics are applied to
2 the total dispatch of the fleet, so the system load for
3 any given point in time for the next ten years for
4 preparation of a ten-year site plan study is broken out
5 and a dispatch is performed. So the impact of the load
6 characteristics for Anclote that require Anclote to come
7 on line are included in that forecast.

8 Q But that value, whatever it is that you apply
9 to Anclote, for example, is specific, is a numeric
10 value, correct?

11 A It is a numeric value for a load requirement.

12 Now, there are considerable other requirements
13 pertaining to load and load factor as well as peak
14 demand, minimum demand, that affect how that -- those
15 load characteristics interact with how Anclote is
16 dispatched.

17 Q And wouldn't it be true that the numeric
18 values could vary between the plants that are listed on
19 JBC-7?

20 A Please restate your question if you would,
21 please. I don't understand.

22 Q Are all of the numeric values that would apply
23 to these factors that you list on page 6, lines 6
24 through 8, are they the same for each and every plant
25 that is on JBC-7, or are there specific and unique

1 characteristics that apply to individual plants?

2 A There are specific and individual requirements
3 for each one of the plants.

4 Q Okay. Now, these specific and individual
5 requirements that you just mentioned, or values, they
6 are not found anywhere in your testimony, isn't that
7 correct?

8 A That's not correct.

9 Q Okay. Well, can you show me where the
10 specific values as they apply to the individual plants
11 are contained?

12 A Those specific criteria are included within
13 operations and maintenance plans. They're included
14 within the ten-year site plan analyses.

15 Q Well, where are they in your testimony? I
16 mean, the specific and individual --

17 A They -- I'm sorry, go ahead.

18 Q The specific and individual values, where are
19 they in your testimony as they apply to each and every
20 plant that's on JBC-7?

21 A Those specific numbers are all rolled into the
22 ten-year site-planning process that results in JBC-7.

23 Q So isn't it true that with respect to each
24 individual unit, the specific values are not set out
25 separately in your testimony?

1 A The numbers are not printed in the testimony,
2 no, sir.

3 Q All right.

4 A But all of the data that is included in the
5 entire planning process and the operating process for
6 all of the operating plants, all of the dispatch
7 criteria, all of the weather criteria, all of the load
8 criteria, all of the operations and maintenance criteria
9 are established within the ten-year site plan process.
10 That documentation might fill this room.

11 Q Okay. But it doesn't fill your testimony?

12 A It does not fill my testimony.

13 Q It doesn't even exist in your testimony,
14 correct?

15 A It exists in my testimony in the fact that the
16 conclusions that result from that data are printed right
17 here in JBC-7.

18 Q Okay. But my question to you is, as to the
19 data itself, it is not disclosed separately in your
20 testimony, correct?

21 A That's correct. It's rolled up in JBC-7.

22 Q Okay, and if we look at JBC-7 -- let's just
23 take Bartow peakers, is that a generating unit in your
24 fleet?

25 A The Bartow peakers, the specific peaking

1 units, yes.

2 Q And I think your JBC-7 shows that the lives
3 were extended 11 years from the last study to the
4 current study, based on this document, is that correct?

5 A That's correct.

6 Q Okay. Now, on this JBC-7, can you show me any
7 specific numeric value that influences a change from
8 2016 to 2027 for the Bartow peakers?

9 A I cannot show you specific data, but I can
10 offer the background information that is pertinent to
11 the ten-year site plan, as I explained before. All of
12 the data is embedded in these numbers.

13 Q Okay. It's embedded in, but it is not
14 disclosed discretely and separately in JBC-7, correct?

15 A That's correct.

16 Q Can I get you to turn, please, to page 7 of
17 your rebuttal testimony, specifically looking at lines 5
18 through 15?

19 A I'm there.

20 Q Okay. You used the word "decisions" in line
21 7, did you not?

22 A Yes.

23 Q And you used that word when describing your
24 determinations, PEF's, of service lives for your
25 generating units, correct?

1 A Can you restate that? You said, "You make
2 that decision." I do not make that decision.

3 Q When I said "you," PEF --

4 A Yes, sir.

5 Q -- the company.

6 A PEF makes that decision regarding the service
7 lives for its generating units.

8 Q Okay. And I'm saying you used that word to
9 describe your company, PEF's determinations of service
10 lives for the generating units on JBC-7, correct?

11 A Based on the skills and experience we have
12 with operating, planning and maintaining those units,
13 yes, sir.

14 Q Okay. Now, in that section on lines 7 through
15 15 on page 7, you again object, do you not, to someone
16 outside of PEF substituting their judgment for yours
17 with respect to the decision or the determination of
18 service lives for your generating units, correct?

19 A I was specifically objecting to the Intervenor
20 witnesses comparing our units to other units.

21 Q Okay. But you state here on line 10
22 through -- well, let's look at lines 10 through 12.

23 "The Intervenor witnesses apparently believe
24 that the Commission should substitute its judgment for
25 PEF management regarding the appropriate planning,

1 maintenance, operation and capital expenditure decisions
2 that must be made to determine how long these units will
3 be in service, based on nothing more than what some, but
4 certainly not all, utilities in the country have decided
5 to do with respect to their generation units in light of
6 different environments they face." Did I read that
7 correctly?

8 A You did.

9 Q And when you say, "its judgment," aren't you
10 referring to the Commission's judgment?

11 A I am.

12 Q And you don't believe the Commission should
13 substitute its judgment for yours with respect to the
14 determination of service lives, correct?

15 A No, sir, that's not what I'm implying. What
16 I'm saying here is that the Commission, in reviewing
17 information, they should certainly review information
18 that they want to, they can gather, and that they can
19 evaluate, that that is their responsibility to make
20 those decisions.

