

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 120015-EI
FLORIDA POWER & LIGHT COMPANY**

**IN RE: PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY**

REBUTTAL TESTIMONY & EXHIBITS OF:

COM 5
~~AFD~~ 4
APA 1
ECO 1
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MARLENE M. SANTOS

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FPSC-COMMISSION CLERK

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **REBUTTAL TESTIMONY OF MARLENE M. SANTOS**

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5 **JULY 31, 2012**

6

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

8 A. My name is Marlene M. Santos. My business address is Florida Power & Light
9 Company, 9250 W. Flagler Street, Miami, Florida 33174.

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

11 A. Yes.

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

13 A. No.

14 **Q. What is the purpose of your rebuttal testimony?**

15 A. The purpose of my rebuttal testimony is to refute assumptions made in the direct
16 testimonies of South Florida Hospital and Healthcare Association (“SFHHA”)
17 witness Kollen and Office of Public Counsel (“OPC”) witness Ramas related to
18 changes in the timing of smart meter costs and savings.

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3 **SUMMARY**

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

5 A. FPL has successfully deployed smart meters to more than 75 percent of our nearly
6 4.5 million residential and small business customers, and the program remains on
7 track and planned for completion by early summer 2013. The program is already
8 providing benefits to FPL's customers and to the FPL system while paving the
9 way for additional future benefits. As the program has progressed, FPL has
10 worked hard to continuously improve various aspects of the deployment to
11 provide a good experience for FPL's customers. Savings projected when the
12 program was in its initial stages will still be realized, though adjustments to the
13 scheduled rollout of certain processes will impact the timing of those savings.
14 FPL's projected Test Year costs for the smart meter program reflect the most
15 current information on the scheduled rollout, and those projected costs are
16 reasonable and necessary.

17 **SMART METERS**

18
19 **Q. Please describe the overall progress of the smart meter program.**

20 A. We continue to make excellent progress in the deployment of smart meters. More
21 than 75 percent of the meter installations are complete, with over 80 percent of
22 those meters activated, allowing customers to utilize the online energy portal and
23 to be billed remotely. With nearly 3.5 million meters installed through June 2012

1 and a smart meter billing read rate of 99.9 percent, we continue to improve our
2 service by leveraging the smart meter technology. Furthermore, the
3 implementation of many of the associated projects and system integration efforts
4 are well underway, bringing benefits to our customers. For example, customers
5 are seeing reduced estimated bills, while the implementation of the online energy
6 portal allows customers to make informed choices and better manage their energy
7 usage.

8 **Q. Are the smart meter costs projected for 2013 reasonable and necessary for**
9 **the deployment of FPL's smart meters?**

10 A. Yes. The forecast last presented to the Commission was prepared in 2008 and
11 was based on the most current information available to FPL at the time. In 2008,
12 few utilities had deployed smart meter technology and few benchmarks were
13 available. FPL's current forecast is based upon the most current information
14 available and represents the reasonable and necessary costs associated with this
15 program. The propriety of using the most current information in setting rates, and
16 the ratemaking policies and principles supporting that position, are addressed by
17 FPL witnesses Deason and Barrett in their rebuttal testimony.

18 **Q. Why are the smart meter O&M costs projected for 2013 higher than they**
19 **were in the Company's 2009 rate case forecast?**

20 A. As the program progressed, we identified additional costs which are necessary to
21 ensure a smooth transition to the new processes for our customers.

22 **Q. You have indicated that additional costs have been necessary in 2013 to**
23 **ensure a smooth transition for your customers who have received or will**

1 **receive the new smart meters. Please describe some of these additional costs,**
2 **and how the modifications or additional programs benefit customers.**

3 A. Examples of the need for some of these additional costs include:

- 4 ● Additional staffing for deployment related activities to assist in the
5 handling of customer inquiries and for the development of training and
6 communications;
- 7 ● On-going operations and system support to monitor the network
8 communication grid to ensure reliable performance and provide optimum
9 read rates that ensure timely and accurate billing; and
- 10 ● An analytical tool which provides more effective leads for identifying
11 theft conditions which in turn helps to mitigate unauthorized use of
12 electricity.

13 **Q. Was the forecast of O&M costs for the 2010 Test Year that was provided in**
14 **the 2009 rate case reliable?**

15 A. Yes. We forecasted \$6.9 million in O&M costs for 2010, while actual O&M
16 costs were \$7.4 million. This represents a 7.8 percent variance between projected
17 and actual O&M costs for the 2010 Test Year.

18 **Q. Was the forecast of savings provided in the 2009 rate case a reliable forecast**
19 **for the 2010 Test Year?**

20 A. Yes. Our forecast for the 2010 Test Year proved to be very reliable. We
21 forecasted \$400 thousand in savings and achieved \$400 thousand in savings.

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1 **Q. Why have the forecasted smart meter program savings for 2013 decreased**
2 **when compared to the 2009 rate case forecast?**

3 A. The primary reason for lower savings in 2013 has been the change in our
4 approach to implementing the remote connect service functionality. In addition,
5 the complexity of system integration and the impact to internal processes –
6 impacts that could not have been reasonably foreseen when the 2009 rate case
7 filing was made - resulted in the delayed implementation of the remote connect
8 service functionality. Implementation of the remote connect service functionality
9 was originally planned for January of 2012. However, it is now projected to
10 occur in September of 2012. The delay was necessary in order to account for the
11 following changes:

- 12 • Numerous systems were indentified that had dependencies on this
13 program, requiring more system changes and integration than initially
14 estimated;
- 15 • Additional security efforts were identified and implemented; and
- 16 • Benchmarking indicated that more customer communication processes
17 were required to ensure a smooth transition.

18 **Q. How will customers benefit from this change in the approach and change in**
19 **schedule associated with the implementation of the remote connect service**
20 **functionality?**

21 A. The additional customer communications that are being developed and
22 implemented will result in a positive introduction of the remote connect service
23 functionality. The delay in implementation also ensures that our systems are

1 thoroughly tested and secure, and that all process changes are working optimally.
2 This will ultimately help to ensure a good experience for our customers as we
3 implement the remote connect service functionality.

4 **Q. Have the long-term savings of the smart meter program decreased from**
5 **what you expected in the 2009 rate case forecast?**

6 A. No. Long term savings are still expected to be realized. For example, in 2015 we
7 are expecting \$42 million of savings, which is \$3 million more than what we
8 projected in the 2009 rate case forecast.

9 **Q. Did FPL inform the Commission of changes in the smart meter program**
10 **when it filed its annual smart meter reports?**

11 A. Yes. Pursuant to Order No. PSC-10-0153-FOF-EI, issued March 17, 2010 in
12 Docket Nos. 080677-EI and 090130-EI (“Order 0153”), FPL provided annual
13 progress reports on its implementation of smart meters. Two reports have been
14 filed – one on March 21, 2011 in Docket No. 110002-EI and another on March
15 21, 2012 in Docket No. 120002-EI. In these reports FPL noted that costs were
16 higher than expected and mentioned delays in the implementation of the remote
17 connect functionality impacting the timing of savings.

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes.