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October 14, 2009

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-VIA HAND DELIVERY -

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

Re: Docket No. 090002-EG

Dear Ms. Cole:

I am enclosing for filing in the above docket the original and fifteen (15) copies of Florida Power & Light Company's prefiled rebuttal testimony of witness John R. Haney.

If there are any questions regarding this transmittal, please contact me at 561-691-2512.

Sincerely,

Lynne R. Adams
for Kenneth M. Rubin

Enclosure
cc: Counsel for Parties of Record (w/encl.)

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's prefiled testimony of John R. Haney was served by hand delivery * or United Sates mail on this 14th day of October 2009, to the following persons:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 090002-EG
FLORIDA POWER & LIGHT COMPANY

OCTOBER 14, 2009

ENERGY CONSERVATION COST RECOVERY FACTOR

REBUTTAL TESTIMONY OF :

JOHN R. HANEY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF JOHN R. HANEY

DOCKET NO. 090002-EG

OCTOBER 14, 2009

Q. Please state your name and business address.

A. My name is John R. Haney, and my business address is 9250 West Flagler Street, Miami, Florida 33174.

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

A. I am employed by Florida Power & Light Company (FPL) as Director, Demand Side Management.

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

A. I am responsible for the development and product management of Demand Side Management (DSM) programs for FPL's residential and business customers. This includes the development, implementation, on-going management, measurement and verification of DSM programs offered to FPL's customers.

Q. Please state your educational background.

A. I received a Bachelor of Science degree in Civil Engineering from Mississippi State University in 1981.

Q. Please provide your employment history.

A. I was hired by FPL in 1981 in the Marketing department to perform residential and commercial/industrial (C/I) energy audits. In addition to working with home and business owners, I had the opportunity to work with builders to help them implement energy efficiency in new construction. I also worked with FPL's participating independent contractors to improve their participation in FPL's DSM programs. I was then given the opportunity to move into a staff position within the Marketing department as a program manager of FPL's DSM programs. My responsibilities grew to managing the team responsible for residential programs.

In 1996, I joined FPL Services to manage the implementation of energy efficiency measures for large government and institutional customers. I started as a project development engineer and was ultimately promoted to General Manager of FPL Services. I served in that capacity until 2002, when I became Director of Marketing for FPL. In 2008, I became FPL's Director of DSM.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to rebut the testimony of the Florida Industrial Power Users Group's (FIPUG's) witness Jeffrey Pollock. I will address why FPL's incentive payments for the Commercial/Industrial Load

Control (CILC) and Commercial/Industrial Demand Reduction (CDR) customers are appropriate and in the best interest of FPL's customers.

Q. Please summarize your testimony.

A. The issues raised by Mr. Pollock are not appropriate for the Energy Conservation Cost Recovery (ECCR) Docket. The purpose of the ECCR Docket is to determine the reasonable and prudent costs related to FPSC approved DSM programs that will be recovered from customers through the ECCR factor. There is a separate, distinct process in place by which FEECA utilities such as FPL propose DSM goals, and the FPSC reviews and approves DSM goals for those utilities. The utilities then develop plans including incentive levels for CILC and CDR to meet the approved goals. The FPSC reviews and approves those plans.

FPL believes that we can and must achieve important energy efficiency goals while also ensuring that electricity remains affordable for all of our customers. These are not incompatible goals but they do require a balanced approach.

To help ensure affordable rates to all customers, the objective of FPL's DSM programs is to meet the FPSC-approved DSM goals in the most cost-effective manner. This ensures that the costs customers pay through the ECCR clause for achieving those goals are minimized. A key component of the DSM program cost is the incentive amount paid to participants.

Incentives are developed to maximize program participation while minimizing ECCR charges for **all** customers. If an increase in the incentive payments is unnecessary to achieve the desired level of participation, then FPL would not and should not increase the payments. Doing so would simply increase the cost of the program to the general body of customers with no additional cost-effective benefits.

Mr. Pollock's proposals run counter to this important principle of cost minimization. He suggests that FPL should provide higher incentives for the CILC and CDR customers, even though the CILC rate is closed and participation in the CDR Rider is already above its goal. Again, FPL's position is to maximize participation while minimizing DSM program costs, thus resulting in lower electric rates for all customers.

In fact, following this principle has allowed FPL's Demand Side Management Programs to become the largest in the United States according to the United States Department of Energy.

Q. Is this the appropriate docket in which to address incentive levels for DSM Programs?

A. No. Issues related to incentive levels are properly addressed during the DSM Plan phase of the DSM Goals Docket. FPL currently has an open DSM Goals Docket (Docket No. 080407-EG) before the Commission and will address changes to existing DSM program incentive levels during the

DSM Plan phase in early 2010. It is premature to discuss incentive levels for DSM programs. A DSM Plan will be developed after the DSM goals have been approved by the FPSC, but that approval is still pending.

Q. Is it appropriate to calculate higher incentive levels for CILC and CDR?

A. No. If a larger than needed incentive level is considered appropriate for CILC and CDR customers, then logically the same methodology should be applied to all DSM programs including Residential On-Call. This would unnecessarily increase the ECCR costs with no additional cost effective benefits to FPL's customers.