21 I'm saying in this statement that the
22 information provided by Progress Energy Florida should
23 be utilized because the Intervenor witnesses do not have
24 the experience or the knowledge of our units to provide
25 quantitative information that is specific to the Florida

1 units.

2 Q Okay. And on lines 12 -- on line 12, you see
3 the words, "planning, maintenance, operation and capital
4 expenditure decisions." Would you characterize those
5 four general terms as factors that go into the decision
6 about service lives for these units?

7 A Not limited to those -- yes, sir, but not
8 limited to those.

9 Q Okay. And would you say that your decision-
10 making in applying these factors has a role in
11 determining the service lives of those units?

12 A Would you please restate?

13 Q Would you say that your decision-making --
14 anytime I say "your," I'm talking about PEF.

15 A Thank you.

16 Q Your decision-making with respect to these
17 factors is also a factor that goes into determining the
18 service lives of these units in JBC-7?

19 A Yes, sir.

20 Q Now, would you also agree with me that the
21 factors that are included on line 12 and that are not
22 all-inclusive has certain plant-specific values,
23 correct?

24 A Yes, sir.

25 Q That each unit on JBC-7 has different capital

1 expenditure decisions made with regard to them, do they
2 not?

3 A Yes, sir.

4 Q They each have different operation decisions
5 that are made, correct?

6 A Yes, sir.

7 Q And they each have different maintenance
8 decisions made with respect to them, correct?

9 A Certainly, yes, sir.

10 Q And there are certainly different planning
11 decisions made with respect to them, correct?

12 A Yes, sir, not limited to those.

13 Q Correct. That's a given in my questions, but
14 I don't mind making sure that the record is straight on
15 that. That's perfectly okay.

16 And the individual plant values relating to
17 those factors are, in turn, factors that affect the
18 proposed service lives of the units on JBC-7, correct?

19 A Yes, sir.

20 Q Mr. Crisp, have you ever looked at the
21 depreciation rule of the Florida Public Service
22 Commission?

23 A I have not. That is not a part of my job
24 responsibility.

25 Q I understand. Even though your -- well, I'll

1 withdraw that.

2 Would you accept my representation that the
3 Florida Public Service Commission Rule 25-6.0436
4 requires the depreciation study to include an
5 explanation and justification for each study category of
6 depreciable plant, defining the specific factors that
7 justify the life and salvage components and rates being
8 proposed? Would you accept my representation that's
9 what the rule says?

10 A No, sir, I cannot. That's not a part of my
11 responsibility. I am a planner, operator, builder. I
12 can walk around with you inside a furnace, I can help
13 you ride the back of a combustion turbine unit, but I
14 can't explain depreciation to you and I don't understand
15 the rules. It's not a part of my job responsibility.

16 Q Isn't it true that the depreciation rule uses
17 the words "proposed service lives"?

18 A That's not a part of my job responsibility,
19 sir. I don't know.

20 Q Okay. Don't you understand that the company
21 gets to propose service lives and the Commission gets to
22 decide the service lives for purposes of establishing
23 depreciation rates?

24 A That's not a part of my job responsibilities,
25 sir. I provide the service lives and that's it.

1 Q Okay. Didn't you earlier say that the
2 Commission could consider all kinds of information in
3 making their decision?

4 A That's their right.

5 Q And you understand that to be part of the
6 ratemaking process, correct?

7 A Absolutely.

8 Q So it would not be a stretch for you to
9 believe that you, the company, gets to propose the rates
10 and the Commission gets to decide what they are,
11 correct?

12 A You're stepping outside of my boundaries of my
13 job description, sir.

14 Q Okay. So it's okay for you to provide
15 information to support the depreciation study, but you
16 don't know anything about the depreciation process?

17 A I provide information on the service lives of
18 the power plants, sir. That's what I -- that's part of
19 my job description. That's what I do.

20 Q Can you tell me how the Public Service
21 Commission can meaningfully decide what the appropriate
22 depreciation rates are for generating units of PEF if you
23 do not show them how you applied the unique and specific
24 factors that go into determining the service lives?

25 A Please restate.

1 Q Can you tell me how the Florida Public Service
2 Commission can meaningfully decide what the appropriate
3 depreciation rates are for your generation units if you
4 do not show them how you applied the unique and specific
5 factors that go into determining -- to your
6 determination of those service lives?

7 A Once again, sir, that's outside of my duty --
8 the depreciation study is outside of my job scope. I
9 don't understand the details and components. What I do
10 understand is the service life calculations that we
11 pulled together as a part of the ten-year site plan. I
12 know the depths of the data. I know the accuracy of the
13 information. I know the background information. I know
14 all of the work that goes into pulling together the
15 service lives, and at that point I hand that data and
16 information off to whoever does the depreciation study.
17 I'm accountable for the service lives.

18 Q All those things that you just listed, the
19 depth, data, the factors, all those, those are not
20 included in your testimony, correct?

21 A They are included in JBC-7 as the roll-up
22 information of JBC-7 so the JBC-7 reflects those data.

23 Q But haven't we agreed that you cannot
24 determine them with respect to each individual unit?

25 A We have agreed those those data do not exist

1 in printed form on this sheet, but that data exists in
2 JBC-7, and JBC-7 is the roll-up of that data.

3 Q Can the members of the Florida Public Service
4 Commission staff look at JBC-7 and determine what
5 factors apply to which units?

6 A I don't know their skills and capabilities
7 are. As stated before, I'm sure my staff can look at
8 those data and determine what's going on within the
9 power plants, but I don't have the knowledge or the
10 capability of knowing what goes on within staff.

