BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI

In the Matter of:

PETITION FOR INCREASE IN RATES
BY FLORIDA POWER & LIGHT COMPANY.
_________________________________/

VOLUME 10

Pages 1136 through 1248

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN RONALD A. BRISÉ COMMISSIONER LISA POLAK EDGAR COMMISSIONER ART GRAHAM COMMISSIONER EDUARDO E. BALBIS COMMISSIONER JULIE I. BROWN
DATE:	Wednesday, August 22, 2012
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Official FPSC Reporter (850) 413-6732
APPEARANCES:	(As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
519	Interrogatory Answer to Interrogatory 44	1181	
520	(No title provided on the record.)	1203	
140 through 147, 519			1244
520 and 109			1245

P R O C E E D I N G S

(Transcript follows in sequence from Volume 9.)

CHAIRMAN BRISÉ: All right. We're going to go ahead and reconvene at this time. FPL is --

MR. BUTLER: We're ready with Mr. Barrett.

CHAIRMAN BRISÉ: Mr. Barrett. All right. Mr. Barrett was sworn in; I did recall that. All right, you may proceed.

MR. BUTLER: Thank you, Mr. Chairman.

ROBERT E. BARRETT, JR.

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

DIRECT EXAMINATION

BY MR. BUTLER:

Q. Mr. Barrett, would you please state your name and business address for the record.

A. Robert E. Barrett, Jr., 700 Universe Boulevard in Juno Beach, Florida.

Q. And by whom are you employed and in what capacity?

A. Florida Power and Light; I am the Vice-President of Finance.

Q. Okay. Have you prepared and caused to be filed in this docket 33 pages of Prefiled Direct Testimony?

A. Yes, I have.

Q. Other than the changes that were filed on the errata sheets last week on August 16, do you have further revisions or changes to make to your Prefiled Direct Testimony?

A. No.

Q. Okay. As revised by those errata, if I asked you the questions contained in your Direct Prefiled Testimony today, would your answers be the same?

A. Yes, they would.

MR. BUTLER: Mr. Chairman, I would ask that Mr. Barrett's Direct Testimony be inserted into the record as though read.

CHAIRMAN BRISÉ: Okay. We will insert Mr. Barrett's testimony as though read into the record.

Are there any objections? Okay. Seeing none, it is entered into the record.

MR. BUTLER: Thank you.

ERRATA SHEET

WITNESS: **ROBERT E. BARRETT, JR. - DIRECT**

PAGE #	**LINE #**	**CHANGE**
REB-3, Page 2	Top row of chart, second box from right	The word "PowerPlan" should read "Power Plant"
REB-8, Page 1	Second line from the bottom of the page	The second "e" in the word "Requirement" is missing in the sentence: "Total Revenue Requirement Impact of Amortization of Surplus Depreciation"

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert E. Barrett, Jr. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Vice President of Finance.

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

A. I am responsible for FPL's financial forecast, analysis of financial results, corporate budgeting, resource assessment and planning, and load forecast activities.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Business Administration degree from the University of Miami, 1982, with a major in Finance. I received a Master of Business Administration from Florida International University in 1985. I have been employed by FPL, or its affiliate NextEra Energy Resources, since 1982 and have held a variety of positions of increasing responsibility including: Financial Analyst; Manager of Financial Forecasting; Director of Quality, Planning and Analysis; Director of Corporate Planning; Director of Investor Relations; Vice President of Business Development for NextEra Energy Resources; and my current position as Vice President of Finance for FPL.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- REB-1 – Listing of MFRs and Schedules Sponsored in Whole or in Part by Robert E. Barrett, Jr.
- REB-2 – Planning Process Guidelines
- REB-3 – MFR F-5 Forecasting Flowcharts and Models
- REB-4 – MFR F-8 Major Forecast Assumptions
- REB-5 – Budget and Actual Net Income 2004-2011
- REB-6 – FPL's Revenue Request – 2013 vs. 2012
- REB-7 – Drivers of the Increase in Revenue Requirements for 2010-2013
- REB-8 – Impact of Amortization of Surplus Depreciation on 2013 Revenue Requirement

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

A. Yes. Exhibit REB-1 shows my sponsorship and co-sponsorship of MFRs.

Q. Are you sponsoring or co-sponsoring any schedules in support of FPL's request for a step adjustment to base rates to address the additional revenue requirements associated with the modernization of the Cape Canaveral plant (the "Canaveral Step Increase")?

