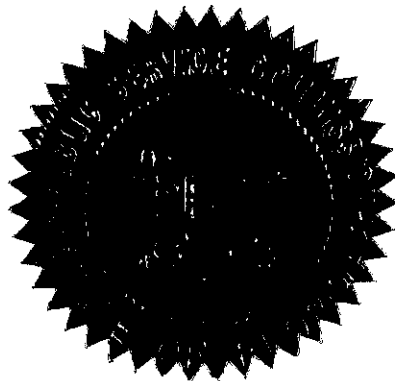


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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 28

Pages 4024 through 4115

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PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER KATRINA J. McMURRIAN
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP

DATE: Thursday, October 1, 2009

DOCUMENT NUMBER - DATE

10277 OCT-09

FPSC-COMMISSION CLERK

1 TIME: Commenced at 9:37 a.m.
2 PLACE: Betty Easley Conference Center
3 Room 148
4 4075 Esplanade Way
5 Tallahassee, Florida
6 REPORTED BY: LINDA BOLES, RPR, CRR
7 Official FPSC Reporter
8 (850) 413-6734
9 PARTICIPATING: (As heretofore noted.)
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I N D E X

WITNESSES

NAME: PAGE NO.

WILLIAM C. SLUSSER, JR.

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Prefiled Rebuttal Testimony Inserted	4034
Cross Examination by Ms. Kaufman	4059
Cross Examination by Mr. Brew	4088
Cross Examination by Mr. Sayler	4108

CERTIFICATE OF REPORTER 4115

EXHIBITS

	NUMBER:	ID.	ADMTD.
1			
2			
3	250 WCS-7	4033	
4	251 WCS-8	4033	
5	252 WCS-9	4033	
6	253 WCS-10	4033	
7	254 WCS-11	4033	
8	317 Proposed Class Revenue Allocation	4071	
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P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 27.)

4 **CHAIRMAN CARTER:** Okay. Good morning to one
5 and all. I'd like to call the hearing to order. We
6 have a preliminary matter. Staff, you're recognized for
7 a preliminary matter.

8 **MS. FLEMING:** Thank you. This morning I
9 handed out a proposed stipulation. Last night after we
10 adjourned the parties met and discussed a proposed
11 stipulation on Issue 26. It's my understanding that
12 there is a stipulation between Progress and staff on
13 Issue 26, noting that all other Intervenors take no
14 position on this issue.

15 **CHAIRMAN CARTER:** Okay. Is that, is that
16 true? Okay.

17 **MR. REHWINKEL:** Yes.

18 **CHAIRMAN CARTER:** Okay. All right. Then,
19 staff, recommendation?

20 **MS. FLEMING:** Staff would recommend that the
21 Commission approve the proposed stipulation on Issue 26.

22 **CHAIRMAN CARTER:** Okay. Hearing that from, no
23 objections from the parties, Commissioner Edgar, you're
24 recognized for a motion.

25 **COMMISSIONER EDGAR:** Mr. Chairman, with the

1 understanding that we have heard from our staff and from
2 all of the parties, I would move that we approve the
3 proposed stipulation for Issue 26.

4 **COMMISSIONER SKOP:** Second.

5 **CHAIRMAN CARTER:** It's been moved and properly
6 seconded. Commissioners, are there any questions, any
7 concerns, any debate? Hearing none, all in favor, let
8 it be known by the sign of aye.

9 (Affirmative vote.)

10 All those opposed, like sign.

11 Show it done. Thank you.

12 Staff, you're recognized for further
13 preliminary matters.

14 **MS. FLEMING:** The only other preliminary
15 matter is just the order of witnesses for today. The
16 Commissioners and all the parties have been provided the
17 order. We will be taking up Witness Slusser first,
18 followed by Witness Sullivan and Witness Toomey.

19 **CHAIRMAN CARTER:** Okay. And let me thank the
20 parties for working together with our staff. And, and
21 we've had a different order of witnesses every day, but
22 I do appreciate the collegiality and professionalism of
23 working with our staff. And, Commissioners, we'll go
24 with this recommendation as it's been working for us and
25 we'll proceed with that.

1 Staff, any further preliminary matters?

2 **MS. FLEMING:** I'm not aware of any other
3 matters.

4 **CHAIRMAN CARTER:** From the parties, any
5 preliminary matters?

6 Okay. Let's proceed. Call your next witness.

7 **MR. MELSON:** Progress calls William Slusser.
8 And, Mr. Chairman, Mr. Slusser provided direct testimony
9 and he understands he's still under oath.

10 **CHAIRMAN CARTER:** Okay.

11 **THE WITNESS:** Good morning.

12 **CHAIRMAN CARTER:** Good morning.

13 **WILLIAM C. SLUSSER, JR.**

14 was called as a witness on behalf of Progress Energy
15 Florida and, having been duly sworn, testified as
16 follows:

17 **DIRECT EXAMINATION**

18 **BY MR. MELSON:**

19 **Q.** Mr. Slusser, would you please state your name
20 for the record.

21 **A.** My name is William C. Slusser, Jr.

22 **Q.** Did you prefile rebuttal testimony in this
23 docket consisting of 24 pages?

24 **A.** Yes.

25 **MR. MELSON:** Mr. Chairman, there's a portion

1 of this testimony that we're going to withdraw. It
2 would start at Page 23, Line 15, and go through --

3 **CHAIRMAN CARTER:** Hang on a second,
4 Mr. Melson.

5 Staff, is this -- am I looking at the -- this
6 is a different document, isn't it?

7 **MS. FLEMING:** I believe that document was --
8 this document or the other?

9 **CHAIRMAN CARTER:** Okay. Which one am I on?
10 No, this document, this is Slusser.

11 **MS. FLEMING:** That was handed out by staff.

12 **CHAIRMAN CARTER:** This is not the same thing?

13 **MS. FLEMING:** It's not the same thing.

14 **CHAIRMAN CARTER:** Okay. Okay. Thank you.

15 **MS. FLEMING:** That's just a proposed
16 stipulation for later on in the proceeding. We figured
17 we'd save some time by handing out some exhibits a
18 little early.

19 **CHAIRMAN CARTER:** Okay. Mr. Melson, you may
20 continue.

21 **MR. MELSON:** We would withdraw the portion of
22 Mr. Slusser's rebuttal that begins at Page 23, Line 15.

23 **CHAIRMAN CARTER:** Page 23 -- hang on one
24 second. Page 23 beginning at Line 15?

25 **MR. MELSON:** Yes, sir.

1 **CHAIRMAN CARTER:** Okay.

2 **MR. MELSON:** And continuing through Page 24,
3 Line 9.

4 **CHAIRMAN CARTER:** Okay.

5 **MR. MELSON:** And that's the portion that
6 relates to the revised forecast and study and so forth.

7 **CHAIRMAN CARTER:** Is that the understanding of
8 the parties?

9 **MS. KAUFMAN:** Yes.

10 **CHAIRMAN CARTER:** Any objections? Without
11 objection, show it done.

12 **BY MR. MELSON:**

13 **Q.** Mr. Slusser, other than that deletion, do you
14 have any changes or corrections to your rebuttal
15 testimony?

16 **A.** No, I do not.

17 **Q.** And if I were to ask you the same questions
18 today, would your answers be the same?

19 **A.** Yes.

20 **MR. MELSON:** Chairman Carter, I'd ask that
21 Mr. Slusser's rebuttal testimony be inserted into the
22 record as though read.

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

1 **BY MR. MELSON:**

2 Q. And, Mr. Slusser, you had exhibits identified,
3 attached to your rebuttal testimony identified as WCS-7
4 to WCS-12; is that correct?

5 A. Yes.

6 **MR. MELSON:** And, Mr. Chairman, we will not be
7 offering WCS-12. Again, we're going to withdraw that.

8 **CHAIRMAN CARTER:** Commissioners, for the
9 record that's number 255 on Page 46 of staff's
10 composite -- Comprehensive Exhibit List. So 255 will be
11 withdrawn.

12 Mr. Melson, you may continue.

13 **BY MR. MELSON:**

14 Q. Mr. Slusser, do you have any changes or
15 corrections to your Exhibits WCS-7 through 11?

16 A. No, I do not.

17 **MR. MELSON:** And as you point out, Mr.
18 Chairman, those are Exhibits 250 to 254.

19 **CHAIRMAN CARTER:** For the record.

20 (Exhibits 250 through 254 marked for
21 identification.)

22

23

24

25

**REBUTTAL TESTIMONY OF
WILLIAM C. SLUSSER, JR.**

1 **I. Introduction**

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

3 **A. My name is William C. Slusser, Jr. My business address is 16550 Gulf**
4 Boulevard, No. 342, North Redington Beach, Florida.

5

6 **Q. Did you submit Direct Testimony in this case on March 20, 2009.**

7 **A. Yes, I did.**

8

9 **II. Purpose of Testimony**

10 **Q. Mr. Slusser, what is the purpose of your rebuttal testimony in this**
11 **proceeding?**

12 **A. The purpose of my rebuttal testimony is to respond to certain positions and**
13 assertions presented in the testimonies of intervenor witnesses Pollock,
14 Selecky, and Klepper regarding the appropriate methodology for allocating
15 production capacity costs to rate classes. In addition, I address assertions
16 made by witnesses Pollock and Klepper regarding PEF's rate designs. I
17 also address a wholesale separation cost issue that intervenor witness
18 Dismukes has raised. Finally, I present a revised Jurisdictional Separation
19 Study based on the updated May 2009 sales forecast presented in the
20 rebutall testimony of Company witness John B. Crisp.

21

22 **Q. Do you have any exhibits to your testimony?**

1 A. Yes, I have prepared or supervised the preparation of the following exhibits
2 which are attached to my rebuttal testimony:

- 3 • Exhibit No. ____ (WCS-7), Development of Fuel Savings Resulting from
4 Existing Generation Fleet as Compared to Peaking Only Resources
- 5 • Exhibit No. ____ (WCS-8), Cost of Production Plant When Allocated
6 Using 12 CP and 50% AD
- 7 • Exhibit No. ____ (WCS-9), Comparison of "Average and Excess" and "12
8 CP and 50% AD" Production Capacity Cost Allocators
- 9 • Exhibit No. ____ (WCS-10), Comparison of Billing Statistics, GSD-1 vs.
10 GSDT-1
- 11 • Exhibit No. ____ (WCS-11), Quick Serve Restaurant Load Profile
- 12 • Exhibit No. ____ (WCS-12), Revised Jurisdictional Separation Study

13 These exhibits are true and correct.

14
15 **Production Capacity Cost Allocation Methodology**

16 **Q. Do you agree with Mr. Pollock's premise on page 8, lines 16-17 of his**
17 **direct testimony, that the Commission should use the methodology**
18 **that most accurately reflects cost-causation for PEF?**

19 **A. Yes. I am in full agreement with his premise. However, I disagree with Mr.**
20 **Pollock's assessment of cost-causation where, on page 9, lines 16-17 of**
21 **his testimony, he states "In summary, cost-causation is primarily a function**
22 **of peak demand."**

23 Peak demand may be the underlying driver for the need for capacity,
24 but the cost being incurred is a function of the selection of the most
25 economic generation facility that satisfies both the capacity and energy

1 requirements. Therefore, cost-causation is a function of both peak
2 demand and energy requirements.

3
4 **Q. Mr. Pollock and Mr. Selecky have raised a number of criticisms**
5 **regarding the inclusion of energy responsibility in the production**
6 **capacity allocation methodology. Would you comment on their**
7 **testimony?**

8 **A.** Yes. These witnesses have raised a number of issues attempting to find
9 fault with the 12 CP and 50% AD methodology. Their testimony provides
10 little, if any, support or persuasive rationale for use of the 12 CP and 1/13th
11 AD methodology which they advocate, other than it has been the traditional
12 method used. My comments regarding many of the issues they have raised
13 are as follows:

14
15 • Inconsistent Fuel Cost Assignment

16 Mr. Pollock and Mr. Selecky claim that in order to be consistent with the
17 Company's proposed capacity allocation method, fuel costs should be
18 assigned to rate classes such that customers who benefit more from the
19 lower fuel costs of base load and intermediate plants should also pay
20 below-average fuel costs, and vice versa.

21 It is ironic that the intervenor witnesses have raised this issue
22 because it is one of the main reasons the Company has proposed the 12
23 CP and 50% AD method. The Company believes the traditional method of
24 12 CP and 1/13th fails to place adequate cost responsibility on the high
25 load factor customer classes for the substantial fuel benefits they receive.