11 Q So let's go back to JBC-7. Let's look at the
12 Bartow peakers. How would the Florida Public Service
13 Commission staff know what your O&M expenditures were
14 for those units? Isn't that one of the factors that you
15 listed?

16 A Absolutely, sir. All of the information is
17 included within the numbers. Those are the numbers that
18 reflect the service lives.

19 Q Okay. Well, where -- how could you look at
20 JBC-7 and determine what those numbers were for Bartow
21 peakers?

22 A How can I look at them? I can look at them
23 and --

24 Q Public Service Commission staff, how could
25 they --

1 A You asked me how could I look at them.

2 Q Well, let me rephrase the question. How could
3 the Florida Public Service Commission staff look at that
4 schedule and tell what the O&M expenditures were for the
5 Bartow peakers unit?

6 A I cannot determine how the staff could
7 determine that.

8 Q Well, you look at this, would you, please, and
9 tell me -- look at this document and tell me how much
10 O&M expenditures are for the Bartow peakers.

11 A I would defer to Mr. Sorrick on that.

12 Q Okay, so you can't tell me?

13 A I don't have that detailed -- level of
14 detailed information here. There's a considerable
15 amount of numbers that go into those.

16 Q But you can't look at this document and tell
17 me, can you, JBC-7?

18 A The data's not on -- no, I can't.

19 Q So if you can't do it, wouldn't it be logical
20 to assume that no one on the Public Service Commission
21 can do it?

22 A I can see how that would be logical.

23 Q Okay. Thank you.

24 A But the information does exist.

25 Q I am sure it does. I don't dispute that.

1 It's just not in your testimony.

2 A It's not in the document.

3 Q Isn't it true that the lack of these factors
4 in the documentation that's been provided to the
5 Commission, the lack of studies and the lack of analysis
6 is exactly why Mr. Pous and Mr. Pollock have pointed to
7 service lives in other states with respect to these
8 generating units that you'd differ with them on?

9 A I'm sorry?

10 Q Isn't it precisely because of the lack of
11 factors, studies and analyses from PEF as contained in
12 your testimony or these studies exactly why Mr. Pous and
13 Mr. Pollock have pointed to the service lives in other
14 states as part of their recommendation?

15 A I don't know why Mr. Pous and Mr. Pollock
16 picked the units that they picked, sir.

17 Q Okay. Isn't it also true that Mr. Robinson
18 has testified here that the Commission can look to other
19 states for service life information if there is a lack
20 of supporting data with the company in the case before
21 the Commission?

22 A I'm sorry, please repeat.

23 Q Isn't it true that Mr. Robinson, your
24 depreciation expert, has testified here before this
25 Commission that they can look to other states if there

1 is a lack of supporting data with the company in this
2 case?

3 A I did not hear that, but I'll take your word
4 for it.

5 Q Can I get you to turn to page 7 of your
6 rebuttal testimony?

7 A Yes, sir. I'm there.

8 Q And continuing -- starting with line 22 and 23
9 to the next page, can you review that section for me,
10 please?

11 A I'm ready.

12 Q Wouldn't you agree with me that especially at
13 the top of page 8, lines 1 through 6, you list some
14 additional general factors that impact the service lives
15 of your generating units?

16 A Yes, sir, I would agree with that, but there
17 are a considerable number of other factors that are
18 involved --

19 Q Okay.

20 A -- not limited to those.

21 Q I'm sorry. These are the ones you listed,
22 though, right?

23 A But I believe in there that it is not limited
24 to those specific -- just those specific factors.

25 Q Okay. And again --

1 A That's because -- page 7, line 23, "but not
2 limited to."

3 Q Yes, sir.

4 And on line 13 of page 8, you again use the
5 word "decisions." And wouldn't it be fair to say that
6 the values associated with these general factors as they
7 relate to specific generating units are what go into
8 the -- are part of what go into the decisions on
9 resource planning regarding the service lives of these
10 units?

11 A They are a part of, yes, sir, and yes, I would
12 agree with that.

13 Q And wouldn't you also agree with me that on
14 JBC-7 the specific values that relate to these general
15 factors as they apply to these individual units on JB-7
16 are not discretely shown on JBC-7?

17 A That is correct, they are not specifically
18 shown as numbers on JBC-7. However, they are included
19 in the data that determines JBC-7 and in the ten-year
20 site plan process that's reviewed with the Commission
21 every year.

22 Q And wouldn't it also be correct that the
23 decisions that you reference on line 13 are not
24 discussed in detail or at all in JBC-7, correct?

25 A The decisions are not listed, no, sir, they

1 are not. But they are included in the roll-up data and
2 the roll-up points that provide information into and
3 result in JBC-7.

4 Q In your testimony on pages 8 and 9, beginning
5 on line 17 through line -- line 17 of page 8 through
6 line 7 of page 9, and actually maybe continuing on down
7 through the bottom of page 9, aren't you making a
8 generalized contrast as to how factors might exist in
9 different geographic locales and with different
10 utilities as compared to PEF?

11 A Yes. These are some of the general factors
12 that might differentiate the PEF units from other units,
13 but there are other issues as well.

14 Q Yes, sir. And again, these are general
15 factors that you're saying might exist in different
16 locales, but they don't have specific values associated
17 with them with respect to your generating units,
18 correct?

19 A The specific data that support those issues
20 are included in the ten-year site plan information and
21 calculations that are rolled into JBC-7.

22 Q But nowhere in your testimony do you compare
23 the actual values for these factors to the actual values
24 in other states, correct, these factors meaning the ones
25 on pages 8 and 9?