A. Yes. Exhibit REB-1 also shows my sponsorship and co-sponsorship of the Canaveral Step Increase Schedules.

Q. What are the basis and time periods covered by the MFRs and schedules that FPL is filing in this proceeding?

A. FPL is filing MFRs based upon the forecast process completed in early 2012 and is utilizing a 2013 test year as the basis for its overall jurisdictional revenue calculation. Generally, the periods covered in FPL's MFRs are a 2011 historical year, 2012 prior year, and a 2013 test year. Additionally, FPL has prepared the Canaveral Step Increase Schedules, which follow the format of certain MFRs and show FPL's proposed adjustment for the Canaveral Step Increase to reflect the Cape Canaveral plant being placed into service on June 1, 2013. These Canaveral Step Increase Schedules cover the year ending May 31, 2014, the first year of operations after the Cape Canaveral plant is scheduled to be in service.

Q. What is the purpose of your testimony?

A. My testimony will:

(1) Discuss the process FPL uses in the preparation and approval of the financial forecast upon which the projected MFRs are based;

(2) Provide an overview of the general business conditions affecting the forecast assumptions;

(3) Explain the major cost drivers since 2010 -- the Test Year in FPL's last base rate proceeding, which was the basis of the 2010 Rate Stipulation and Settlement Agreement, approved by Order No. PSC-11-0089-S-EI (the "2010 Rate Settlement") – that necessitate a rate increase effective January 1, 2013 (the "January 2013 Rate Increase"); and

(4) Discuss the necessity for the Canaveral Step Increase.

Q. Please summarize your testimony.

A. The MFRs filed in this proceeding have been prepared according to FPL's rigorous, established budget/forecast process, relying on inputs from internal and external subject matter experts, processed through financial models widely used in the industry, and with sufficient review and approval to ensure their reliability for use in setting rates in this proceeding.

The general business conditions affecting the forecast assumptions are characterized by modest growth and continued inflationary cost pressures. As explained in FPL witness Morley's testimony, though below the levels of growth experienced during the pre-2007 "boom" era, by 2013 FPL expects to have added nearly 100,000 new service accounts since 2010. FPL's investment plans must account for the expected growth in Florida's population and our customer base.

Though inflationary rates continue to remain low by historical standards, cumulatively, general inflation is expected to have added 7.2% to the cost of goods and services as measured by the Consumer Price Index ("CPI") from 2010 through 2013.

FPL's proposed 2013 Base Rate Increase is needed to address increased revenue requirements since 2010, the Test Year last used for establishing base rates. The primary drivers of the change in revenue requirements are: (1) the impact of inflation; (2) a difference in the weighted cost of capital due to the necessary increase in the authorized return on equity ("ROE") partially offset by decreases in other elements; (3) investments in infrastructure that provide long-term economic and/or reliability benefits to customers; (4) the cumulative impact of the accelerated depreciation surplus amortization required by Order No. PSC-10-0153-FOF-EI (the "2010 Rate Order") and effected through the 2010 Rate Settlement; (5) system growth; (6) increased expenditures required for regulatory compliance; (7) productivity gains that have mitigated some of these increases; and (8) revenue growth that partially offsets the growth in revenue requirements. FPL's 2010 Rate Settlement provided a mechanism that has allowed FPL to maintain its earnings at 11% through 2012 given all of the provisions of the agreement. However, the 2010 Rate Settlement expires at the end of 2012 and a base rate increase in 2013 is required to earn an appropriate return after its expiration.

FPL's calculation of the January 2013 Base Rate Increase excludes the revenue requirements for the Canaveral Modernization Project, which is projected to go into commercial operation on June 1, 2013. Accordingly, FPL is requesting a Canaveral Step Increase of $173.9 million, to become effective when the Canaveral Modernization Project begins commercial operation. The Canaveral Step Increase is limited to the revenue requirements associated with the plant and is based on the construction and other costs that are currently estimated in aggregate to be lower than the estimates presented in the need determination for the Canaveral Modernization Project in Docket No. 080246-EI. FPL expects that other cost increases and additional investment unrelated to the Canaveral Modernization Project will exert downward pressure on FPL's earnings beyond the test period, but FPL is not seeking a rate increase at this time to recover any of those other costs.