1 The assignment the intervenor witnesses are seeking would
2 accomplish little since over 97% of the Company's generation is from base
3 load and intermediate plants. All the Company's rate classes exhibit an
4 overwhelming dependence on base/intermediate generation to service
5 their load. The small contribution of peaking energy results in average fuel
6 costs being only slightly higher than the fuel costs of base/intermediate
7 generation. It should also be noted that most high load factor customers,
8 including the customers Mr. Pollock and Mr. Selecky represent, receive
9 service under PEF's optional Time-of-Use rates. Customers under these
10 rates do receive a lower fuel cost billing than the system average fuel cost
11 charged to other customers.

12
13 • Recognition of Fuel Cost for Reliability

14 I concur with Mr. Pollock that there is an amount of fuel expense that is
15 incurred for system reliability rather than serving energy. However, the
16 fuel expenditures related to load regulation and maintaining operating
17 reserves occur around the clock. It is therefore appropriate for customers
18 to bear such expense on the basis of usage occurring during all hours.

19
20 • Average Demand Double-Counted

21 Mr. Pollock claims that the amount of a class's average demand is being
22 double-counted in an average and peak methodology, since average
23 demand is also a component of peak demand.

24 This issue was previously raised by FIPUG in a TECO rate case
25 (Docket No. 850050-EI) regarding the application of the Equivalent Peaker

1 Cost method. The Commission concluded in that docket that there was no
2 double-counting in such a method:
3

4 Alleged Double Counting

FIPUG alleges that the Equivalent Peaker Cost method suffers from a double counting problem in that the classes' energy loads or average demands are used to allocate the energy classified component of production plant costs and their average demands are also included within their peak demands in developing the allocator for the demand classification portion of production plant costs. We agree with the Staff that there is no double counting problem because those costs that the utility incurred because of energy loads to be served are allocated on the basis of the classes' proportions of energy use, and a separate pot of dollars, the amount that would have been spent to serve peak loads, is allocated using an appropriate summer-winter peak demand allocation factor.

5 Order No. 15451, page 35.
6

7 • Additional Capital Cost Attributable to Usage Up to Break-even Point

8 The use of a break-even point analysis advocated by Mr. Pollock and Mr.
9 Selecky may be analytically correct for determining the most economic
10 generating type. However, fuel cost savings produced by a kWh
11 generated after the cost break-even point is just as valuable as the fuel
12 savings from kWh generated before the break-even point is reached.
13 Equity dictates that all customers' usage that benefits from the economic
14 decision to select a particular unit type should also share in the cost to
15 achieve such benefits.
16

1 **Q. Have you prepared an exhibit that demonstrates the benefits each**
2 **class realizes by its investment in a more capital intensive**
3 **generating fleet than had the Company developed a fleet of the**
4 **lowest investment cost generation?**

5 **A.** Yes. I have prepared Exhibit ____ (WCS-7) for this purpose. The first
6 calculation on line 5 of this exhibit represents each class's share of the
7 annual production capacity costs that the Company's 12 CP and 50% AD
8 method would allocate to rate classes on an energy basis. This is an
9 estimate of the additional annual costs that customer classes are bearing
10 for the Company's more costly generating fleet as compared to the lowest
11 capital cost fleet. The second calculation on line 10 represents the annual
12 fuel savings each class realizes by the Company not building the lowest
13 capital cost fleet. Line 12 of the exhibit develops a benefit-to-cost ratio of
14 investing in its more capital intensive generation fleet.

15 Exhibit WCS-7 illustrates at least two points. First, the costs
16 customers are bearing for the Company's additional investment in fuel-
17 efficient generation are only a fraction of the fuel cost savings achieved.
18 Second, allocating the additional investment costs on the same basis as
19 fuel savings are realized is an equitable treatment, since it produces the
20 same benefit-to-cost ratio for each rate class.

21
22 **Q. In Mr. Selecky's Exhibit No. _____ (JTS-1), Mr. Selecky attempts to**
23 **show that using PEF's methodology for allocating production plant**
24 **investment will result in an above average cost per kW of demand for**
25 **the high load factor rate classes. Would you comment on this exhibit?**

1 A. Yes. The calculations shown in Mr. Selecky's exhibit provide no real insight
2 into the significance of the Company's methodology. To illustrate how
3 variations in presentation can change the appearance of cost allocation
4 results, I have prepared Exhibit _____(WCS-8) to show a calculation similar
5 to Mr. Selecky's using the same allocation of production capacity costs to
6 the customer classes, but with the results expressed on an energy basis in
7 terms of cost per mWh. The first six numbered lines of the exhibit contain
8 the same information that Mr. Selecky presents in his Exhibit No. ____ (JTS-
9 1), showing cost on a per kW basis. The information on lines 7, 8, and 9
10 shows that on a per mWh basis the Company's allocation method results in
11 a favorable, below-average production capacity cost for the high load factor
12 rate classes.

13
14 **Q. Intervenor witness Klepper also advocates the continued use of the 12**
15 **CP and 1/13th AD production cost allocation methodology in this**
16 **proceeding. What do you understand is his reasoning for the**
17 **Commission to continue to use this methodology?**

18 A. Mr. Klepper suggests that most of PEF's generation related capacity costs
19 arose from generation related investment strategies of thirty years ago and
20 that the methodology in place at that time should be the basis for allocating
21 these costs. It is interesting that Mr. Klepper points out thirty years ago,
22 because that was about the time the Company placed its nuclear generating
23 unit, Crystal River No. 3, into service. When this plant went into service, the
24 Commission recognized that customers would realize significant fuel
25 savings on an energy basis from this unit and decided that the adjustment

1 needed in base rates for placing the unit in service should correspondingly
2 be on an energy basis. [Docket No. 770316-EU, Order No. 8160, pages 10-
3 15] So, the 12 CP and 1/13th method was not always used historically for
4 production capacity cost allocation.

5 The Company has recently undertaken more capital intensive
6 projects, including the Hines Energy Complex, the Bartow station
7 repowering, uprates and steam generator replacement at Crystal River No.
8 3, and planned new nuclear generation in Levy County. Thus, the 12 CP
9 and 50% AD allocation method is a better representation of today's
10 generation strategies than the 12 CP and 1/13th AD methodology.

11 The other point that I believe Mr. Klepper makes is that the primary
12 objective for generation investment planning is reliably serving load. My
13 disagreement with Mr. Klepper on this point is that there are less capital
14 intensive generating options that can reliably serve load. Additional costs
15 that have been incurred for reasons other than serving load should not be
16 allocated on the basis of customer's load reliability responsibility.

17
18 **Q. Mr. Pollock claims that your estimate of PEF spending 50% more**
19 **capital for its generating resources for reasons other than maintaining**
20 **system reliability is flawed and that your calculation should result in**
21 **less than 20%. He has revised your Exhibit WCS-3 to demonstrate**
22 **this on his Exhibit JP-4. Is Mr. Pollock correct to make this revision?**

23 **A.** No. Mr. Pollock's Exhibit JP-4 is nothing more than an apples and oranges
24 comparison. He has compared the Company's embedded plant costs to
25 alternative CT generation costs which he has valued at year 2004 cost level

1 for peakers. The flaw in this approach is illustrated by his result for the first
2 plant shown – the Ancloste steam plant. Mr. Pollock's revision results in the
3 theoretically lower-cost alternative generation costing more than the actual
4 embedded cost of the Company's Ancloste steam plant. Mr. Pollock has also
5 improperly revalued the Company's peaking units – which he presents as
6 an alternative, lower-cost option – at more than the Company's actual
7 embedded cost for such units. Taken to its logical ends, Mr. Pollock's
8 flawed methodology would eventually result in an illogical and improper
9 negative energy weighting.

10
11 **Average and Excess Demand Methodology**

12 **Q. Mr. Pollock is recommending that, if more weight should be placed on**
13 **average demand, the Average and Excess (A&E) method should be**
14 **used. Would you describe this method?**

15 **A.** Yes. This method recognizes two components in a class's allocation
16 responsibility. The first component represents a class's energy or average
17 demand responsibility and is weighted by the utility's system load factor.
18 The second component represents a class's excess demand responsibility
19 weighted by the complement of the utility's system load factor. Excess
20 demand is calculated as the difference between a class's non-coincident
21 peak demand and its average demand.

22
23 **Q. Do you find such a method appropriate for recognizing cost-**
24 **causation parameters of peak load and energy requirements?**

1 A. No. First, the A&E methodology does not place more emphasis on
2 average demand as Mr. Pollock suggests. This is because in the
3 calculation, after recognizing average demand as a component of the
4 allocator, the class's average demand is then subtracted from its non-
5 coincident peak demand in the excess component of the allocator. This
6 calculation minimizes or negates the emphasis that average demand is
7 claimed to have under this methodology.

8
9 Second, PEF does not plan its capacity needs on the basis of what is
10 described as class's excess demands. The Company's capacity need is to
11 reliably serve the greatest monthly coincident demand of its customers.
12 Employing a class's non-coincident demand does not reflect the
13 Company's actual power supply capacity requirement, which is based on a
14 class's load that is coincident with monthly peaks.

15
16 **Q. Do you have examples where unreasonable class cost**
17 **responsibilities result from the A&E methodology, especially due to**
18 **the subtraction of average demand from the peak load component in**
19 **the calculation?**

20 A. Yes. One example is the greatly understated cost responsibility that would
21 result for the Company's Rate Schedule GS-2 or 100% Load Factor rate
22 class. This class represents a continuous load of approximately 10 MW on
23 PEF's system during all the hours in the year. Under the A&E
24 methodology, the class's excess demand would be calculated as the non-
25 coincident peak of 10 MW, less the class's average demand of 10 MW, or

1 a net demand of zero for the peak capacity component of cost
2 responsibility. It is illogical that a load that is fully coincident with the
3 Company's peak should bear no responsibility for that portion of capacity
4 costs that are intended to recognize peak capacity responsibility.

5 Another example is the greatly overstated responsibility that would
6 result for the Company's Rate Schedule LS-1 or Lighting Service rate
7 class. This class imposes approximately 88 MW of load predominately
8 during off-peak periods. As such, it should bear little cost responsibility for
9 the component of costs associated with peak capacity requirements.

10 Under the A&E methodology, however, the excess demand calculation
11 results in a load amount equal to about half of its non-coincident class
12 demand. This is an unreasonably high amount of load on which to base
13 this class's peak capacity component of cost responsibility.

14
15 **Q. Do you have any other observations you wish to make regarding the**
16 **A&E methodology?**

17 **A.** Yes. Another negative outcome of the A&E method results when class
18 coincident peaks rather than non-coincident peaks are used in the
19 determination of a class's excess demand. This is pointed out as a
20 caution in the NARUC cost allocation manual. No doubt, coincident peak
21 loads should be the basis for the capacity component of cost responsibility.
22 However, if coincident peak load is used in the calculation of the excess
23 demand component of the A&E allocation factor, the A&E methodology
24 results in the same class cost responsibilities as would have been
25 established under a totally Coincident Peak allocation methodology.

1 That is, the result would be an allocator that is void of any weighting of
2 average demand at all. This is an illogical result given the A&E method's
3 stated objective of providing a better allocator for recognizing average
4 demand rather than peak demand.

5
6 **Q. Have you prepared an exhibit that compares responsibilities of PEF's**
7 **rate classes under the A&E methodology with that of the 12CP and**
8 **50% AD methodology?**

9 **A.** Yes. Production cost allocation factors have been developed on Exhibit
10 ____ (WCS-9) based on each of these allocation methods. Part I of the
11 exhibit develops the class allocation factors resulting from the A&E
12 method. From this part, one can see the unreasonable results for the GS-2
13 and LS-1 rate classes. In Part II of the exhibit, 12CP values have been
14 used in lieu of class NCP values. One can see that the class allocation
15 responsibilities come out identical to the class 12CP allocation
16 responsibilities as was previously discussed. Part III of the exhibit shows
17 the class allocation factors based on the 12 CP and 50% AD method which
18 has been included on the exhibit for comparative purposes.

19
20 **Coincident Peaks for use in Cost Allocation**

21 **Q. Mr. Pollock and Mr. Selecky recommend that class coincident peak**
22 **demands for summer and winter peaks be used in lieu of demands for**
23 **all twelve monthly peaks for PEF's capacity requirements. Do you**
24 **consider that appropriate for PEF?**

1 A. No. PEF considers coincident loads imposed during the peaks of all twelve
2 months to be significant. Although loads may be less in the spring and
3 fall, the Company has less load management capability during these
4 months and takes advantage of the lower load levels to schedule
5 generation outages for necessary maintenance.