1 A That's correct, we would not do that. We
2 would do that specifically for our units. We would set
3 this specifically for our units.

4 Q On page 9, lines 8 through 19 -- well, strike
5 that question. I'll withdraw that.

6 On page 11, if I could get you to turn to page
7 11 of your rebuttal testimony.

8 A I'm there.

9 Q On lines 9 through 13, isn't it true that you
10 say that you discussed the factors with Mr. Robinson so
11 he could understand your estimated service lives?

12 A I say in lines 10 through 13 that he discussed
13 with our resource planning staff the factors in the
14 resource planning process and the company's estimated
15 service lives; yes, sir.

16 Q And that's so he could understand what they
17 were, correct?

18 A That's correct.

19 Q Now, Mr. Robinson never operated a PEF
20 generating unit; has he?

21 A No, sir. He relied on us to provide him that
22 level of expertise.

23 Q Okay. And so that's why you had to discuss
24 these factors with him, correct?

25 A We discussed all of the factors with him so

1 that we could give him the necessary ability to provide
2 the depreciation study.

3 Q Why didn't you just give him JBC-7 and nothing
4 more?

5 A Because it was necessary for Mr. Robinson to
6 understand the foundation of our process so that he
7 could understand that he was providing -- that the work
8 that he was providing was based on sound information.

9 Q So is it your testimony here today that he
10 could not look at JBC-7 and understand what went into
11 the development of your service lives?

12 A No, sir. The information that went into JBC-7
13 was there, and he understood that that was the
14 culmination of an effort, but we provided him with
15 additional information to help him understand how we
16 came about with that information.

17 Q But he didn't need anything more than what was
18 on this page. Is that your testimony?

19 A That's the information that he needed to
20 provide his depreciation study, yes.

21 Q Okay. So he could look at -- Mr. Robinson
22 could look at this page and he could understand all the
23 numerical values associated with the factors that go
24 into the determination of these service lives?

25 A I don't know if the numericals were performed,

1 sir. There was a lot of specific data in there that
2 went to the culmination of those data points.

3 Q My question is: Could he look at this page
4 here and determine all the numerical factors that
5 applied to each and every individual unit that's listed
6 on this JBC-7?

7 A That I don't know. That's Mr. Robinson's job
8 to perform that information -- to provide the study.

9 Q Now, you shared your decision-making -- you,
10 meaning your staff, PEF. You shared your
11 decision-making with Mr. Robinson so he could understand
12 JBC-7, right?

13 A We provided him with that information; yes,
14 sir.

15 Q Okay. But you did not share that
16 decision-making process with the Public Service
17 Commission staff in your testimony here today, correct?

18 A That's correct.

19 Q And you did not share that information with
20 the Public Service Commission in the depreciation study
21 that was filed as Exhibit 84, correct?

22 A That I don't know.

23 Q Can I ask you to turn to page 12 of your
24 testimony.

25 A I'm there.

1 Q Now, there's a discussion here about the
2 extension of service lives for several of the units,
3 correct, Anclote and CR 1 and 2 and CR 4 and 5, is that
4 right?

5 A This gives the specific dates for those units,
6 yes.

7 Q Okay. And there's a discussion here about the
8 service lives being extended, correct?

9 A Yes.

10 Q Now --

11 A For certain units.

12 Q Yes, sir. So, with respect to Anclote, you
13 extended the service life of this unit by three years to
14 an average life of 46 years; correct?

15 A That's correct.

16 Q Now, did the same planners that made the
17 determination about the 2019 retirement date, were they
18 the same ones that decided that it should be three more
19 years?

20 A I don't know the answer to that. It would
21 have gone under the same process. It may have been
22 different planners, but the planners and operators and
23 maintenance personnel would have come together under the
24 same process to analyze and put together that number.

25 Q And is that -- the analysis that went into

1 that process, was that filed as part your testimony?

2 A No, sir.

3 Q How would the Commission know whether three
4 years is the right date to extend the life of that
5 plant, Anclote?

6 A The information that it takes to provide that
7 analysis and the resulting numbers is performed within
8 the ten-year site plan process. The ten-year site plan
9 is reviewed every year by the Commission. The
10 information that results in these lifespans has been
11 calculated and provided on JBC-7.

12 Q Has the company ever had to modify a
13 previously estimated lifespan for a generating unit
14 prior to its proposed modification?

15 A Yes, sir. We consider the lifespan of every
16 single unit and every single power plant every time we
17 go through the iterations for the ten-year site plan
18 process. That's the only way we can ensure that the
19 ratepayers are getting the best, optimized fleet around
20 the changing load conditions.

21 Q So do you believe that your forecasted
22 lifespans might be changed in the future?

23 A I believe that; yes, sir.

24 Q So that means, by corollary, that the
25 estimates that you use are not set in stone?

1 A The lifespans of the units, as I said, are
2 determined every year; yes, sir. They're not set in
3 stone. They are specific to the data that's been
4 provided within this study, though.

5 Q Part of your testimony on page 12 is to state
6 that Mr. Pous' recommended service life for Anclote is,
7 and I quote, on line 9, "Only four additional years for
8 this unit." Is that correct?

9 A It says -- let's see. "Pollock does not
10 contest the estimated service life for this unit and
11 Pous recommends a service life of 50 years or only four
12 additional years for this unit. The best judgment that
13 46 years is the appropriate service life for Anclote
14 cannot be considered unreasonable in light of this
15 recommendation." There are a lot of factors that go
16 into that 46 years, including the cost effectiveness of
17 that unit and where it fits within certain external
18 drivers, strategic drivers, such as climate change. So
19 46 years is a culmination of a lot of numbers that
20 result in an optimized cost to the ratepayer.