In the need proceeding for the Canaveral and Riviera Modernization Projects, FPL projected that the plants would provide significant customer savings over the project lives. The Canaveral share of these projected savings is approximately $600 million. Consistent with those projections, the impact of the Canaveral Step Increase is expected to be largely offset by immediate fuel savings for customers. FPL intends to seek approval in the fuel cost recovery proceeding for 2013 fuel factors that would reflect those savings coincident with the projected in-service date of the Canaveral Modernization Project.

The increases in base rates that FPL is requesting in this proceeding are needed to support the investments FPL has made, and must make in order to keep customer bills low, while also maintaining system reliability and increasing the use of clean and efficient generation technologies.

II. FORECASTING AND MFR PREPARATION PROCESS

Q. What role did you play in the development of FPL's forecast?

A. As FPL's Vice President of Finance, I have overall responsibility for developing the operations and maintenance ("O&M") budget, the capital expenditure budget, and the per books forecast. As part of this responsibility, I provided guidance to the business units to ensure that corporate assumptions were followed. I am also a member of the budget review committee ("Review Committee"). Key members of the Review Committee were the FPL Chief Executive Officer and President, the Senior Vice President, Finance and Chief Financial Officer, and the Vice President Controller and Chief Accounting Officer. The Review Committee is responsible for reviewing the forecasts to ensure reasonableness and completeness for budget planning purposes.

Q. What forecast years have been included in this filing?

A. FPL has provided forecasted information for 2012 and 2013 for use in this proceeding. Based upon the expiration of the term on December 31, 2012 of the 2010 Rate Settlement, the Company is proposing that new rates be effective January 1, 2013 at a level sufficient to cover the Company's revenue requirements in 2013, exclusive of the Canaveral Modernization Project. Accordingly, FPL proposes that 2013 be the Test Year in this proceeding. The 2012 budget year is included as the Prior Year consistent with the Commission's filing requirements. FPL has also included Canaveral Step Increase Schedules in support of FPL's requested step increase for the

Canaveral Modernization Project. Those schedules address the 12 months from June 1, 2013 through May 31, 2014, which coincides with the anticipated first year of operation for the project.

Q. Please summarize the process used to develop the forecasts underlying FPL's filing in this docket.

A. FPL follows a rigorous and long standing process in the development and approval of its O&M and capital expenditures budgets, financial forecasts and MFRs. The process began with the development and approval of the Company's planning and budget assumptions. These include assumptions for inflation, customer growth, and new service accounts. These assumptions were prepared by various subject matter experts, reviewed and approved by me, and ultimately reviewed and approved by the Review Committee. Once approved, these assumptions, together with detailed budget instructions, were issued to the operating and staff units of the Company as the FPL 2012 Planning and Budgeting Process Guidelines ("Planning Process Guidelines"). (See Exhibit REB-2).

The 2012 planning process resulted in the 2012 O&M and capital budgets, the O&M forecasts for 2013 and 2014 and the forecasted capital expenditures for 2013 through 2016. Using the assumptions and Planning Process Guidelines, each of the major business units prepared a Budget Presentation that described their business unit objectives and goals, key initiatives and specific business unit level assumptions, as well as a preliminary funds request to support those business objectives. In June 2011, each business unit executive presented their Budget Presentation and supporting funds request to the Review Committee in a detailed, individual session. This session offered each business executive the opportunity to present his or her plan and funding request, and to receive feedback from the Review Committee. The open forum format employed in this session allowed for Review Committee collaboration and challenge.

Upon completion of these individual sessions with each business unit and the Review Committee, there were subsequent review meetings where funding requests were again challenged in consideration of the forecasted future demands and opportunities. Final approvals were made in late 2011. Accordingly, the final budgets/forecasts approved by FPL's Review Committee reflect the Company's current and best assessment of the business environment in the test period.

Q. How were forecasts other than O&M and capital expenditures developed?

A. Concurrent with the development of the detailed O&M and capital expenditure budgets, other key components of the financial forecast were developed, including the energy sales and revenue forecast as well as forecasts of other base revenues. The energy sales forecast is the subject of FPL witness Morley's direct testimony.

The sales and revenue forecasts were reviewed and approved for use in the financial forecast by FPL's Review Committee.

Other inputs into the financial forecast were prepared and provided by other subject matter experts. These include taxes other than income taxes, various income tax items, non-clause fuel and capacity charges, miscellaneous below-the-line income and expense items, various working capital items and financing plans. These inputs were collectively reviewed and approved by me with the resulting comprehensive forecast reviewed and approved by the Review Committee.