6

7 **Class Revenue Increase Allocation**

8 **Q. Mr. Pollock appears to find fault with PEF's revenue increase**
9 **allocation and claims it is not consistent with the Commission's**
10 **practices. Do you believe PEF has followed the Commission's**
11 **practices on determining class revenue increases?**

12 A. Yes, I do. The Company's proposed revenue increase allocation was
13 presented in Exhibit ____ (WCS-5). The development of the class revenue
14 increases shown in this exhibit conforms to the Commission's practice
15 which was recently stated in its Order No. PSC-09-0283-FOF-EI in Docket
16 No. 080317-EI, the TECO rate case, on page 87 as follows:

17

18 No class should receive an increase greater than
19 1.5 times the system average percentage increase
20 in total, and no class should receive a decrease.

21

22 Mr. Pollock's issue appears to be that the Company did not apply the
23 150% to individual rates, and he claims the Company masked the effect by
24 applying the limitation on a class basis. He states the appropriate standard
25 is to examine the impact on individual rates.

26

27 I disagree with Mr. Pollock's understanding of the standard and I
have demonstrated that the Company's has correctly applied the standard
in its development of class revenue increases.

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Rate Design for Demand Measured Rates

Q. Mr. Pollock is critical of PEF's rate design for Schedules GSD, CS, and IS because the demand charges and energy charges do not reflect demand-related costs and energy-related costs. Would that be a proper rate design for these rate classes?

A. No. If these rate classes were extremely homogeneous, i.e. all customers in the class possessed similar load factors, coincident factors, time of use characteristics, etc., then this rate design, or actually most any rate design, would be acceptable. However, the GSD and CS/IS rate classes are not so homogeneous. Therefore such a rate design is likely to unfairly burden low load factor customers, and to provide an unfair advantage to high load factor customers.

Only one type of demand is measured for billing purposes. That measurement is the customer's maximum demand whenever it occurs during the billing period. This demand may or may not be coincident with the Company's system peak demand or with the peak demand for the customer's class. To apply the same demand charges (production, transmission, and distribution capacity charges) to all customers on the basis of their maximum demand would totally ignore differences in the coincidence factors and the responsibility of customers for system power supply costs and distribution primary system capacity costs.

The only other measurement that the rate designer has available as a billing parameter is kWh energy use. In Docket No. 910890-EI, Florida Power Corporation submitted, as part of its load research information for

1 demand measured rate schedules, correlation coefficients between
2 customers' contributions to the Company's 12 monthly peaks and the
3 following: (a) billing kW, (b) billing kWh, (c) on peak demands, and (d) on
4 peak kWh. The load research data showed there to be a stronger
5 correlation of contributions to monthly system peak with kWh energy use
6 than with billing demand. Contribution to monthly system peaks is a
7 primary cost basis for production and transmission capacity costs. Thus,
8 PEF finds it appropriate to recover a portion of these power supply costs
9 on an energy charge basis.

10 Correlation coefficients were also presented in Docket No. 910890-EI
11 between customers' contributions to their class peak and the same
12 parameters as described above. Contribution to class peak is the cost
13 basis for distribution primary capacity costs. The strongest correlation for
14 contribution to class peaks was found to be with billing kW. Thus, PEF
15 finds it appropriate for its demand charges to reflect, at a minimum, the
16 costs of distribution capacity.

17 As a matter of reality, PEF's demand and energy rate charges for its
18 GSD and CS/IS rates have evolved over the years by making necessary
19 adjustments from time to time in order to produce the revenues authorized
20 by the Commission for these rate schedules. In this proceeding, the
21 Company has adjusted its demand and energy charges proportionally to
22 provide uniform percentage increases for most customers in their
23 respective rate class. The resultant demand and energy charges are in
24 line with those parameters that best correlate to functional cost recovery.

25

1 **Interruptible Demand Credits**

2 **Q. Mr. Pollock argues that the interruptible credit for Rate Schedule IS-2**
3 **should be increased and the payment method for this credit be**
4 **restructured. Should this be considered in this proceeding?**

5 **A. No. Since the General Service Interruptible Rate Schedule is a demand**
6 **side management program offering, the determination of credit amounts**
7 **and payment structure is a matter that should be addressed in the**
8 **conservation docket.**

9
10 **Classification of Distribution Network Costs**

11 **Q. On pages 67 through 70 of Mr. Pollock's testimony, he suggests that**
12 **a portion of the primary and secondary distribution system be**
13 **classified as customer-related and allocated on the basis of numbers**
14 **of customers. Did you consider doing this in your allocated class**
15 **cost of service studies?**

16 **A. No. Mr. Pollock appears to be describing a costing practice known as the**
17 **minimum distribution concept. The Commission has clearly stated in its**
18 **instructions for preparing cost of service studies on MFR Schedule E-1,**
19 **that the minimum distribution concept should not be used.**

20
21 **General Service Demand Time-of-Use Rate**

22 **Q. Intervenor witness Klepper states on page 6, lines 21-23 of his direct**
23 **testimony, that it is nearly impossible for any commercial customer to**
24 **obtain a better economic outcome by using the GSDT-1 (General**

1 **Service Demand Time of Use) rate instead of the GSD-1 (General**
2 **Service Demand) rate. Do you agree?**

3 **A.** No, I certainly do not. The Company's GSDT-1 rate provides a significant
4 economic benefit for many of its general service demand customers. I
5 have summarized the annual billing statistics of PEF's GSD and GSDT-1
6 customers for calendar year 2008 on my Exhibit _____(WCS-10). This
7 exhibit shows that over 10,000 customers out of a total of 55,000 general
8 service demand customers have elected service under the optional GSDT-
9 1 rate. These customers have realized an average of about 1.0 cent per
10 kWh less cost during 2008 than those customers under the standard GSD-
11 1 rate.

12
13 **Q.** Intervenor witness Klepper seems to be of the opinion that few of the
14 **AFFIRM member customers take service under PEF's GSDT-1**
15 **(General Service Demand – Time of Use) rate schedule. Do you find**
16 **this to be true?**

17 **A.** No. We were able to identify 151 accounts having the brand names that
18 Mr. Klepper described as AFFIRM members. It is difficult to identify
19 AFFIRM member accounts unless their brand is a part of the account
20 name. The Company's accounting records show that a predominance of
21 these identified customers take service under the GSDT-1 rate, not the
22 GSD-1 rate that Mr. Klepper thought. A summary of these customers'
23 annual billing statistics is shown in Exhibit _____(WCS-10), page 2 of 2.

24

1 The GSDT-1 rate is an optional rate that presumably many AFFIRM
2 member customers would not have elected if they were to receive higher
3 billings than under the GSD-1 rate. Summarized on this same exhibit, the
4 group of AFFIRM customers under the GSDT-1 rate have on-peak energy
5 usage in the aggregate of 29.6% which is close to the 29.4% on-peak
6 energy use of the population of all general service demand customers.
7 PEF's on-peak percentage for the system is 32%, not the 45% that Mr.
8 Klepper stated on page 7, line 8, of his testimony. A general service
9 customer is certain to benefit from the optional time of use rate with respect
10 to base rate charges if he has less than 29.4% on-peak use, and will
11 benefit with respect to fuel charges if he has less than 32% on-peak use.

12
13 **Q. Do you have any time-recorded metering data that would demonstrate**
14 **the usage profile of an AFFIRM member customer?**

15 **A.** AFFIRM member customers do not require more costly, time recorded
16 metering for billing under the GSD-1 or GSDT-1 rates. The Company does
17 install time recorded metering on a sample of general service demand
18 customers for load research purposes. Unfortunately, no AFFIRM member
19 customers were included in the sample of the most recent load research
20 study. There is one, quick serve competitor restaurant that is in the sample
21 for which we have hourly data for a recent 12 month period. A summary of
22 pertinent information including typical daily profiles for this customer are
23 provided in Exhibit____(WCS-11). This customer has its greatest hourly
24 peak usage during early to late afternoon. The typical daily profiles show
25 long hours of peak usage that appear to coincide with its operating hours.

1 With such long operating hours and week-end hours, this customer has
2 only a 28.1% on-peak energy use and benefits from the optional GSDT-1
3 rate schedule.

4
5 **Collective Rate Treatment**

6 **Q. Mr. Klepper, on pages 11 and 12 of his testimony, seeks to have the**
7 **AFFIRM member customers treated for rate application and billing in**
8 **a collective manner. What are the problems with doing that?**

9 **A.** First, this type of treatment being sought by Mr. Klepper is currently
10 prohibited by Commission Rule 25-6.102, entitled Conjunctive Billing.

11 Second, if such treatment were permitted and is an economic
12 advantage, no doubt there would be other groupings of customers that
13 would form and seek similar treatment.

14 Third, the present rate charges are based on billing determinants that
15 reflect the loads of individual locations. Billing determinants based on
16 collective treatment would result in fewer billing units due to the diversity of
17 demands that Mr. Klepper described. Assuming that the same costs must
18 be recovered, new rates would have to be computed reflecting the fewer
19 billing units resulting from diversified demands. This would result in higher
20 unit rate charges and would not produce the level of savings that Mr.
21 Klepper suggested in his testimony supporting collective treatment.

22
23 **Wholesale Direct Assignment**

24 **Q. Intervenor witness Dismukes claims the Company did not assign any**
25 **general plant and only a very small portion of its administrative and**

1 **general expenses to the wholesale business for the sale to the City of**
2 **Tallahassee. Do you agree?**

- 3 **A.** No, I do not agree. The City of Tallahassee's costs include a share of
4 general plant and administrative and general (A&G) expenses based on
5 application of a labor ratio to total general plant and A&G. Thus Ms.
6 Dismukes adjustment is unwarranted.

7 I can appreciate Ms. Dismukes confusion on this because, specific
8 cost amounts related to the sale to the City of Tallahassee – i.e. plant-in-
9 service, accumulated depreciation, depreciation expense, O&M, property
10 tax, and insurance – are assigned to the wholesale business in the
11 jurisdictional separation study. However, for general plant and A&G
12 expenses, specific amounts are not assigned, but an allocation is made.
13 The City of Tallahassee's responsibility is included through the
14 development and application of a labor ratio. A labor ratio is a common
15 and recognized basis for allocating general plant and A&G expenses in a
16 cost allocation study. The labor component of the O&M assignment for the
17 City of Tallahassee is \$701,000 for the test period. The Company's total
18 labor component of O&M expenses, excluding A&G, is \$245,846,000. This
19 computes to a percentage ratio of 0.285% which has been included with
20 other wholesale business's responsibility for application to general plant
21 and A&G expenses to derive the wholesale jurisdiction's share of these
22 costs.

23 The labor ratio is internally calculated in the ECOS computer model
24 that is used to prepare the Jurisdictional Separation Study. The labor
25 allocator is identified as "K627" and is derived on Schedule 12, pages 1

1 and 2, of the Jurisdictional Separation Study. One can see the labor
2 component of O&M expenses for Tallahassee is included on Line 39 of
3 page 1 therein. This amount is summed with other wholesale
4 responsibilities that result in a wholesale labor responsibility of 12.309%.
5 The "K627" allocator can be seen as being applied to General Plant on
6 Schedule 2, page 1, line 27, and is applied to A&G expense on Schedule
7 6, page 2, line 11.

8
9 **Rebuttal Summary Conclusions**

10 **Q. Do you have any summary observations or conclusions to make**
11 **regarding the intervenor testimony that you reviewed?**

12 **A.** Yes. I have concluded the following:

13 1. Intervenor witnesses Pollock, Selecky, and Klepper have not
14 provided any persuasive rationale why the so-called "traditional" 12 CP and
15 1/13th AD production cost allocation methodology that they advocate is
16 more appropriate than the 12 CP and 50% AD methodology recommended
17 by PEF.

18 2. Intervenor witnesses Pollock and Selecky are critical of the 12 CP
19 and 50% AD methodology for not recognizing fuel symmetry. Ironically, a
20 compelling reason the Company is advocating the 12 CP and 50% AD
21 method is that this method better aligns capital cost responsibility with fuel
22 responsibility.

23 3. The Average and Excess Demand methodology which
24 intervenor witness Pollock alternatively recommends as a production cost
25 allocation methodology does not place more emphasis on average demand

1 responsibility as Mr. Pollock suggests, and in one instance is nothing more
2 than a 100% peak allocation method. This method has a number of flaws
3 and should not be considered.

4 4. PEF's optional GSDT-1, General Service Demand Time of Use
5 Rate, does provide economic benefits to a significant portion of GSD
6 customers and to many AFFIRM member customers contrary to intervenor
7 witness Klepper's understanding.