21 Q So what you just stated there, that's not in
22 your testimony; is it?

23 A No, it's not, but it's a culmination included
24 in the ten-year site plan process.

25 Q So when you say only four additional years, if

1 it's only four additional years, why not 50?

2 A I don't understand. Why not 50 more years?

3 Q No, sir. Why not a 50-year life instead of a
4 46-year life? You seem to be making a statement that
5 that's not a material amount of difference.

6 A The four additional years was to take the
7 plant to a specific point that optimized costs. The 50
8 years would take you past the 46 years and would incur
9 additional risk around the top end of the service life.
10 The top end of the service life starts to reflect
11 additional incremental risk that can lead to
12 catastrophic failure of a unit. The 46 years is the
13 optimum time based on our analyses and our ten-year site
14 plan process and the modeling studies that were
15 performed.

16 Q Okay. But in 2005, the life was 43 years;
17 correct?

18 A Yes, sir; and that was based on load
19 forecasts, data and information and strategic issues
20 that were analyzed at that point in time. Issues have
21 changed a lot since then, sir.

22 Q And you took it past that top end of its life
23 to 46 years in JBC-7, right?

24 A That's correct, but I did not take it to 50
25 years based on the fact that strategic issues were

1 pushing us in a direction that would optimize the costs
2 for the ratepayers. Taking it to 50 years may not have
3 resulted in that, and probably did not result in that,
4 and that's why we kept it at 46.

5 Q If the revenue requirement associated with one
6 year of life for Anclote Units 1 and 2 combined was
7 \$700,000, would you agree with me that 46 years versus a
8 50-year life would be a revenue requirement of \$2.8
9 million?

10 A No, I would not.

11 Q You don't agree with that math?

12 A No. You'd have to get deeper into the
13 details, sir.

14 Q So if -- you can't agree that, if \$700,000 is
15 the revenue requirement, if it's the revenue requirement
16 associated with one year of service life for
17 depreciation purposes, that four times 700,000 is
18 \$2.8 million?

19 A I would agree with you that four times 700,000
20 is 2.8 million, but I will not agree with you that that
21 is the only costs and the only issues that we would
22 evaluate. There are a considerable amount of issues
23 around that timeframe that we must evaluate that could
24 have a significantly higher cost impact on operation of
25 Anclote.

1 Q You've also -- Mr. Pous differs from the
2 company with respect to CR 1 and 2, is that correct?
3 I'm sorry. CR 4 and 5, is that correct?

4 A Yes, sir.

5 Q What is the difference there, the seven years?

6 A Where are you reading, sir?

7 Q I'm sorry. I think I've got my numbers wrong.

8 What is Mr. Pous' recommendation -- what is
9 your understanding of Mr. Pous' recommendation with
10 respect to CR 1 and 2?

11 A I would have to get Mr. Pous' testimony out to
12 see that.

13 Q Is it 60 years?

14 A Like I said, I'd have to get his testimony out
15 and see that. I know it's in here somewhere, I think.
16 Pous recommends a service life of 50 years or only four
17 additional years, and that's for Anclote. He did not --
18 there is nothing specific to Pous that I see
19 immediately.

20 Q What about CR 4 and 5? Doesn't he recommend
21 60 years and you recommend 53?

22 A I can't remember Mr. Pous' recommendation. So
23 I would have to see his testimony, but Mr. Pous and Mr.
24 Pollock's testimony for their units, on the coal units
25 were based on units that don't even fit the regulatory

1 profile for this state. Their units are based on a
2 regulatory profile for coal units dispatching into
3 independent system operators. Independent system
4 operator profile regulatory recovery is that the -- it
5 is in the best interests of the operator, and it's
6 definitely cost-beneficial to the operator to stretch
7 the life of the unit, and that's in the independent
8 system operator dispatch profile.

9 Q How accurate do you believe that your
10 estimates for service lives for these generating units
11 will be 20 or 25 years from now with respect to the
12 system load characteristics?

13 A I can't answer that. I don't know what they
14 will be 20 to 25 years from now, but I do know that
15 they're accurate for the data that's reflected within
16 the studies.

17 MR. REHWINKEL: Okay. Thank you, Mr. Crisp,
18 and thank you, Mr. Chairman. That's all the questions I
19 have for Mr. Crisp.

20 CHAIRMAN CARTER: Thank you, Mr. Rehwinkel.

21 Ms. Bradley, you're recognized.

22 MS. BRADLEY: No questions.

23 CHAIRMAN CARTER: Mr. Moyle, you're
24 recognized.

25 / / / / /

CROSS EXAMINATION

1
2 BY MR. MOYLE:

3 Q Thank you, Mr. Chairman.

4 Good evening, Mr. Crisp. I'm John Moyle and I
5 represent the Florida Industrial Power Users Group. I
6 don't think we've ever met before, so --

7 A Yes, sir. We have met in some other hearings.
8 Good evening, sir.

9 Q Okay. I guess not in this case, and I
10 apologize for --

11 A It's been a long one, hasn't it?

12 Q -- the faulty memory. It's getting close to
13 the 8:00 o'clock hour and I want to try to see if I
14 can't get my questions such that we'll be done prior to
15 that. But isn't really the point of your testimony as I
16 read it to suggest that -- and nobody knows and nobody's
17 judgment ought be used other than Progress Energy
18 Florida's judgment with respect to the estimated service
19 life for your units?

20 A No, sir; that's not my testimony. My
21 testimony is that our service life is as I have
22 calculated it. The Commission can use any type of
23 information that they choose to use. A lot of the
24 information that I provided in my testimony has been
25 provided to help the Commission in understanding that

1 there are significant differences in the backgrounds of
2 the information that Mr. Pous and Mr. Pollock have
3 provided specific to, as I said before, different types
4 of regulatory restructure -- regulatory structure that
5 may lead to longer lifespans on units as well as
6 different operating criteria around the nation, the
7 different geographic characteristics, the load
8 characteristics that may drive those units' lives
9 longer.

10 Q And we'll get into that as we go down. I'm
11 just trying to understand from a 10,000-foot level,
12 because I thought you were kind of saying, look, the
13 Intervenors or this commission, neither one of them
14 should exercise their judgment or have judgment that's
15 superior to the judgment of the company. You're saying
16 that's not correct?

17 A No, sir. My statement is that this is
18 accurate information based on Florida and based on our
19 knowledge and expertise. I'm not saying that the
20 Commission can't use any other information.

21 Q Mr. Rehwinkel asked you a question -- I mean,
22 when you prepared your testimony, you spent a lot of
23 time on it and made sure it was accurate; correct?

24 A That's correct.

25 Q And as we sit here today, it's accurate;

1 right?

2 A That's correct.

3 Q He referred you to a statement on page 7, and
4 let me just ask you to look at that, lines 10, do you
5 see that, and he said, are you suggesting that this
6 indicates that the Commission should not substitute its
7 judgment for PEF management? And I thought your answer
8 was, well, I'm not really saying that. What I'm saying
9 is, if you read down further in the sentence there, you
10 referenced on the fact that other utilities around the
11 country have decided to operate their units in different
12 environments. Is that essentially correct?

13 A No, sir; that's not correct. First of all,
14 the sentence says that the Intervenor witnesses
15 apparently believe.

16 Q Okay. Do you believe that the Commission
17 should not substitute its judgment for PEF management
18 with respect to the appropriate service life?

19 A As I've said before, the Commission can use
20 any information they want or need to in this hearing.

21 Q Well, didn't you testify that the Commission
22 shouldn't substitute its judgment for Progress Energy
23 with respect to the service lives for the unit?

24 A My testimony is that our information -- yes.
25 My testimony is is that our information is accurate for

1 the units and is based on our expertise for the units,
2 and my testimony is that that is more applicable than
3 Mr. Pous and Mr. Pollock.

4 Q And isn't it also your testimony that this
5 commission should not substitute its judgment for
6 Progress Energy Florida with respect to --

7 A No, sir.

8 Q -- the estimated service life?

9 A No, sir.

10 Q It is not?

11 A Please restate your question.

12 Q Isn't it your testimony that this commission
13 should not substitute its judgment for Progress Energy
14 Florida's judgment with respect to the company's service
15 lives?

16 A I'm having a hard time tracking all of the
17 step-by-steps. Can you help me understand your
18 question?

19 Q I'll rephrase it.

20 Aren't you indicating and telling this
21 commission nobody knows your system better than you,
22 they should not use their judgment with respect to the
23 estimated service lives, they should rely on your
24 judgment?

25 A That is absolutely not what I am saying, sir.

1 I am saying that I know the system. I know it very
2 well. I am submitting that information here. I know
3 the system better than Mr. Pous and Mr. Pollock, and the
4 Commission has to make the final judgment on what's
5 best.

6 Q Let me ask you to turn to page 3, line 20 of
7 your rebuttal testimony.

8 A What page?

9 Q Page 3.

10 A I'm there.

11 Q Do you see the sentence that begins on line 20
12 that says, "This is no reason"?

13 A I see it.

14 Q Would you just read that into the record?

15 A "This is no reason for the Commission to
16 substitute their judgment for PEF's planning judgment
17 with respect to the company's service life for its
18 units." And I'd also like to read starting at 17. This
19 is specific to -- I'll just read the sentence. "Their
20 recommendations are based on nothing more than the
21 self-serving references to select instances where
22 certain other utilities --" those are the utilities that
23 I was talking about in the independent system operators
24 -- "apparently plan for longer service lives for their
25 unique units under their unique conditions and

1 environments they face."

2 So, relative to that sentence, "This is no
3 reason for the Commission to substitute their judgment,"
4 the other -- the Intervenors' judgment for our judgment
5 who operate and own and maintain and plan the units.

6 Q So we would agree, would we not, that
7 ultimately the judgment to be made with respect to the
8 estimated service life belongs to this Commission;
9 correct?

10 A I agree with that.

11 Q Okay. And just so I understand you, and you
12 said you were not an expert in depreciation but you had
13 some information and I guess you handed it off to
14 Mr. Robinson or -- who is it, Mr. Garrett, is that
15 right? He's also involved in depreciation, correct?

16 A Our information was provided to Mr. Robinson.

17 Q Okay. And what's Mr. Garrett's role, do you
18 know?

19 A He's the Comptroller for Progress Energy
20 Florida.

21 Q Do you know that he was responsible for having
22 the study done, the depreciation study?

23 A I know that he is involved in depreciation as
24 comptroller and that is part of his job responsibility.

25 Q So, to the extent -- given the relative job

1 function of you and Mr. Garrett and Mr. Robinson, to the
2 extent that this Commission were looking for information
3 to rely on with respect to ultimately making a decision
4 about the estimated service life, wouldn't information
5 in the depreciation planning study be the best source of
6 information? Do you understand my question?

7 A No, sir; I don't. Can you please restate it?

8 Q You've provided some information about service
9 lives. That gets handed off to Mr. Robinson. He's an
10 expert, right? He doesn't work for Progress Energy
11 Florida.