Q. How are all of the various inputs combined into a consolidated financial forecast?

A. All of the above mentioned items were provided as inputs to the Consolidated Financial Model ("CFM"). The CFM is a utility financial forecast model that is widely used in the industry and has been in use at FPL since 1999. Based on the assumptions and inputs mentioned above, the CFM model calculated the remaining expense items including depreciation, interest, and Allowance for Funds Used During Construction ("AFUDC"). The CFM produces balance sheet and income statement detail at the level necessary for the development of jurisdictional separation factors and the cost of service study. This forecast is then transferred to the Regulatory Information System ("RIS"). FPL developed the RIS integrated database to assist in preparing the MFRs. The completed financial forecast was then reviewed and approved by the Review Committee and is the source of forecast information for the MFRs filed in this proceeding.

FPL prepares its O&M budget and forecasts at the activity level, consistent with the way it manages its business, and does not normally include Federal Energy Regulatory Commission Uniform System of Accounts ("FERC accounts") detail. Because this additional level of detail is needed to meet the requirements of certain MFRs, FPL converts the budget and forecasts from an activity level to FERC accounts. The conversion process relies primarily on historical relationships of actual activity costs to FERC accounts but allows for appropriate adjustments resulting in a reasonable expression of the forecast by FERC account. Once the business units complete their budgets and forecasts, the information takes two separate paths. It is fed to the CFM and independently undergoes conversion to FERC accounts, within the SAP system, for subsequent handoff to RIS.

As previously mentioned, once the forecast in the CFM is complete, it is transferred into the RIS, which integrates various FPL systems normally used in the forecasting and regulatory process. The system provides data validation and control routines to ensure consistency of data between the RIS and feeder systems. Additionally, the system produces exception reports, financial data output validations and MFR control reports to verify the accuracy and consistency of MFRs.

The balance sheet and income statement detail from the CFM is used by RIS to develop forecasted regulatory adjustments in the same manner as it does for historical regulatory adjustments in the Surveillance Report. These adjustments, along with the balance sheet and income statement detail, are then transferred to the Cost of Service System ("COSS"), which develops jurisdictional separation factors. The jurisdictional separation study results are then transferred back to the RIS, which calculates FPSC jurisdictional adjusted net operating income ("NOI") rate base and capital structure. The results are then stored in the RIS database.

The jurisdictional adjusted results for NOI, rate base and capital structure are then transferred to the COSS to develop the Cost of Service Study. The Cost of Service Study calculates the revenue requirements at the individual rate class level. The RIS databases are also used to prepare rate base, NOI and capital structure on a per book and jurisdictional adjusted basis. The same tool that is used to create many of the MFRs also provides for MFR data integrity and control. All MFRs were reviewed and approved by the originating business unit and the MFR sponsors. Exhibit REB-3 contains a flowchart of the forecasting process and models.

Q. Has FPL followed the same process for developing all forecast years, including the 2013 Test Year, as it did for the 2012 budget year?

A. Yes. As described above, FPL prepares forecasts of O&M expense for the budget year plus two additional years at an activity level. All three years

(2012, 2013, and 2014) are prepared at a monthly level of detail.

Capital expenditure forecasts are prepared for the budget year, 2012, plus four additional years, 2013 through 2016, at an activity (i.e. project) level of detail. All five years are prepared at a monthly level of detail. Additionally, the capital expenditures forecast for all five years is the subject of external financial disclosure in the Company's 10-K and 10-Q filings with the Securities and Exchange Commission ("SEC") and is subject to an internal Sarbanes-Oxley review and approval process.

Though all years are prepared with the same level of business detail and diligence, the budget year typically is subject to more intense review as it forms the basis for operating and financial plans for the coming year. However, for the planning process conducted during 2011, the 2013 Test Year received the same level of close scrutiny by the Review Committee as did the 2012 budget year in anticipation of its use in this proceeding. As a result, FPL's 2013 Test Year forecast is just as reasonable and appropriate for ratemaking purposes as the 2012 budget would be.

Q. What are the major assumptions that FPL used in developing its forecast?

A. The major assumptions used by FPL in developing its forecast are listed in MFR F-8, which is my Exhibit REB-4.

Q. Have FPL forecasts been accurate in the past?

A. Yes. As shown on Exhibit REB-5, on average, FPL's actual net income results have varied by only about 1% from budget over the past eight years, indicating that FPL's process for budgeting is highly effective in predicting future operating results and can be relied upon in a rate setting procedure.