Q. What has been FPL's recent experience with lowering the incentive level for the Residential On-Call Program?

A. In April 2003 FPL lowered its Residential On-Call incentive to its current level which is significantly lower than the previous incentive level. FPL has not experienced any decline in participation in its Residential On Call programs as a result of the change. To the contrary, FPL has continued to experience success and has added 400,000 customers to the Residential On-Call Program since April 2003 which represents approximately 50% of FPL's current participation. This experience suggests that, if anything, the CILC and CDR incentives should be *reduced,* rather than increased as Mr. Pollock argues.

I. CILC PROGRAM COST

Q. Do you agree with FIPUG witness Pollock's assertion at page 18 that the incentives for CILC customers should increase by $22.6 million in 2010?

A. No. The Commercial/Industrial Load Control program (Rate Schedule CILC-1) has been closed to new customers since December 31, 2000. Consequently, because no new customers can be signed up for CILC, no additional MW or MWh savings will be obtained from the CILC Program. There is no economic justification for increasing the incentives for a closed rate, as the increased incentives will result in higher electric rates for all customers while providing absolutely no additional benefits.

Q. Has FPL understated the projected CILC payments?

A. No. The CILC incentives estimated to be paid in 2010 are based on a twelve-month rolling average of the actual monthly incentives paid for the first half of 2009 and an estimate for the second half of 2009. The estimated incentives for the second half of 2009 are based on a twelve month rolling average of the prior actual twelve months.

The CILC incentives are calculated based on a methodology approved by the FPSC in Docket No. 891045-EG, (Order Nos. 22747 and No. 22837). Nothing in Mr. Pollock's testimony would justify a departure from that approved methodology.

Q. Do you agree with Mr. Pollock's calculation of the incentive level for CILC customers in 2010?

A. No. The CILC incentive projections are based on a twelve month rolling average which are derived from actual numbers that are based on a Commission approved methodology. FPL's projections of $28.8 million in this Docket are reasonable. Therefore, Mr. Pollock's assertion that the incentive level of the CILC program is $53.2 million is grossly overstated.

Q. Do you agree with Mr. Pollock's claim that CILC customers absorb program costs above the incentive levels?

A. No. FPL is currently providing the full amount of the incentive based on the methodology authorized by the Commission, and the cost of the incentive is allocated to all customer classes per the approved ECCR mechanism. Mr. Pollock's argument on the CILC incentive is confusing. He incorrectly calculates a larger amount of incentives than what FPL actually gives, then claims that the incremental incentive amount is charged back to the CILC customers. This is not at all what happens. In fact, the CILC customers receive the full program incentive based on the Commission approved methodology, and only that amount. The cost of the incentives is properly recovered from the general body of customers through the ECCR factors.

II. CDR RIDER

Q. Do you agree with Mr. Pollock's position that the CDR rider credit should be increased?

A. No. The CDR rider credit of $4.68 was approved by the FPSC as cost-effective during FPL's 2004 DSM Plan docket. Mr. Pollock provides no valid basis for deviating from that approved level.

Q. Should the CDR rider Credit remain at $4.68/kW?

A. Yes, at least until the new DSM Plan is approved. Once the FPSC determines FPL's DSM Goals for 2010-2019, FPL will develop DSM programs to meet those goals. As part of that process, the cost-effectiveness of the CDR rider credit will be reevaluated. However, I should note that FPL is currently above its 2004 cumulative goal and there are sufficient potential program participants at the current incentive level to meet FPL's proposed goals for at least several years. Based on these facts, there appears to be no need to increase the CDR rider incentive level. However, the appropriate level of the CDR rider credit will be established during the DSM Plan phase of the DSM Goals docket.

Q. Would it be prudent for FPL to increase the CDR rider credit as Mr. Pollock proposes?

A. No. FPL's customers should only have to pay incentives necessary to encourage additional customer adoption of DSM measures to meet approved goals. To do otherwise would unnecessarily enrich large commercial and industrial customers at the expense of all others and not produce any incremental benefits. As mentioned above, there is sufficient participation and others have made it clear that they are prepared to enroll at the current level of the CDR rider credit. Therefore, it would not be prudent to increase the credit amount and increase the cost to the general body of customers.

Q. Do you agree with Mr. Pollock's assertion at page 20 that CDR Rider customers receive a lower quality of service than firm service customers?

A. No. All customers, regardless of rate schedule or rider, receive the same high quality of service. The difference between the firm and non-firm customer is FPL's agreement with non-firm customers to interrupt their service during a load control event. Non-firm customers have voluntarily entered into a contractual obligation to participate in return for paying an overall lower price for electricity.

Q. What conclusions do you draw about Mr. Pollock's proposals?

A. CILC and CDR are both approved programs, and thus should be treated as all other load management and energy efficiency programs. The objective of FPL's DSM programs is to meet FPSC goals in the most cost-effective manner, while minimizing DSM program costs and ultimately, electric rates for **all** of FPL's customers. Accordingly, it would not be appropriate to increase the CILC incentive payment or CDR rider credit as Mr. Pollock proposes. By doing so, all customers would experience an increase in their electric bill without any additional benefits and the only customers that would see a net bill reduction would be those that participate in the CILC and CDR programs. FPL's customers should only have to pay customer incentives necessary to encourage additional customer adoption of DSM measures to meet approved goals.

Q. Does this conclude your testimony?

A. Yes.