8 5. Intervenor witness Dismukes is mistaken in her claim that little
9 or no cost for general plant and A&G expense was assigned to the
10 wholesale business for the sale to the City of Tallahassee. A labor ratio
11 share of general plant and administrative and general expenses is
12 allocated to the sale to the City of Tallahassee in the calculations of the
13 Jurisdictional Separation Study.

14
15 **Revised Jurisdictional Separation Study**

16 **Q. What is the purpose of the revised Jurisdictional Separation Study**
17 **that you have included with your testimony as Exhibit No. ____ (WCS-**
18 **12)?**

19 **A.** I have prepared a revised Jurisdictional Separation Study to reflect the
20 Company's May 2009 updated sales forecast described in the rebuttal
21 testimony of Company witness John B. Crisp. The revised separation
22 study includes changes in retail and wholesale loads, retail billing
23 determinants, and resultant retail sales revenues produced by the updated
24 sales forecast. This study was produced in discovery as a supplement to
25 an OPC interrogatory.

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Q. Have you prepared a revised Allocated Class Cost of Service and Rate of Return Study to reflect the revised jurisdictional cost of service which you are now submitting?

A. No, I have not. In my opinion, it would be more appropriate to prepare a study after the Commission's final decision on overall cost of service and class allocation methodologies. The company would then endeavor to produce a study as rapidly as practicable for the Commission's use in determining final class revenues and rate design.

Q. Does this conclude your testimony?

A. Yes, it does.

1 **BY MR. MELSON:**

2 Q. Mr. Slusser, will you please give us a brief
3 summary of your rebuttal testimony?

4 A. Yes, I would be pleased to.

5 Good morning again, Commissioners. My
6 rebuttal testimony responds to certain positions and
7 assertions by Witnesses Pollock, Selecky and Klepper
8 regarding the appropriate method for allocating fixed
9 production capacity costs to rate classes. In addition,
10 I address assertions made by Witnesses Pollock and
11 Klepper regarding PEF's rate design. I also address a
12 wholesale separation cost issue raised by Witness
13 Dismukes.

14 I can briefly summarize PEF's position
15 regarding the points raised by the intervening witnesses
16 as follows.

17 First, Mr. Pollock, Mr. Selecky and
18 Mr. Klepper do not provide any persuasive rationale or
19 support for why the so-called traditional 12CP and
20 1/13th AD production cost allocation method which they
21 advocate is more appropriate than the 12CP and
22 50 percent AD method recommended by PEF.

23 Second, Mr. Pollock and Mr. Selecky are
24 critical of the 12CP and 50 percent AD method for not
25 recognizing fuel symmetry. Ironically, a compelling

1 reason the company is advocating the 12CP and 50 percent
2 AD method is that it does better align capital cost
3 responsibility with fuel responsibility.

4 Third, the average and excess demand method
5 which Mr. Pollock alternatively recommends does not
6 place more emphasis on average demand responsibility as
7 he suggests, and in one instance is nothing more than a
8 100 percent peak allocation method. His alternative
9 method has a number of flaws and should not be
10 considered.

11 Fourth, contrary to Mr. Klepper's
12 understanding, PEF's optional general service demand
13 time of use rates do provide economic benefits to a
14 significant portion of the company's GSD customers,
15 including many AFFIRM member customers.

16 And, finally, Ms. Dismukes is mistaken in her
17 claim that little or no costs for general plant and A&G
18 expense was assigned to the wholesale business related
19 to the sale to the City of Tallahassee. I show that a
20 full labor ratio share of general plant and A&G expense
21 is being allocated to that sale in the jurisdictional
22 separation study. That concludes my summary.

23 **MR. MELSON:** Mr. Slusser is tendered for
24 cross.

25 **CHAIRMAN CARTER:** Thank you.

1 Mr. Rehwinkel, you're recognized.

2 **MR. REHWINKEL:** No questions.

3 **CHAIRMAN CARTER:** Ms. Bradley, good morning.

4 You're recognized.

5 **MS. BRADLEY:** Good morning. No questions.

6 **CHAIRMAN CARTER:** Ms. Kaufman, you're

7 recognized.

8 **MS. KAUFMAN:** Thank you, Mr. Chairman.

9 **CROSS EXAMINATION**

10 **BY MS. KAUFMAN:**

11 **Q.** Good morning, Mr. Slusser.

12 **A.** Good morning, Ms. Kaufman.

13 **Q.** I want to ask you about one comment that you
14 just made in your summary, and I specifically want to
15 address this to Mr. Pollock's testimony. I think you
16 said that he and other witnesses provided no persuasive
17 rationale for the use of the 12CP and 1/13th
18 methodology; is that right?

19 **A.** I do not believe so. Yes.

20 **Q.** Do you have Mr. Pollock's testimony with you?

21 **A.** Yes.

22 **Q.** And I'll let you flip through it. Would you
23 agree with me that beginning on Page 7 and going through
24 about Page 26 Mr. Pollock discusses in detail, in detail
25 the flaws with the methodology that you have advocated?

1 **A.** Yes.

2 **Q.** Okay.

3 **A.** I don't say that as support for the
4 traditional method. He has just found flaws, what he
5 thinks are flaws in the company's proposed method.

6 **Q.** Well, wouldn't you agree that his view finding
7 that the method that the company has suggested is
8 inappropriate would argue for the fact that the
9 Commission should retain the traditional methodology
10 they have generally used?

11 **A.** Well, I disagree that he has found flaws in
12 the methodology. That's, that's my understanding of his
13 testimony.

14 **Q.** Yes. I understand that you, that you and he
15 disagree. I think, I think that's clear from the
16 record.

17 But he certainly spent a significant amount of
18 time in his testimony setting out his problems with what
19 the company has recommended, would you agree?

20 **A.** He's, he's pulled everything he could to find
21 fault with the methodology.

22 **Q.** Turn to Page 3, if you would, of your rebuttal
23 testimony. I always like to start with where the
24 witnesses agree. And if you look at Line 19, to
25 paraphrase, I think that you agree with Mr. Pollock that

1 the Commission should use a methodology that most
2 accurately reflects cost causation; correct?

3 **A.** Yes.

4 **Q.** And I think you had a discussion with
5 Commissioner Skop here on direct, when you were here on
6 direct last week that the class that's causing the
7 company to add additional plant is the residential
8 class; correct?

9 **A.** Predominantly the residential class drives the
10 need for capacity. Obviously all classes contribute to
11 capacity need, but the makeup of the customer mix for
12 PEF is predominantly residential.

13 **Q.** And so it's, it's generally the peak demand of
14 the residential class, your largest class, that causes
15 the company to add new plant; correct?

16 **A.** To add new capacity.

17 **Q.** New capacity, whether it be plant or purchased
18 power contract.

19 **A.** The need for capacity.

20 **Q.** So would you agree that if it were not for the
21 peak demand of the residential class, all other things
22 being equal, that Progress might never need to add
23 additional capacity if their customer base stayed
24 steady?

25 **A.** If the system didn't grow, would we ever need

1 capacity? Well, that's sort of a hypothetical question.

2 Q. Absolutely.

3 A. But if fuel costs continue to rise, you could
4 argue that new generation should be built for fuel
5 savings.

6 Q. But typically if you weren't needing to add
7 capacity to meet the residential class's peak demand,
8 then you wouldn't have to either add new capacity or
9 enter into any further purchased power contracts;
10 correct?

11 A. Well, again, as, as I had a discussion with
12 Commissioner Skop, the, the driver is capacity, but the
13 cost of that capacity is very much dependent on other
14 usage. If it wasn't for on-peak usage, the company
15 would probably never build any base generation. That's
16 my point.

17 Q. Mr. Pollock spent some time in his testimony
18 talking about the break-even analysis. And on -- if you
19 turn to your testimony on Page 6, beginning at Line 8,
20 you say that the use of a break-even analysis advocated
21 by Mr. Pollock and Mr. Selecky may be analytically
22 correct for determining the most economic generating
23 type; correct?

24 A. Yes.

25 Q. Well, it is analytically correct for

1 determining the most economic generation type, isn't it?

2 **A.** Well, there's a break-even point. If there's
3 not enough usage, then economically it may be best to
4 put in a peaking unit. If there's also additional usage
5 beyond an economic break-even point, that would
6 economically justify building a, a more capital
7 intensive yet less, less costly operating type of unit
8 such as a baseload unit.

9 **Q.** I was going to ask you to explain the
10 break-even point, but I think that you, that you just
11 did.

12 **A.** That's the simplicity of it.

13 **Q.** And you would agree with me, wouldn't you,
14 that energy, energy utilization is not a factor in the
15 break-even analysis?

16 **A.** No, I disagree. I just said that you need to
17 have at least a certain amount of energy use, or hour's
18 use of capacity to economically justify spending more
19 capital costs.

20 **Q.** But under the break-even point it doesn't make
21 any difference, correct, the usage?

22 **A.** I'm not following the question.

23 **Q.** Where, where is it in the break-even analysis
24 that, if at all, energy usage is a component? I mean,
25 how much energy is used by the customers on the system.

1 **A.** I'm having trouble with the question.

2 **Q.** Okay.

3 **A.** I thought I described that it is energy use,
4 the extent of energy use that determines the point at
5 which it is more economical to build a baseload unit as
6 opposed to building the least expensive unit, least
7 capital intensive unit.

8 Can I maybe give an example on that?

9 **Q.** Yeah. I was going to ask you to turn to
10 Mr. Pollock's testimony at Page 19 where he has the car
11 example, the chart that's at the top. And actually his
12 explanation really begins on Page 12, Line 17.

13 **A.** You want me to look at Mr. Pollock's example?

14 **Q.** Would you?

15 **A.** Yeah.

16 **Q.** And I just, I just want to know if you agree
17 with his example and how he's described the break-even
18 analysis.

19 **A.** Well, I --

20 **Q.** I think you've seen this before.

21 **A.** Quite frankly, I have a little trouble with
22 this particular example that he used because he's
23 looking at a rental car, and the generation that we're
24 looking at, you know, owner, ownership of generation as
25 opposed to rental rates.

1 I think a better example of a break-even is
2 that of a, of a premium that you may pay to get a more
3 efficient air-conditioning unit. For example, say your
4 home needs an air conditioner. Air conditioners have
5 different efficiencies, but you pay more for a more
6 efficient air-conditioning unit.

7 Let's say that the unit, to get the most
8 efficient unit will cost you a thousand dollars upfront
9 cost to, to get a more efficient air-conditioning unit,
10 and you anticipate saving \$250 a year in energy costs.
11 That looks like it's a break-even point of four years.
12 But the air-conditioning unit is actually good for at
13 least ten years. Most air-conditioning units will last
14 ten to 15 years. So really the customer is benefiting
15 over the life of that air conditioner, over 15 years or
16 ten years. So in my opinion, the extra cost of the
17 thousand dollars should be matched against the energy
18 benefits over ten years, not just four years.

19 I agree that analytically, mathematically you
20 justified paying an additional thousand dollars in four
21 years. Your break-even point was four years. But
22 because that air conditioner is providing benefits for
23 ten years, I think a costing, a more appropriate costing
24 approach is to match the benefits of ten years of energy
25 savings against the cost of the thousand dollars, and

1 that's where I disagree with, with Mr. Pollock. I think
2 he wants to capture and only charge that thousand
3 dollars over the first four years, not over the ten
4 years. That's, that's where we disagree.

5 Q. But you agree that that break-even point in
6 your example is at the four years?

7 A. I agree the break-even is at four years. But
8 I'm trying to match up the additional cost with the
9 benefit, which went over ten years.

10 Q. You also mentioned in your summary, and in
11 your testimony you talk about the average and excess
12 method; right?

13 A. Yes.

14 Q. And I think you mentioned or I guess you would
15 agree that Mr. Pollock recommends that if the Commission
16 decides to go to a methodology that puts more weight on
17 energy, he recommends the A&E method; correct?

18 A. Yes. That's what he claims.

19 Q. And when you filed your direct testimony, you
20 recognized that the A&E was an energy weighting
21 methodology; correct?

22 A. Well, that was what it was described in the
23 NARUC cost allocation manual. And just by its name,
24 average and excess, it appears that it weights energy
25 responsibility significantly. But I told you after I

1 filed my testimony, I reviewed that method and went
2 through the, the mathematics of it, and I disagree with
3 the name that has been associated with that methodology.

4 Q. So I just want the record to be clear, and
5 that is after discussing and endorsing the A&E method in
6 your direct, then you spend about four pages in your
7 rebuttal telling us what's wrong with it; is that
8 correct?

9 A. I did because it, it takes some description
10 to, to point out the flaws with it.

11 Q. You still agree, don't you, that there are a
12 number of utilities that use the A&E method?

13 A. I went back and looked at some of the
14 utilities that use that method, and I'm not sure they're
15 using it as specifically as the, the method requires,
16 the excess demand portion of it. It looks to me like
17 some utilities are substituting, instead of a class NCP
18 in the excess demand portion, they're actually
19 substituting the coincident peak demand or the single
20 peak demand, 12CP demand. And that's what I pointed out
21 in my testimony is a flaw because the mathematics of
22 doing that gets you right back to a purely 12CP or
23 single CP costing methodology. And it's all because in
24 the math the average demand is being taken out of the
25 coincident demand and you're ending up mathematically

1 with a coincident peak responsibility.

2 And I think that these other, I won't say all
3 of them, but some of these other utilities are actually
4 doing that and coming up with an allocation methodology
5 whether they realize it or not that is nothing more than
6 a CP allocation methodology. But they claim they're
7 using the average and excess, to answer your question.

8 Q. So when you filed your direct testimony, you
9 told us there were a number of utilities using the
10 average and excess, and now you're, I think your words
11 were backing away from that; correct?

12 A. No. They're using it. I'm not so sure
13 they're using it specifically as the method is defined
14 for the, for the excess portion of the methodology.

15 Q. Would you agree that Mr. Pollock, the way he's
16 using, he is using it uses a noncoincident peak?

17 A. Yes, he does.

18 Q. So that takes care of your criticism of these
19 other utilities that may be utilizing the methodology in
20 a different way.

21 A. Well, that's the way the method is defined, so
22 Mr. Pollock is accurately calculating it. However,
23 that's another flaw I have with that methodology is that
24 it is not recognizing coincident peak. The class's
25 noncoincident peak is really not related to the

1 diversified demand that's on the power supply system.

2 Q. But Mr. Pollock's proposal to use the
3 noncoincident peak takes care of your criticism of some
4 of the other utilities that may be using coincident
5 peak; correct?

6 A. Excuse me.

7 Q. Sorry.

8 A. Yes. He has calculated it precisely as the
9 method is defined. However, as that method is defined
10 and he has used it, using noncoincident peaks is one of
11 the flaws that I, I have with the methodology.

12 Q. On Page 11, Line 9 of your rebuttal, you say
13 there that PEF does not plan its capacity needs on the
14 basis of what is described as class's excess demand;
15 correct?

16 A. Yes. That's similar to what I was just
17 discussing.

18 Q. You don't -- in Progress's planning they don't
19 plan to meet the capacity demands of their interruptible
20 customers, do they?

21 A. Not in the planning. In the costing, however,
22 it's agreed that the interruptible load be treated as
23 firm load for costing purposes and that their
24 recognition of interruptibility be provided as a credit.

25 Q. But my question is you don't plan or you don't

1 build for the demand needs of the interruptible
2 customers.

3 **A.** We don't plan for their demand at the time of
4 our peaks. We do plan their energy needs.

5 **Q.** Got you. Now when you were on direct, we
6 talked about the fact that if the Commission adopts your
7 proposal for the 12CP and 50 percent AD, that that same
8 methodology is going to be utilized for the cost
9 recovery clauses; correct?

10 **A.** Yes. It should apply to all the company's
11 production capacity costs in total. If you pick out
12 just one, the methodology may or may not be appropriate.
13 But when you look at all the production costs of, of the
14 company, all the resources, the weighting of 50 percent
15 of any production cost on a demand, average demand
16 basis, 50 percent on a peak basis is appropriate.

17 **Q.** So I think that was a yes?

18 **A.** Yes. It covers all billing adjustment.

19 **Q.** And I think we also talked on your direct
20 about the fact that this is going to cause the clause
21 responsibility of the interruptible class to go up
22 significantly. Do you recall that?

23 **A.** It does have that effect. Yes.

24 **Q.** And I want to show you an exhibit that I think
25 that you are familiar with.

1 And, Mr. Chairman, we, we would need a number
2 for this exhibit.

3 **CHAIRMAN CARTER:** Okay, Ms. Kaufman. 317.
4 317.

5 **MS. KAUFMAN:** Thank you.

6 **CHAIRMAN CARTER:** Short title?

7 **MS. KAUFMAN:** Proposed class revenue
8 allocation.

9 **CHAIRMAN CARTER:** Great. Proposed class
10 revenue allocation.

11 **MS. KAUFMAN:** Yes. Thank you.

12 (Exhibit 317 marked for identification.)

13 **CHAIRMAN CARTER:** You may proceed.

14 **MS. KAUFMAN:** Thank you, Mr. Chairman.

15 **BY MS. FLEMING:**

16 **Q.** Mr. Slusser, I will represent to you that this
17 is the same exhibit that I previously shared with you
18 with the correction to the CCR clause that we had
19 discussed. Have you, have you had a chance to look at
20 this?

21 **A.** Yes. I recall last week you sharing this with
22 me. And I believe the numbers came from the billing
23 adjustments that the company had in its A-2 schedules
24 where we presented our billing adjustments using the
25 so-called traditional methodology and recalculated the

1 billing adjustments using the, the 50 percent AD
2 methodology. This appears to be the, the results of, of
3 the proposed calculations.

4 **MS. KAUFMAN:** So what -- and, Commissioners,
5 for your information I'm really going to ask Mr. Slusser
6 only about the top sheet, but I provided him with the
7 backup so, just so he would have everything that he
8 needed to verify this.

9 **BY MS. KAUFMAN:**

10 **Q.** So, Mr. Slusser, I represent to you that, that
11 what this shows is the impact of the requested base rate
12 increase as well as the clause increase using your
13 proposed 12CP and 50 percent AD. Would you agree with
14 that?

15 **A.** Yeah, I think so.

16 **Q.** Okay.

17 **A.** It's not material in the change in the
18 numbers, but you have not recognized the billing
19 adjustment of fuel. You've only recognized the other
20 clause calculations and base revenues. If you had
21 included fuel in the revenues, it of course would have
22 depressed some of the percent numbers. But other than
23 that, I think it's accurate.

24 **Q.** Okay. Great. Thank you. And what I want to
25 look at is Line 7, which is the IS1 and IS2 classes.

1 Are you with me?

2 A. Yes.

3 Q. And you would agree with me that this shows
4 that under the company's proposal and their current
5 clause factors, that that class is going to see an
6 increase of almost 65 percent; is that correct?

7 A. Yes.

8 Q. And --

9 A. Again, increase over revenues that don't
10 include fuel.

11 Q. Understood. And the very last column is
12 what's been denominated relative increase. Would you
13 agree with me that, that that column shows the increase
14 for that rate schedule as it relates to the increases
15 for the other rate schedules?

16 A. Yeah. It's simply a relative ratio of
17 percentages.

18 Q. Right. And so again looking at Line 7, the
19 interruptible class's relative increase to the other
20 classes is 189 percent; correct?

21 A. Yes.

22 Q. Okay. And similarly if you look up at the
23 GSD1 class in Line 4 --

24 A. Yes.

25 Q. -- they're -- I just wanted to make sure you

1 were there.

2 **A.** Yes.

3 **Q.** They're facing an increase of 57 percent and a
4 relative increase of 167 percent; correct?

5 **A.** Yes.

6 **Q.** Okay. And we're going to talk in a minute
7 about the 1.5 time system average disagreement that we
8 have. But if you look at the second half of the page
9 beginning at Line 14, we show the same information on a
10 class basis; whereas, in Lines 1 through 13 we showed it
11 on a rate schedule basis. Do you agree with that?

12 **A.** Yes.

13 **Q.** And so using the, your interpretation of the
14 1.5 rule, would you agree that the curtailable
15 interruptible standby class is facing an increase of
16 almost 61 percent?

17 **A.** Yes.

18 **Q.** And relative to the system average it's
19 178 percent; correct?

20 **A.** Well, if I had used the one and a half times
21 the average increase, that would be 34.2 percent times
22 1.5.

23 **Q.** Is that right?

24 **A.** Which is 51.3 percent. And including the
25 effect on clauses, the class, the IS class that you're

1 referring to is showing 60.9 percent. So, yes, I would
2 agree that including the clauses it appears the average
3 percentage results in a greater ratio than one and a
4 half times. The company did only apply the mitigation
5 factor of one and a half times to the base revenues.

6 Q. Understood. We're going to talk about that in
7 a second. But my question to you is again using Line 7
8 in the, let's just call it 65 percent increase that
9 these customers are facing, in your opinion does a
10 65 percent increase qualify as rate shock?

11 A. Well, again, this is not their bottom line
12 billing. The bottom line billing includes fuel, and
13 fuel is more than half the rate, half their billing. So
14 these percentages, if we included fuel, the percentages
15 would drop in half anyway.

16 Q. Mr. Slusser, does a 65 percent rate, rate
17 increase for a customer, does that, is that rate shock
18 in your experience?

19 A. I'm telling you that it's not a 65 percent
20 total billing increase.

21 Q. I understand. But --

22 A. It's only a 30 some percent billing, total
23 billing increase. Personally any increase of 30, 40,
24 50 percent is concerning.

25 Q. So even under your calculations you would

1 agree with me that over a 30 percent increase might
2 qualify as rate shock to a large customer, or a small
3 customer for that matter?

4 **A.** You know, I'm a semi-retired person, and any
5 kind of cost increase of double digits is, is concerning
6 to me. These are the, the costs, however.

7 **Q.** You're familiar with the sort of customers
8 that are members of the Florida Industrial Power Users
9 Group, are you not?

10 **A.** Yes.

11 **Q.** They are typically large industrial consumers;
12 correct?

13 **A.** Yes.

14 **Q.** And we have heard a lot of discussion about
15 the economic times and whether we're in a recession and
16 are we coming out of a recession.

17 Would you agree that increases of that
18 magnitude would make it more difficult for businesses to
19 pull out of the recession?

20 **A.** Well, you're out of my field. I'm not an
21 economist. I don't know what businesses can sustain and
22 what, what they can't. Certainly these are difficult
23 times for, for all customers.

24 **Q.** Well, would you accept, subject to check, that
25 electricity is the highest variable cost that these

1 customers have?

2 **A.** For many of them it is. Yes.

3 **Q.** And would you also agree that when economic
4 times are tough, these large customers who employ a lot
5 of folks might have to lay some people off?

6 **A.** I understand that's happened in many
7 businesses, whether electricity is a big part of their
8 costs or not. These are the economic times.

9 **Q.** Do you think they might have to shut down some
10 of their production?

11 **MR. MELSON:** Objection. This calls for
12 speculation, and the witness has testified he's not an
13 economist.

14 **CHAIRMAN CARTER:** Rephrase.

15 **BY MS. KAUFMAN:**

16 **Q.** Mr. Slusser, since you recognize that
17 electricity is the largest variable cost of most of the
18 FIPUG members, do you think that large increases might
19 cause them to cut back on their production?

20 **A.** Again I can't say how they can manage their
21 business.

22 **Q.** Well, if electricity is a large part of their,
23 or the largest part of their variable costs, causes
24 their bill to go up substantially, they're going to have
25 to make some hard economic choices, would you agree with

1 that?

2 A. That seems obvious.

3 Q. I guess I'll take that as yes.

4 A. Yes.

5 Q. We've alluded to the one and a half times
6 system average increase issue. Would you look at that
7 on Page 16 your rebuttal testimony. And would it be
8 fair to say that there's a disagreement between you and
9 Mr. Pollock that's illustrated somewhat by the exhibit
10 we just talked about, 317, which is whether that rule
11 that no class should receive more than 1.5 times the
12 system average is to be applicable to rate class or rate
13 schedule? Did I frame that issue correctly?

14 A. You stated it correctly.

15 Q. Now would you agree with me that -- and also I
16 should have added in that no class should receive a
17 decrease; correct?

18 A. Yes.

19 Q. Okay. Now would you agree with me that the
20 Commission's application of this rule is to deal with
21 gradualism concerns and to make sure that no customers
22 are rate shocked?

23 A. Well, I don't know if it absolutely prevents
24 rate shock, but it is a mitigation effort.

25 Q. It at least mitigates rate shock; correct?

1 **A.** It's a mitigation effort. Yes.

2 **Q.** Okay. Now still looking at Mr. Pollock's
3 testimony, can you turn to his JP-8? That's on Page 80,
4 I believe.

5 **A.** I have it.

6 **Q.** Okay. Now we agree that the system average
7 increase is 34.24 percent?

8 **A.** Yes.