12 A That's correct.

13 Q Okay. He's out of New Mexico and he does
14 depreciation studies, correct?

15 A I'll take your word for that; yes, sir.

16 Q So, if this Commission were wanting to make a
17 judgment about estimated service lives, wouldn't you
18 agree that the information as set forth by Mr. Robinson
19 in his depreciation study would be more reliable than
20 the information that you've provided?

21 A I don't think so. I don't think that's under
22 my realm of responsibility to answer that question. I
23 do the service lives. I provided the information on the
24 service lives, and I'm sponsoring the service lives, but
25 the depreciation study is sponsored by Mr. Robinson.

1 Q Do you -- because I take your testimony to
2 say, well, you really can't come up with a good number
3 for these plants because every plant is different,
4 unique circumstances, unique load, there's no plant that
5 really is exactly the same. Is that fair?

6 A No, that's not. You said you really can't
7 come up with a number. We can come up with very, very
8 accurate numbers based on our units and how we maintain
9 them and how intimate we are with the knowledge of those
10 units.

11 Q I didn't phrase that question very well.

12 I guess what I'm trying to ascertain is, with
13 respect to similar units, you know, a simple cycle unit
14 coming out and being put in, you can't look at a simple
15 cycle unit put into your service territory and compare
16 it to one in Texas necessarily because of a whole host
17 of unique circumstances; correct?

18 A That's correct. I've worked in Texas. I've
19 worked pretty much throughout the southwest as well as
20 in the southeast, and the indigenous characteristics of
21 Florida are very specific to Florida characteristics.

22 Q And you talked about it with Mr. Rehwinkel,
23 but there's a lot in your testimony that talks about
24 each unit being unique and having a lot of unique
25 factors; correct?

1 A That's correct.

2 Q Okay. Page 6, line 6, load, and you went
3 through a whole list there.

4 A Yes, sir, and it does. It gets down to the
5 specific operating integrity of the unit, itself. So
6 it's very difficult to compare one -- if you look at a
7 7-F unit in Florida versus a 7-F unit in Texas or New
8 Mexico, they can be very, very different, even though
9 they may be shipped sequentials right off the G.E. line.

10 Q Given your answer, I assume G.E. would not
11 provide a standard warranty for that machine; am I
12 correct in that?

13 A That's outside of the realm of my expertise.

14 Q Do you have any information?

15 A No, I don't.

16 Q It would follow logically, would it not, given
17 your concerns about unique characteristics, that G.E. --
18 if what you've said actually comes to be, that G.E.
19 probably would not be well served to provide a standard
20 10, 20, 30 year warranty for its equipment? It would
21 have to take into account all of the unique
22 circumstances, unique weather, unique load, unique
23 operating characteristics. You would agree that
24 logically that follows, would you not?

25 MR. WALLS: I'm going to object. This is

1 beyond the scope of rebuttal getting into warranties on
2 particular units.

3 ACTING CHAIRMAN EDGAR: Mr. Walls, I'm sorry.
4 It was very hard for me to hear you. Would you repeat
5 that, please?

6 MR. WALLS: Yeah, I was going to object to
7 question. It's getting beyond the scope of rebuttal
8 when we're talking about warranties on particular G.E.
9 units and asking this witness about it.

10 ACTING CHAIRMAN EDGAR: He may have a point,
11 Mr. Moyle.

12 MR. MOYLE: I kind of backed away from the
13 warranty piece and just asked him logically if it would
14 follow. I think it's fair.

15 ACTING CHAIRMAN EDGAR: Is that your response
16 to the objection?

17 MR. MOYLE: Yes.

18 ACTING CHAIRMAN EDGAR: Sustained.

19 BY MR. MOYLE:

20 Q Another factor that probably you would believe
21 would not allow you to make a comparison to different --
22 I'm sorry -- to the same piece of equipment would be
23 whether that piece of equipment is operated by an
24 independent system operator or a utility, correct?

25 A No, sir.

1 Q Didn't you just answer a question where you
2 said that the ISO operator, that they sometimes try to
3 stretch the unit?

4 A You said an ISO versus a utility. A utility
5 can be within an ISO. An ISO utility versus a fully
6 state-regulated, investor-owned utility such as Progress
7 Energy Florida are two very, very different things.

8 Q So what was your point when you were talking
9 about an ISO and they were stretching a unit and they
10 might have more of an incentive to run it longer? Could
11 you elaborate on that, please?

12 A Yes, I'll be happy to. Madam Chair, can I
13 give a degree of background on me?

14 ACTING CHAIRMAN EDGAR: Yes, you may. Keep an
15 eye on your time.

16 THE WITNESS: Yes, ma'am.

17 ACTING CHAIRMAN EDGAR: Our time.

18 THE WITNESS: From the mid '90s to the late
19 '90s, I was a non-regulated power plant developer and
20 power marketer. I worked specifically in Texas and
21 throughout the west, on the west coast and in the
22 eastern United States. Independent system operators
23 basically, at a high level, aggregate the generation
24 from generating units that are owned by different
25 generating owners. Those owners provide that

1 information on the basis of contracts and terms and
2 conditions that are structured very differently than the
3 obligation to serve utility for Progress -- as in
4 Progress Energy Florida's case, and that's the
5 difference.

6 BY MR. MOYLE:

7 Q PJM, that's an ISO; is it not?

8 A That's correct.

9 Q And ERCOT, isn't that an ISO?

10 A Texas, California ISO, Midwest ISO.

11 Q Okay. And those entities have a
12 responsibility to provide power to their customers,
13 correct?

14 A The ISO does.

15 Q But it's your testimony that you believe that
16 an ISO will run machines or dispatch machines in a
17 different fashion or that the service life of machines
18 that are being dispatched by an ISO will be materially
19 different than --

20 A No, the generators who own the generation
21 dispatch according to the contracts within the ISO. The
22 generators are different.

23 Q And you're familiar with those contracts?

24 A Somewhat.

25 Q To the extent a generator doesn't show up,

1 there's financial penalties that result; are there not?

2 A They have a certain amount of generation that
3 they're committed to achieve during the year, and they
4 structure those around their units so that they operate
5 when they want them to operate.

6 Q Wouldn't you agree that, to the extent that
7 there's a financial penalty, that that may pose a
8 greater risk on an entity as compared to what would
9 happen if a Progress Energy unit doesn't show up?

10 A No, I would not agree with that. The
11 penalties to units may be such that the unit would
12 rather take the penalty than run the unit. A good
13 example of that is some of the issues that have happened
14 in California.

15 Q Do you know what the oldest combined cycle
16 unit is presently in your generating fleet?

17 A I would suspect it's Tiger Bay, subject to
18 check.

19 Q And how many years has Tiger Bay had on it?

20 A We purchased or assumed ownership of Tiger Bay
21 in August of '97, I believe, and I would rather get
22 my -- get some additional information before I go into
23 detail. It may be available on one of these sheets.
24 Let me look.

25 Yeah. Tiger Bay's in-service date was 1995.

1 Q Do you know what the average service life of
2 Tiger Bay is?

3 A It's longer than the other combined cycles
4 because Tiger Bay experienced a rotor failure and had to
5 have the rotor replaced. It's a pretty significant
6 piece of machinery that was lost. So once the rotor was
7 replaced, the life was extended.

8 Q So what's the number?

9 A I believe it was a 13-year extension. It was
10 originally slotted for a 30-year life and it was moved
11 out 13 years, once the rotor was replaced, out to 2038.

12 Q So its average service life would be 43 years,
13 is that right?

14 A The service life for that particular unit
15 based on rotor replacement, which in automobile terms is
16 like having your engine rebuilt, is 2038.

17 Q Presumably the decision was made to replace
18 the rotor because it made economic sense, correct?

19 A At that point for that particular unit,
20 correct. Now, Tiger Bay is a one-on-one combined cycle
21 unit versus the other two-on-one combined cycle units in
22 our fleet. It has a very specific role to play.

23 Q What's the second oldest combined cycle unit
24 in your fleet?

25 A Hines Power Block 1 starting at 1999, a

1 30-year time frame.

2 MR. MOYLE: Madam Chairman, I'm getting ready
3 to head down another line. What's your preference?

4 ACTING CHAIRMAN EDGAR: Mr. Moyle, it is about
5 that time. We will break, but before we do, can I ask
6 just a couple of questions to just kind of get us in the
7 proper posture for tomorrow.

8 Mr. Moyle, do you have a rough approximation
9 of about how much longer you have with this witness?

10 MR. MOYLE: Not a tremendous amount. I do
11 have, you know, maybe another ten, 15 minutes.

12 ACTING CHAIRMAN EDGAR: Okay. Thank you.

13 Mr. Brew, do you have questions on cross for
14 this witness?

15 MR. BREW: Yes, Madam Chairman, my customary
16 15 minutes.

17 ACTING CHAIRMAN EDGAR: Thank you. And
18 Mr. Wright.

19 MR. WRIGHT: Somewhere between 15 and 30
20 minutes, Madam Chairman.

21 ACTING CHAIRMAN EDGAR: Just so Mr. Crisp can
22 have an idea of what he's looking at in the morning.
23 Okay. My very quick calculation is that we have what,
24 about eight and a half -- that's you, Mr. Crisp, you're
25 the half -- witnesses left to go. Is that close?

1 MS. FLEMING: That is correct.

2 ACTING CHAIRMAN EDGAR: Okay. I know that my
3 goal -- I don't know about anyone else, but my goal was
4 to finish tomorrow evening. So that is my stretch goal
5 for all of us. If we don't make that, my other
6 secondary goal is noon, Thursday. I think, if we can do
7 like an average about an hour per witness, that's
8 doable, and late in the hearing I think that that's
9 reasonable. We will allow all parties all the time, as
10 we always do, but I would ask, realizing that probably
11 everybody's getting tired, if there is a way to
12 coordinate cross or even, I don't know, maybe stipulate
13 a witness or two, I would ask everybody to just think
14 about what is the best way to use all of our time. And
15 as always, I would ask that all of the parties get with
16 our staff before you leave the building for the evening.

17 Commissioners, any comments before we break?
18 Anything from any other of the parties before we convene
19 for the evening? All right. Well then, as always,
20 thank y'all for your cooperation and your
21 professionalism.

22 We are in recess until tomorrow at 9:30.

23 (Hearing adjourned at 8:00 p.m.)

24 (The transcript continues in sequence with
25 Volume 26.)

1
2 CERTIFICATE OF REPORTER

3 STATE OF FLORIDA)

4 COUNTY OF LEON)

5 I, RAY D. CONVERY, do hereby certify that I was
6 authorized to and did stenographically report the
7 foregoing proceedings at the time and place herein
8 stated.9 IT IS FURTHER CERTIFIED that the foregoing
10 transcript is a true record of my stenographic notes.11 I FURTHER CERTIFY that I am not a relative,
12 employee, attorney, or counsel of any of the parties,
13 nor am I a relative or employee of any of the parties'
14 attorney or counsel connected with the action, nor am I
15 financially interested in the action.16 DATED this 2nd day of October, 2009, at
17 Tallahassee, Leon County, Florida.18
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RAY D. CONVERY