9 **Q.** Okay. And in Mr. Pollock's JP-8, he applied
10 the rule on a rate schedule basis; correct?

11 **A.** Yes.

12 **Q.** Okay.

13 **A.** Well, excuse me, let me refresh my memory. He
14 didn't apply the rule. He, his presentation here is the
15 results of the company's proposed base rate increase.

16 **Q.** And in -- I'm sorry.

17 **A.** It, it's a result of what the company has done
18 on a rate class basis. And I think his point is that
19 when looked at on an individual rate schedule basis,
20 that some of the rate schedules exceed the one and a
21 half times.

22 **Q.** And under his analysis, which rate schedules
23 exceed the one and a half times?

24 **A.** Well, let's see. I just had calculated the
25 one and a half times 34.24 percent. That's 51.3 percent

1 would be the limit that the class should have its
2 revenues increased. And on a rate schedule basis, the
3 GSD1 is slightly above that. Line 7, the IS class or IS
4 rate schedules are a little bit above that. And the SS3
5 rate schedule is above that.

6 **Q.** Okay. And I think that you said, and you
7 actually quote one of the Commission's orders, and it's
8 our favorite Tampa Electric order, for the proposition
9 that this 1.5 times system average ought to be applied
10 on a rate class rather than a rate schedule basis;
11 correct?

12 **A.** Yes. It would be awkward to try and do it on
13 a rate schedule basis because some of the other rate
14 schedules in the class are really a fallout of system
15 costs. For example, the IS class that is slightly
16 above, there's a standby optional rate associated with
17 IS, and the costs that are included in the standby rate
18 are a fallout of system costs. And if, if the standby
19 rate, which is SS2, comes out from system costs only
20 being 24.24 percent increase as shown here, then
21 something else in the class has to make up the, the
22 difference. And that's why the IS class is a little
23 above the 51.3.

24 **Q.** Well, let me ask you this. You wouldn't have
25 any difficulty performing the same analysis that

1 Mr. Pollock performed in JP-8, would you? I mean, he
2 didn't have any difficulty performing it.

3 A. Again, Mr. Pollock didn't do anything other
4 than present the results of the company's revenue
5 allocation.

6 Q. So the company didn't have any trouble making
7 this calculation; correct?

8 A. This is the result of the calculations.

9 Q. And the company didn't have any trouble doing
10 those calculations and presenting them in the MFRs;
11 correct?

12 A. We, we made calculations that maintained the
13 rate class having this 1.5 times system average
14 increase.

15 Q. I want to show you an order. And we don't
16 need a number for this, Mr. Chairman. For the record,
17 it's an order in the Gulf Power rate case, Docket
18 010949, and it's Order Number PSC-02-0787.

19 **CHAIRMAN CARTER:** Thank you, Ms. Kaufman.

20 **MS. KAUFMAN:** And this is just an excerpt from
21 it.

22 **CHAIRMAN CARTER:** Thank you. Just hang on for
23 one second, Ms., Ms. Kaufman.

24 (Pause.)

25 You may proceed.

1 **BY MS. KAUFMAN:**

2 Q. If you turn to -- the first page is, is the
3 cover page of the order. If you turn over to Page 75,
4 Mr. Slusser --

5 A. Yes, I'm there.

6 Q. Okay. And beginning in the middle it talks
7 about allocation of the revenue increase among customer
8 classes; correct?

9 A. Yes.

10 Q. And the language in the second paragraph under
11 that heading talks about moving rate classes closer to
12 parity, does it not?

13 A. Yes.

14 Q. And then the third paragraph talks about the
15 fact that no increases are going to be allocated for
16 other rate schedules. Do you see that?

17 A. Yes.

18 Q. So would it be fair to state that the
19 Commission may be using rate class and rate schedule
20 interchangeably in the application of the rule?

21 A. Give me a moment to digest this.

22 Q. Absolutely.

23 A. I'm not aware of this order.

24 (Pause.)

25 This doesn't give me enough information to

1 know what rate classes were established by Gulf Power.
2 It could be all the names of, of groups here that are in
3 the order are considered rate classes in their cost of
4 service.

5 Q. You don't recognize that PX and PXT are rate
6 schedules, not rate classes?

7 A. Again, I don't know if, if those were
8 established as rate classes in the cost of service
9 study. I tend to believe this is, this language really
10 relates to the rate classes that were established in
11 their cost of service study, but, but this doesn't give
12 me enough information to know that for sure.

13 Q. So even though the order explicitly discusses
14 rate schedules, you think it really means rate classes?
15 Is that your testimony?

16 A. A rate schedule could be a rate class. So,
17 yes, I, I cannot tell from this.

18 Q. I want to talk for a moment about the
19 allocation of transmission costs, which you discussed in
20 your testimony; correct? Or I guess Mr. Pollock
21 discussed it in his testimony.

22 A. Yes. I, I did not discuss it. I, I told you
23 at my deposition I didn't believe that was an issue, but
24 apparently it is.

25 Q. Would you agree with me that PEF is a winter

1 and summer peaking utility?

2 **MR. MELSON:** Objection. Commissioner Carter,
3 if -- I don't have a problem with this question. But
4 before she gets into the line -- she said she's got
5 questions about transmission. She just said it's not in
6 his testimony. I'd say it's beyond the scope of his
7 rebuttal and would be improper cross.

8 **CHAIRMAN CARTER:** Ms. Kaufman, to the
9 objection.

10 **MS. KAUFMAN:** Well, we did discuss this in
11 Mr. Slusser's deposition. He is the cost of service
12 witness in this case. Mr. Pollock did address the
13 appropriate allocation of transmission costs. It's an
14 issue that the Commission is going to have to deal with
15 in this case and I think it's appropriate.

16 **CHAIRMAN CARTER:** Mr. Teitzman.

17 **MR. TEITZMAN:** It is my understanding that he
18 is not the transmission witness. However, if the
19 questions are on allocation of costs, he is the
20 appropriate witness.

21 **CHAIRMAN CARTER:** Okay. Overruled.

22 **MS. KAUFMAN:** Yes, they are -- okay. Thank
23 you. I don't know if you --

24 **CHAIRMAN CARTER:** But tread lightly.

25 **MS. KAUFMAN:** Yes. I only have a few

1 questions.

2 **BY MS. KAUFMAN:**

3 Q. And I don't know if you answered the question
4 or not before Mr. Melson objected, but would you agree
5 that PEF is a winter and summer peaking utility?

6 A. Yes.

7 Q. Okay. And so their loads, having established
8 that, their loads are therefore less in the spring and
9 the fall; correct?

10 A. Yes.

11 Q. Okay. Now Mr. Pollock in his testimony talks
12 about the allocation of transmission costs; correct?

13 A. Yes.

14 Q. Okay. And we talked about this at your
15 deposition. Do you recall that?

16 A. Yes.

17 Q. And when we talked about this at your
18 deposition, am I correct that you did not understand
19 that Mr. Pollock was referring to allocating
20 transmission plant costs on a summer/winter coincident
21 peak method? Let me see if I can direct you to that
22 page so it will be easier.

23 A. No, not specifically. And it's because he, he
24 seemed to bring up the subject of our winter loads and
25 summer loads, but it seemed like it was in the context

1 of our production costs. And I didn't realize he was
2 really referring to transmission costs. In fact, on his
3 errata sheet that he passed out when he was here he had
4 to change the title of one of his exhibits from
5 production costs to transmission costs. It's -- give me
6 one moment.

7 Yeah. I'm looking at Mr. Pollock's testimony
8 on Page 11, beginning with the question on Line 18 and
9 the answer on Line 20. "The analyses demonstrate that
10 the summer/winter peak demands determine PEF's capacity
11 requirements and make the other months irrelevant.
12 Thus, the 12CP method does not reflect cost causation in
13 light of PEF's load and supply characteristics. The
14 SWCP method best reflects PEF's load and supply
15 characteristics and is consistent with cost causation."
16 To me, this language was describing our production
17 costs. I guess it can apply to our transmission costs.
18 I kind of link the two together when it comes to
19 capacity planning and operations.

20 **Q.** Can you turn to Page 24 of Mr. Pollock's
21 testimony?

22 **A.** I have it.

23 **Q.** And can you read the question and answer from
24 Page, excuse me, Line 5 to Line 9?

25 **A.** Should this -- "Should the SWCP method be used

1 to allocate transmission plant costs?" Yes, he has
2 narrowed it to transmission costs there.

3 Q. You would agree with me that he's clearly
4 discussing transmission plant cost when he talks about
5 the SWCP method; correct?

6 A. Again here. But then when I looked at the
7 exhibit, I was confused because it was titled production
8 costs there.

9 Q. Did this section from, on Page 24, Lines 1 to
10 14, confuse you?

11 A. The second question is clear that it's
12 transmission. The first and third questions could have
13 applied to either one, either production or
14 transmission. But I, I don't have a point about it
15 though.

16 Q. Okay.

17 A. Whether he's talking about our season,
18 seasonal peaks being most significant for production or
19 for transmission, either one I disagree with. Because I
20 believe that all 12 months' peaks are very significant
21 in the company's operations and planning.

22 Q. I understand. I just want the record to be
23 clear and to be sure that we're understanding that this
24 methodology that's being discussed on Page 24 is related
25 to the allocation of transmission plant costs.

1 **A.** If that's his point, that's fine.

2 **MS. KAUFMAN:** If you'd just give me a second,
3 Mr. Chairman.

4 **CHAIRMAN CARTER:** Absolutely.

5 (Pause.)

6 **MS. KAUFMAN:** I think I'm done. Thank you,
7 Mr. Slusser.

8 **CHAIRMAN CARTER:** Thank you, Ms. Kaufman.

9 Mr. Brew, good morning. You're recognized.

10 **MR. BREW:** Thank you, Mr. Chairman. And my
11 thanks to Mr. Slusser and the parties for going out of
12 order. It was done to accommodate my schedule, and I
13 appreciate it. Thank you very much.

14 Also, prior to the start of today, knowing
15 Mr. Slusser was going first, I distributed a document
16 that's up in front of you. So I figured I'd give you a
17 heads-up now. It's, it's already in the record. It's
18 Mr. Selecky's exhibit JTS-2 -- that's it, yes, sir --
19 which has been marked and entered into the record as
20 Exhibit 204. It's referring to one of Mr. Slusser's
21 exhibits, so I wanted everybody to have it handy.

22 **CHAIRMAN CARTER:** Okay. You may proceed.

23 **CROSS EXAMINATION**

24 **BY MR. BREW:**

25 **Q.** Good morning, Mr. Slusser.

1 **A.** Good morning, Mr. Brew.

2 **Q.** You've been sitting around for some time
3 trying to get to this point, haven't you?

4 **A.** Well, I learned a lot about depreciation
5 yesterday, as we all did.

6 (Laughter.)

7 **Q.** I want to talk a little bit about your
8 rebuttal exhibit WCS-7 when you have a chance.

9 **A.** WCS-7 you said?

10 **Q.** Yes.

11 **A.** Yes, I have it.

12 **Q.** And I'm afraid I'm going to have to walk
13 through the math with it just to make sure we understand
14 how it works. And the easiest way for me would be just
15 to walk down your Column 1 and just make sure I got it.

16 Line Number 3 is total production capacity;
17 right?

18 **A.** Yes.

19 **Q.** Okay. And on Lines 1 and 2 you split that
20 50/50.

21 **A.** Yes. Can, can I just make it a little more
22 descriptive? These are the revenue requirements
23 associated with production capacity costs that are in
24 the cost of service study. And half of them are being
25 allocated on the peak 12CP methodology and half the

1 costs are being allocated on the energy responsibility.

2 Q. Okay. Thank you for that.

3 I'm going to walk through and just confirm, if
4 you will, the arithmetic.

5 A. Sure.

6 Q. So Lines 1 and 2 split Line 3 in half; is that
7 right?

8 A. Yes.

9 Q. Okay. Line 4, which is labeled megawatt hour
10 requirements at generator, which is the 38 million
11 megawatt hours, do you see that?

12 A. Yes.

13 Q. Where does that come from?

14 A. That's the system sales adjusted for losses to
15 the, to the generation resources. It is consistent with
16 the company's billing determinants in the 2010 rate
17 case.

18 Q. So you took the sales, moved up losses by
19 voltage and class?

20 A. Yes.

21 Q. Okay. And then you, moving across the chart
22 to the other columns, you then allocated those megawatt
23 hour requirements by class using your method, the 12CP
24 and 50; right?

25 A. Not the megawatt hour requirements. Those are

1 the megawatt hour requirements for each class.

2 Q. Okay. According to the cost of service study?

3 A. Well, according to the company's sales
4 forecast.

5 Q. Okay. So, for example, just taking, just
6 taking the residential class -- whoops -- there they
7 have 50.3 percent of the megawatt hour requirements; is
8 that right?

9 A. That's about right. Yes.

10 Q. Okay. So, and then as I go down this chart,
11 there are various lines that we'll get to where you've
12 allocated costs or fuel savings amongst the classes. Am
13 I correct that in doing so you apply the same percentage
14 across, as you did on Line 4? So, for example, on Line
15 5, the capital substitution of cost of service, under
16 residential the 195,000 would be 50.3 percent of the
17 item on Line 1?

18 A. That's correct.

19 Q. Okay. And so if I did this all the way
20 through for the other classes, that percent on how you
21 allocated it is the same on each of these lines?

22 A. It should be, yes.

23 Q. Okay. It should be. When we get to Line 5,
24 that's a restatement of Line 2; right?

25 A. It's how the cost of service would have

1 allocated half of the production capacity costs.

2 Q. Which is exactly the number you show on
3 Line 2.

4 A. It's taking the number of Line 2, the total
5 number, and allocating it to the clauses based on their
6 energy responsibility.

7 Q. You're getting ahead of me. In Column 1,
8 389,047 is exactly the same number as Line 2, Column 1.

9 A. Yes.

10 Q. Okay. Then on Lines 6 and 7 you take
11 information from Mr. Selecky's exhibit; right?

12 A. Yes.

13 Q. And you compare them and come up with a
14 percentage ratio, which is basically what you show is on
15 Line 6, sticking to Column 1, fuel cost at system
16 average of \$52.95. Do you see that?

17 A. Yes.

18 Q. And then a fuel cost of peaking generation of
19 \$151.72; right?

20 A. Yes.

21 Q. So that's about, basically system average is
22 about 35 percent of what you calculated the peaking
23 generation; right?

24 A. I'll accept your calculation.

25 Q. Okay. And that's the opposite of what you did

1 on, on Line 10, which was -- on Line 8 and 9 you
2 multiplied -- well, let's take Line 8. You multiplied
3 Line 6 times Line 4; right?

4 **A.** Yes.

5 **Q.** So you took the fuel cost at system average
6 times the total megawatt hour requirements and you got a
7 fuel cost that's system average.

8 **A.** Yes.

9 **Q.** And that should roughly approximate what the
10 actual fuel cost is.

11 **A.** Yes.

12 **Q.** Okay. And then same Line 9, you multiply
13 times, which is the peaking cost number, Line 7 times
14 that same Line 4 to get you the number on Line 9; right?

15 **A.** That's correct.

16 **Q.** Okay. And then you subtracted the difference
17 from them to get you the fuel cost savings that you
18 calculated from peaking versus peaking on Line 10.

19 **A.** Yes.

20 **Q.** And then 11, Line 11 just expresses that as a
21 percent.

22 **A.** Yes.

23 **Q.** Okay. On Line 11 you show the percent savings
24 by class at 65 percent applies across the board; right?

25 **A.** That's what it computes at.

1 **Q.** That's what it computes at. Right. And so
2 the, the reason it computes that is in allocating the,
3 the numbers on Lines 8 and 9, you allocated those
4 amongst the classes at the exact same percentage as you
5 did for the total. So to the extent you came up with a
6 65 percent ratio on Lines 8 and 9 in Column 1, you do
7 exactly the same analysis on Column 2; right?

8 **A.** I missed the last -- I heard you say 8 and 9
9 versus what other column?

10 **Q.** Okay. Column 1, Lines 8 and 9.

11 **A.** Yes.

12 **Q.** The ratio of those two numbers is 35 percent.

13 **A.** Okay.

14 **Q.** The opposite of the 65. Column 2, exactly the
15 same ratio; right?

16 **A.** Yes.

17 **Q.** Okay. And that's, that's not a fallout.

18 That's an input.

19 **A.** Well, it's all related to energy. So it's all
20 proportional, yes.

21 **Q.** Okay. So if, if the numbers on Lines 6 and 7
22 were different, so instead of a 65 percent ratio I had a
23 50, it would still flow across the board evenly.

24 **A.** Yes.

25 **Q.** Because you applied the same percentage

1 allocations each time you allocated amongst the class.

2 **A.** Yes. Very, very simple arithmetic.

3 **Q.** Okay. And so in fact it's an input, not --
4 the 65 percent is an input, it's not a fallout number.

5 **A.** The 65 percent is an input? Well, it's the
6 relationship of the average fuel cost and the, and the
7 peaking fuel cost, that difference.

8 **Q.** Okay. It's that difference, but it's applied
9 consistently across all the classes. So mathematically
10 that percent is going to be the same.

11 **A.** Yes.

12 **Q.** Okay. Your fuel ratio on Line 12, that's Line
13 10 divided by Line 5; right?

14 **A.** Yes.

15 **Q.** Okay. And the same would apply there, which
16 is because you've applied the same arithmetic across the
17 board, that ratio is always going to be the same.

18 **A.** Yes.

19 **Q.** Okay. So the only thing we've really
20 established here is the mathematics associated with
21 applying that differential on Lines 6 and 7 through
22 this, this little model.

23 **A.** Yes.

24 **Q.** Okay. All right. Let's talk about the
25 numbers on Lines 6 and 7. That's information that you

1 got from Mr. Selecky's exhibit; right?

2 **A.** Yes. I attempted to.

3 **Q.** And you have that in front of you now; right?

4 **A.** Yes.

5 **Q.** Okay. The \$52.95, where does it appear on
6 Mr. Selecky's exhibit?

7 **A.** You'd have to calculate it from his exhibit by
8 totaling all the fuel costs and dividing it by the total
9 of all the megawatt hours shown.

10 **Q.** Okay. So -- which I've done actually. So if
11 looking at Mr. Selecky's exhibits, you would add up the
12 total for all of the generators in terms of fuel cost?

13 **A.** Yes.

14 **Q.** And net generation megawatt hours for all of
15 the generation and divide those two to get the \$52.95.

16 **A.** That's correct.

17 **Q.** So that would be a weighted average fuel cost,
18 all generation.

19 **A.** Yes.

20 **Q.** Okay. Back up -- I'm sorry to switch back --
21 to your exhibit. On line 4, the megawatt hour
22 requirements, the energy requirements, that's, megawatt
23 hours is a total annual number?

24 **A.** It's the annual megawatt hours for the test
25 period for each rate class.

1 Q. Total.

2 A. Yes.

3 Q. Total annual consumption.

4 A. Annual consumption.

5 Q. So that number is completely indifferent to
6 when, where or how energy was consumed.

7 A. That number -- please repeat that.

8 Q. That number, the total annual megawatt hours
9 is completely indifferent to when, where or how energy
10 was consumed.

11 A. Yes.

12 Q. Okay. It's completely indifferent to system
13 load shape.

14 A. Yes.

15 Q. System load factor.

16 A. Yes.

17 Q. Coincidence factor.

18 A. Yes.

19 Q. The load shapes of individual classes.

20 A. It's strictly energy requirements, annual
21 energy requirements.

22 Q. Right. But it doesn't take into account any
23 of those factors.

24 A. Only consumption.

25 Q. Okay. On an annual basis.

1 **A.** On an annual basis.

2 **Q.** And so it doesn't reflect any of the
3 consumption characteristics of any of those classes, of
4 any individual customer class.

5 **A.** Just their total accumulated consumption for
6 the year.

7 **Q.** Okay. Moving back to Mr. Selecky's exhibit
8 that you used, we talked about the -- your fuel cost of
9 system average, the \$52.95 is total fuel cost based on
10 total production; right?

11 **A.** The company's total generation resources.

12 **Q.** Okay. Now Item 7 is the 150, \$151.72. Do you
13 see that on your exhibit?

14 **A.** Yes.

15 **Q.** And that appears on Mr. Selecky's exhibits in
16 the right-hand column under, for peaking generation;
17 right?

18 **A.** Yes.

19 **Q.** And so the peaking generation, however, is
20 about 2.7 percent of the total generation? If I divided
21 the total on his Line 20 with the --

22 **A.** I agree.

23 **Q.** -- total system, it would be about
24 2.8 percent?

25 **A.** I agree.

1 Q. Okay. And the, the total peaking cost is
2 about 7.8 percent of the total fuel cost, if you looked
3 at Mr. Selecky's fuel cost number divided by the total.

4 A. That I did not calculate. Let me look.
5 7.8 percent.

6 Q. Okay. Good. We agree. So you've got
7 2.8 percent of the generation imposing 7.8 percent of
8 the fuel costs.

9 A. Yes.

10 Q. So the peakers are expensive to run.

11 A. Yes.

12 Q. And they drive up the overall fuel costs.

13 A. Well, they, they drove it up a little bit, but
14 they only represent 2.7 percent of the energy.

15 Q. Percentage wise they drive up fuel costs more
16 than the production they provide.

17 A. That's mathematically true.

18 Q. Okay. So what you did on your Line 7 is you
19 took the -- the 151.72 is a weighted average fuel cost
20 just for the peakers.

21 A. That's right.

22 Q. So on Line -- I'm switching back to your
23 exhibit again -- on Line 9, the at peaking cost --

24 A. Yes.

25 Q. -- you multiplied the weighted average fuel

1 cost of just the peakers times Line 4, which is the
2 total megawatt requirements.

3 A. Yes.

4 Q. Okay. And that gives you the 5.8 million that
5 appears on Column 1 at Line 9.

6 A. Yes.

7 Q. So --

8 A. Can I say the purpose was simply to --

9 Q. No. I'm just checking the math.

10 A. All right.

11 Q. But I'd like to get to the purpose using my
12 questions.

13 So under that assumption, that assumes that
14 all of Progress's energy requirements would be met with
15 the existing peaking generation.

16 A. That's what I was attempting to show. Yes.

17 Q. Okay. 24/7, day and night; right?

18 A. Yes.

19 Q. Peaking, nonpeaking.

20 A. Peaking what?

21 Q. Peaking periods, nonpeaking periods?

22 A. Yes. All consumption.

23 Q. Okay. And that it would -- it could be done
24 reliably, no change in maintenance costs or anything
25 else.

1 **A.** I understand peaking units can operate
2 continuously. Yes.

3 **Q.** But this assumes that they run continuously to
4 follow the system load shape during all circumstances.

5 **A.** It's my understanding CTs are capable of doing
6 that. Yes.

7 **Q.** Okay. Do you -- CTs are capable of running
8 24/7?

9 **A.** Well, they're the same type of machine that's
10 in a jet airplane, and they run continuously for many
11 hours. Certainly they're capable. Economically you
12 wouldn't do it, but they are capable.

13 **Q.** They are capable. You were here yesterday
14 when Mr. Crisp testified, weren't you?

15 **A.** Yes.

16 **Q.** Okay. And he specifically talked about some
17 of the older peakers that they have to put on special
18 watch when they start them up for fear of catastrophic
19 failures; right?

20 **A.** Yes.

21 **Q.** Okay. So just to follow through then, the
22 assumption that underlies this is that this is what the
23 fuel costs would be if your only planning criteria was
24 building the cheapest capital cost generation; right?

25 **A.** Yes, sir.

1 **Q.** Okay. Now you'd agree with me that that in
2 fact is not how the Progress system is built; right?

3 **A.** It's built on a more economical basis. Yes.

4 **Q.** It's built to take into account all of the
5 factors that Mr. Crisp would talk about that goes into
6 resource planning; right?

7 **A.** Yes.

8 **Q.** Okay. Would relying more on, more on peaking
9 generation to meet nonpeaking needs be consistent with
10 Florida energy policy, if you know?

11 **A.** Please repeat that.

12 **Q.** Would relying more on peaking generation to
13 meet nonpeaking needs be consistent with Florida energy
14 policy?

15 **A.** Probably not.

16 **Q.** Okay. Moving back to Mr. Selecky's exhibit,
17 he shows an average cost of the baseload generation at
18 \$45.92. Do you see that?

19 **A.** I see that. I just have one comment on his
20 presentation here, and that's on Line 3, the Bartow.

21 **Q.** Uh-huh.

22 **A.** This information is from the 2008 FERC Form 1.

23 **Q.** I see that.

24 **A.** And Bartow was a conventional oil/gas type
25 plant at that time. It was not a combined cycle that

1 it's been renovated to. So the, the costs here are, for
2 Bartow, the company would have considered that more an
3 intermediate type of unit rather than putting it in the
4 base category.

5 Q. Okay.

6 A. But even including Bartow, if you do include
7 Bartow as base, which again I disagree with, I agree
8 with the calculation, 45.92.

9 Q. Let's, let's just treat it as a hypothetical
10 number then rather than verifying it.

11 A. Okay.

12 Q. And let's flip what you did on your Exhibit 7.
13 So instead of looking at the fuel cost of peaking
14 generation, I was looking at the fuel cost of the base
15 generation.

16 A. All right.

17 Q. So without running through all the numbers
18 again, the cost of base generation is about 85 percent
19 of the system average cost if you compare the \$45.92 to
20 the \$52.95.

21 A. I'll accept your calculation.

22 Q. Okay. So that would imply, would it not, that
23 Progress's needs would be met exclusively by baseload
24 generation?

25 A. That would imply that Progress's needs --

1 **Q.** If we use the, if we only just compared the
2 baseload generation costs, using the same approach you
3 did here, that would be comparing the system average
4 cost to a situation in which all of the energy
5 requirements that on Line 4 are met by baseload
6 generation.

7 **A.** Certainly, if you want to make that
8 calculation.

9 **Q.** Okay. So in order to get there physically you
10 would have to seriously flatten load; right?

11 **A.** Not necessarily. You mean to get into the, to
12 get the energy requirements into the capacity just of
13 our base units?

14 **Q.** Yeah. The base units are designed to run all
15 the time; right?

16 **A.** Or at least long hours. Yes.

17 **Q.** Right. So to rely only on the base generation
18 to meet all of the energy requirements, you would, you
19 would effectively need a much flatter system that would,
20 than you have now. In other words --

21 **A.** Sure. If the system was a high load factor
22 system, then theoretically it could be served just with
23 base units. It wouldn't need peaking units.

24 **Q.** Okay. Right. So if we had, for example, more
25 advanced energy storage, more effective time-based

1 pricing, growth of load on off-peak, say, for example,
2 from plug-in hybrids, all of those would help to flatten
3 out that load shape (phonetic).

4 **A.** Yeah. The more energy use would support the
5 justification of a baseload unit.

6 **Q.** Okay. So my question then is Florida energy
7 policy explicitly encourages policies designed to
8 control the growth of weather sensitive peak demands; is
9 that right?

10 **MR. MELSON:** Objection. This is way beyond
11 the scope of Mr. Slusser's cost of service testimony.

12 **MR. BREW:** I'm just exploring the
13 ramifications of the exhibit that he shows to prove a
14 point in his rebuttal.

15 **CHAIRMAN CARTER:** I'll allow.

16 **THE WITNESS:** The energy policy, as I
17 understand it, encourages more efficient generation,
18 more efficient energy usage by the customers, and
19 generation that provides for a cleaner environment.

20 **BY MR. BREW:**

21 **Q.** And one of the express findings in 366.81 of
22 the *Florida Statutes* is reduction in, and I quote,
23 reduction in the control of the growth rates of electric
24 consumption and of weather sensitive peak demand, which
25 it says are of particular importance. Would you agree?

1 **A.** I'd agree.

2 **Q.** Okay. So as between what you showed here on
3 your exhibit, which is system average cost compared to a
4 system exclusively served by peaking generation, and
5 system average cost compared to a system served
6 exclusively by base generation, Florida policy would
7 suggest you'd want to flatten the peak, not exaggerate
8 it; right?

9 **A.** That's correct.

10 **Q.** Okay.

11 **CHAIRMAN CARTER:** While Mr. Brew is
12 contemplating, Commissioners, we've got to reset the
13 timer after we finish with this witness. Our light
14 system is one of those things that -- Chris has informed
15 me that we're going to have to reset the light system.
16 So before we take up the next witness, just kind of a
17 heads-up on that. So we'll probably give -- what do you
18 need, ten minutes to do it?

19 **MR. POTTS:** Yes, sir.

20 **CHAIRMAN CARTER:** Okay. We'll be doing that
21 after this witness.

22 Mr. Brew, you may continue.

23 **MR. BREW:** Thank you, Mr. Chairman.

24 **BY MR. BREW:**

25 **Q.** Mr. Slusser, on Page 7 of your rebuttal.

1 **A.** I have it.

2 **Q.** On Line 15 you say that, "Exhibit WCS-7
3 illustrates at least two points. First, the costs
4 customers are bearing for the Company's additional
5 investment in fuel-efficient generation are only a
6 fraction of the fuel savings achieved." Do you see
7 that?

8 **A.** Yes.

9 **Q.** That statement only makes sense if that ratio
10 on your exhibit on Lines 6 and 7 has any logical
11 validity; is that right?

12 **A.** No. I believe it's a correct statement. Yes.

13 **Q.** If, if the ratio you developed from Lines 6
14 and 7 instead of being 65 percent was minus 25 percent,
15 would that statement still hold true?

16 **A.** You said a minus 25?

17 **Q.** Yes.

18 **A.** Of course not.

19 **Q.** Okay. So, so the statement in your testimony
20 is, is solely a function of the validity of the ratio
21 that you've developed on Lines 6 and 7 of your exhibit.

22 **A.** Yes.

23 **MR. BREW:** Okay. That's all I have.

24 **CHAIRMAN CARTER:** Thank you, Mr. Brew.

25 Mr. Lavia, you're recognized.

1 **MR. LAVIA:** No questions.

2 **CHAIRMAN CARTER:** Thank you. Staff.

3 **MR. SAYLER:** Yes, Mr. Chairman. We have a
4 brief line of questioning. But before that we handed
5 out a staff stipulated exhibit called Slusser deposition
6 transcript excerpts, and we would need that marked for
7 the record.

8 **CHAIRMAN CARTER:** Commissioners, for the
9 record, that'll be 318, 318. 318.

10 **MR. BREW:** Excuse me, Mr. Chairman.

11 **CHAIRMAN CARTER:** Mr. Brew.

12 **MR. BREW:** I wanted to note that the excerpt
13 from this still contains some strikeouts that is a
14 function of discussions I've had with the staff and that
15 the exhibit is fine, excluding any materials that may be
16 shaded out.

17 **CHAIRMAN CARTER:** Okay. All right. For the
18 record. And our short title, I guess Slusser deposition
19 transcript excerpt?

20 **MR. SAYLER:** Yes, sir.

21 **CHAIRMAN CARTER:** Okay. You may proceed.

22 (Exhibit 318 marked for identification.)

23 **CROSS EXAMINATION**

24 **BY MR. SAYLER:**

25 **Q.** Good morning, Mr. Slusser. How are you today?

1 **A.** Good morning, Mr. Sayler.

2 **Q.** We just have a few quick questions regarding
3 time of use rates and specifically the time of use
4 meters that are used for that. What is different about
5 a time of use meter compared to a meter that is used for
6 a flat rate customer?

7 **A.** Can I ask are we referring to a residential
8 customer or a general service customer?

9 **Q.** More of a general service customer.

10 **A.** Well, the company for general service
11 customers has pretty much gone to what we, what I call
12 electronic metering that actually captures a lot of
13 billing parameters. It captures not only the demand
14 that's imposed over the billing period, but the energy
15 use. And it also can capture without much additional
16 cost the parameters needed for time of use pricing,
17 on-peak energy and off-peak energy, and an on-peak
18 billing demand. So because of technology the type of
19 metering used for general service customers provides the
20 information we need for time of use billing as well as
21 standard rate billing for general service customers.

22 **Q.** And are all your, do all your general service
23 customers currently have those meters or certain select
24 ones?

25 **A.** Pretty much so.

1 Q. All right. And so you're saying that these
2 time of use meters are capable of --

3 **CHAIRMAN CARTER:** I'm sorry, Mr. Sayler. I
4 didn't hear your last answer.

5 **THE WITNESS:** Yes the answer was.

6 **CHAIRMAN CARTER:** Okay. You may proceed.

7 **BY MR. SAYLER:**

8 Q. And so, therefore, you're saying that
9 Progress's current time of use meters are capable of
10 measuring usage for more than two rate periods; is that
11 correct?

12 A. They probably are with electronics. They
13 could be modified to have more than two rating periods.

14 Q. All right. And would that also include
15 providing hourly data?

16 A. No. I don't believe they have that, that type
17 of recording capability or memory capability of
18 recording each hour's usage. Just specific parameters.

19 Q. Okay. On Page 19 of your rebuttal testimony
20 you talk about how the company does -- I'll quote. It's
21 Lines 16, Page 19. You say, "The company does install
22 time recorded metering on a sample of general service
23 demand customers for load research purposes"; is that
24 correct?

25 A. Yes.

1 **Q.** And when you mean time recorded metering, is
2 that something that records hourly data?

3 **A.** Yes.

4 **Q.** Okay. And besides these customers, do any
5 other customers have an hourly meter?

6 **A.** In addition to customers that we do load
7 research on in a three-year cycle, I believe it is.

8 **Q.** Yes, sir.

9 **A.** The company has had a practice of putting a
10 recording type of meter on a load that at least exceeds
11 1,000 kW. That's been almost kind of an industry
12 practice that I found with utilities is to, to have a
13 record of usage on an hourly basis of their larger
14 customers.

15 **Q.** Okay. So that would be something like a very
16 large industrial customer may have an hourly --

17 **A.** Larger industrial. A 1,000 kW is a good size
18 load. I was going to mention a Wal-Mart. A Wal-Mart
19 might be close to the 1,000 kW. It's a large load.

20 **Q.** Okay. And do you know the costs that are
21 involved in providing hourly metering such as the, the
22 meter itself, the installation, infrastructure,
23 administrative costs, et cetera?

24 **A.** Yes. The -- I don't know specifically the
25 costs. They are more expensive. They require analysis,

1 they have to be either translated or some kind of a
2 communication with the meter that brings back the, the
3 information. It is more costly to have that kind of
4 monitoring. I just don't off the top of my head know
5 the costs.

6 Q. Okay. In your deposition, I believe it was
7 Page 51, excuse me, Page 52, approximately at Line 7 we
8 were talking about the cost of realtime metering, and
9 you had mentioned a figure of about \$30,000 per location
10 point to have telecommunications and electronic realtime
11 data providing, to provide that data; is that correct?

12 A. Yes. That's actually going a little further
13 than I thought your earlier question was. The earlier
14 question I assumed that we were just building up a
15 memory of the usage on an hourly basis, and then it can
16 be translated or analyzed separately. What we're
17 referring to in the deposition was realtime pricing
18 where, where the company is communicating with the meter
19 realtime and getting that information either every hour
20 or on some time basis. Real, it's a realtime
21 measurement. That is very expensive because it's not
22 only the meter itself and having to have a transponder,
23 but it's having to have a communication link between
24 the, the base at the company and the customers'
25 location.

1 **Q.** Thank you. Turning to a new line of
2 questioning. Does Progress propose to continue its same
3 methodology to develop time of use rates which was
4 approved in its 1992 rate case?

5 **A.** We have not proposed any change in this
6 proceeding.

7 **Q.** Okay. So it's correct to say or it is your
8 testimony that Progress is not planning to develop or
9 implement a new commercial time of use rate.

10 **A.** Not in this proceeding.

11 **Q.** What thought has Progress given to AFFIRM's
12 proposal that a new time of use rate be developed?

13 **A.** Well, we, we were very concerned about
14 AFFIRM's testimony in this proceeding. And I believe,
15 as I said in my rebuttal, that there's definitely a
16 misunderstanding because many of the AFFIRM customers
17 are being advantaged by the current time of use rates
18 that the company has.

19 I can only say that there is a lot of studying
20 going on in the conservation part of the company that is
21 looking at ways to, to better recognize the incentives
22 to move consumption from peak periods to off-peak
23 periods and to establish what are critical periods. And
24 at this time they have, are not presenting any change in
25 the company's TOU pricing, but it's very much under

1 study.

2 Q. Okay. Thank you. Hypothetically if Progress
3 were to attempt to develop a new commercial time of use
4 rate, what information would Progress need to have in
5 order to develop that? Just a short explanation is
6 fine.

7 A. Well, it would have to especially study the
8 rating periods. That seems to be the, the biggest
9 criticism that, having only two rating periods presents
10 rather broad especially peak periods. And there are
11 times during the peak periods that we're, the company is
12 really not having peak loads. So having probably more
13 rating periods and trying to combine time of use pricing
14 with what the company does know is, is successful, and
15 that is load control. That's where the company has been
16 especially finding value in being able to have its load
17 management programs, and it's looking at extending those
18 type of things into the commercial business.

19 (Transcript continues in sequence with Volume
20 29.)

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STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

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

DATED THIS 6th day of October, 2009.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734