The overall accuracy of the net income forecast is due in part to the fact that there are always offsetting variances, including weather, that cause some variability in the underlying components of the forecast, but tend to cancel each other out in the determination of net income. In most years, these items have a neutral effect on the annual FPL budget to actual comparison since they offset each other over the course of a complete year. Under the 2010 Rate Settlement, one additional factor – amortization of surplus depreciation – also tends to mitigate variability in other underlying components of the forecast.

Q. Does the Company's forecast of revenue requirements in 2013 provide a reasonable basis for evaluating the Company's projected deficiency?

A. Yes. FPL's budgets/forecasts are the products of a rigorous process involving a multi-year planning horizon and have proven to be accurate. The per books budgets/forecasts for 2012 ("Prior Year") and 2013 ("Test Year") were developed, reviewed, and ultimately approved in late 2011 and the subsequent MFRs were developed and approved in early 2012. The assumptions and process used in developing these budgets/forecasts are robust and reasonable, and the budgets/forecasts can be relied upon for rate setting.

III. OVERVIEW OF GENERAL BUSINESS CONDITIONS

Q. Please describe the general business conditions affecting the underlying assumptions in this forecast.

A. Of all of the metrics that FPL tracks in developing its business and investments plans, two of the most important are customer growth and the impact of inflation on the goods and services the company procures to serve customers. The general business conditions affecting the forecast assumptions are characterized by modest growth and continued inflationary cost pressures. As explained in FPL witness Morley's testimony, though below the levels of growth experienced during the pre-2007 "boom" era, from 2010 through 2013 FPL expects to have added nearly 100,000 new service accounts and will have invested in infrastructure to provide service to them based on projections of population growth in Florida.

Inflation continues to remain low by historical standards. Cumulatively, general inflation is expected to have added 7.2% to the cost of goods and services as measured by the CPI from 2010 through 2013.

IV. DRIVERS OF JANUARY 2013 BASE RATE INCREASE

Q. What is the total amount of FPL's requested base revenue increase in January 2013 and how is it calculated?

A. FPL's requested base revenue increase for January 2013 is $516.5 million and is determined as the difference between FPL's projected net operating income of $1,156 million and FPL's required net operating income of $1,473 million multiplied by the revenue expansion factor of 1.63188. For further detail regarding the calculation of these revenue requirements, please refer to FPL witness Ousdahl's testimony.

Q. Please explain why the January 2013 base rate increase is necessary, given that FPL earned 11% in 2010 and 2011, and is projected to continue doing so in 2012.

A. FPL's revenue requirements have been increasing and will continue to increase beyond the level reflected in the 2010 test year used in FPL's last rate case. FPL was able to earn 11.0% return on equity in 2010 and 2011 largely because of extreme weather that has resulted in exceptionally high sales and hence revenues. By definition, however, extreme weather is not the norm and cannot be counted on for continued high revenues in 2012 and beyond.

FPL projects that it will be able to offset the increased revenue requirements in 2012 only by amortizing $526 million of depreciation surplus. This is much more amortization than FPL used in 2010 and 2011 due to extraordinary weather – and in fact much more than the approximately $224 million per year average that was assumed in the 2010 Rate Order.

By contrast, after the expiration of the 2010 Rate Settlement at the end of 2012 there is projected to be only $191 million of depreciation surplus left to amortize in 2013. This amount is already reflected in, and thus lowering by $191 million, the test year revenue requirements. All other things equal, earnings in 2014 will be $191 million lower compared to 2013, even with the requested base rate relief in 2013.

To put 2013 into the proper perspective, FPL expects to have $335 million less depreciation surplus to amortize in 2013 than the amount it projects to amortize in 2012, which together with the impact of the increase to rate base resulting from the amortization, creates a need for $367 million in additional revenues. Thus, while the 2010 Rate Settlement has allowed FPL to consistently maintain an 11.0% return on equity from 2010 to 2012, it offers no solution to FPL's need for additional revenues in 2013 and beyond.

Furthermore, the 2010 Rate Settlement only permits FPL to earn up to an 11.0% return on equity. This is below the appropriate equity return for FPL of 11.5% that is explained in the testimony of FPL witness Dewhurst. As part of the give and take of settlement negotiations, FPL agreed to accept this lower return on equity for the limited duration of the 2010 Rate Settlement. The revenue requirements associated with allowing FPL an opportunity to earn an appropriate equity return is $80 million.

In addition to the impacts of surplus and return on equity, other net revenue requirements are expected to grow about $70 million from 2012 to 2013.

Exhibit REB-6 depicts these increases in revenue requirements from 2012 vs. 2013.

Q. **What are the primary drivers of the net increase in revenue requirements relative to the 2010 Test Year used for setting rates in 2010?**

A. The primary drivers of the change in revenue requirements are depicted on Exhibit REB-7 and are: (1) the impact of inflation; (2) a difference in the weighted cost of capital due to the necessary increase in the authorized return on equity partially offset by other decreases in other elements; (3) investments in infrastructure that provide long-term economic and/or reliability benefits to customers; (4) the cumulative impact of the accelerated depreciation surplus amortization required by 2010 Rate Order and effected through 2010 Rate Settlement; (5) system growth; (6) increased expenditures required for regulatory compliance; (7) productivity gains that have mitigated some of these increases; and (8) revenue growth that partially offsets the growth in revenue requirements. Each of these drivers will be discussed individually, and are summarized as follows:

Inflation	$162 million
Difference in Weighted Average Cost of Capital	$122 million
Long Term Infrastructure Investments	$116 million
Surplus Depreciation Amortization	$104 million
System Growth	$ 65 million
Regulatory Commitments	$ 56 million
Productivity Improvements	($ 76) million
Revenue Growth	($ 32) million
TOTAL	$517 million

Q. Please define the Inflation driver and explain its cumulative impact and the contribution of this driver to the revenue increase.

A. Inflation represents the increased costs for goods and services in 2013 compared to the same goods or services in 2010. Generally, the period from 2010 through 2013 can be characterized as inflationary. Changes to the CPI since 2010, including the forecast through 2013, indicate that inflation will have added 7.2% to the cost of goods and services in 2013 relative to 2010. The forecast of CPI from 2010 through 2013 is derived from third party subject matter experts and is discussed in more detail by FPL witness Morley. Use of CPI is a fair approximation of the impact of inflation on the Company's costs; however, some of the Company's costs escalate at rates different than CPI. Medical and dental costs, for instance, have escalated much faster than CPI.

With the exception of those employee benefit costs that have escalated faster than CPI, the change in CPI was used to quantify the approximate impact of inflation as a driver.

The revenue requirements of the Company in 2013 reflect the increased cost of providing electric service due to three years of cost escalations. The impact of inflation increases revenue requirements by $162 million.

Q. Please explain the Difference in Weighted Average Cost of Capital and its contribution to the revenue increase.

A. The 2013 weighted cost of capital is 0.73% higher than the 2010 weighted cost of capital that was approved in the 2010 Rate Order, which included a 10% ROE. The difference is primarily driven by the required increase in ROE, a reduction due to a higher level of deferred taxes, and to a lesser extent a decrease in customer deposit balances.

As described by FPL witness Dewhurst, FPL is requesting a return on equity, including a 25 basis point performance adder, of 11.5%.

Deferred taxes increased from 17.23% of the capital structure per the 2010 Rate Order to 20.75% in the 2013 Test Year, primarily as the result of bonus depreciation on eligible new investments in the infrastructure. Deferred taxes have a 0% cost basis in the capital structure, so the increased proportion of deferred taxes lowers the weighted average cost of capital.

In total, the net effect of the items mentioned above results in increased revenue requirements of $122 million.

Q. Please describe the Long Term Infrastructure Investments that have and will deliver improved economic benefit and/or system reliability and the projected impact on the revenue increase.

A. Investments that provide long term customer benefits do so by providing direct operating or maintenance costs savings, increasing system efficiency, providing fuel and emission savings, and/or enabling the Company to maintain or improve system reliability. These investments by their very nature provide those types of benefits over the long term.

For example, from 2010 through 2013, FPL will have invested more than $400 million to complete its smart meter initiative. As described by FPL witness Santos, smart grid technologies will help to build a stronger, smarter, cleaner, and more efficient electrical infrastructure. The Commission's approval of FPL's smart meter initiative allowed us the opportunity to receive a $200 million grant from the Department of Energy. This initiative will provide customers with the opportunity to better understand and manage their energy use and realize savings through the use of the tools provided by the smart meter initiative.

As described by FPL witness Kennedy, another example is FPL's investment in upgrading the hot gas path parts of the combustion turbines ("CTs") that are a central component for many of FPL's highly efficient, low-emission combined cycle units. From 2010 through 2013, the Company will have invested more than $250 million. In addition, other overhaul-related expenditures of more than $750 million from 2010 to 2013 will be performed on the CT sites in order to continue to provide cleaner and more efficient energy production customer benefits over the period.

The substation and transmission improvement programs, as described by FPL witness Miranda, use innovative technology and systems upgrades to prevent outages and reduce restoration time thereby improving reliability and increasing customer satisfaction. These investments total approximately $190 million.

Distribution infrastructure investments of over $730 million are planned in order to continue to provide superior reliable service to our customers, in an efficient manner. Of this amount, as described by FPL witness Hardy, approximately $210 million will be invested in the rehabilitation of over 5 million feet of lateral and feeder cable and $220 million will be incurred to provide coverage, repair and response to outages within the system, as well as respond to customer inquiries and relocation projects.

In total, investments that provide long term benefits to customers and that will result in a stronger more reliable infrastructure, have increased net revenue requirements in 2013 by $116 million.

Q. Please explain the cumulative impact of the accelerated Depreciation Surplus Amortization and its contribution to the increase in revenue requirements.

A. In the 2010 Rate Order, the Commission directed FPL to amortize approximately $895 million of depreciation reserve surplus over four years, equivalent to approximately $224 million per year. This amortization is recorded as a credit to depreciation expense and a debit to the accumulated depreciation reserve (i.e., an increase to rate base). The 2010 Rate Settlement preserved the four-year amortization of the approximately $895 million reserve surplus, but gave the company flexibility in the timing of that amortization during the 2010-2012 settlement term so long as FPL's return on equity did not exceed 11%.

This flexibility was one of the key features of the 2010 Rate Settlement. For the period 2010-2012, by amortizing non-cash surplus depreciation, the Company was able to offset rising costs including the significant gap between the 10% ROE established in the 2010 Rate Order and the 11% ROE that the 2010 Rate Settlement enabled FPL to earn. In 2010, extreme weather almost completely offset the need to use surplus depreciation to earn a return on equity of 11%. For 2011, above normal weather limited the use of surplus depreciation in the forecast to $174 million. As weather effects cannot be forecast, FPL projects that it will need to amortize much more of the surplus in 2012 based on normal weather assumptions. In fact, to maintain a return on equity of 11% the Company projects that it will have to amortize $526 million in 2012. This means that FPL will only have $191 million of the original approximately $895 million in surplus depreciation left to amortize in 2013, still a significant non-cash credit to earnings.

Accelerated depreciation surplus amortization increases 2013 revenue requirements due to the higher rate base that is being created as surplus is returned to customers. As all plant must ultimately be paid for by customers through depreciation, the surplus credit is a temporary reduction in rates. Once returned, the resulting rate base increase must be recovered once again. The 2013 Test Year includes an increase in average rate base of $687 million compared to 2010, as a direct result of the Commission's requirement that FPL reverse approximately $895 million of previously recorded depreciation over the 2010-2013 period. This $687 million increase in rate base must be supported by additional revenues in 2013, just as if FPL had invested that amount in new plant in service. The revenue requirement associated with this incremental rate base is $71 million.

In addition, the difference in the amortization amount of reserve surplus projected to remain for amortization in 2013 ($191 million) versus the amortization amount included in the 2010 Test Year upon which base rates were set (approximately $224 million) increases 2013 revenue requirements by $33 million. Both of these effects are shown on Exhibit REB-8.

In total, the unprecedented Commission decision in the 2010 Rate Order, as implemented by the 2010 Rate Settlement, requiring the flowback of depreciation surplus on an accelerated basis has increased revenue requirements in 2013 by $104 million.

Q. Please explain the impact of System Growth, and the contribution of this driver to the revenue increase.

A. System Growth represents the revenue requirements associated with the addition of new service accounts to the system. The total increase to revenue requirements in 2013 related to System Growth is $65 million.

Costs associated with the Canaveral Modernization Project will be recovered through a requested step increase. See the "Necessity for the Canaveral Step Increase" section of this testimony. Costs and related revenues associated with West County Unit 3 are already being recovered through base revenues as explained by FPL witness Ousdahl.

From 2010 through 2013, FPL estimates that it will add nearly 100,000 new service accounts as described in FPL witness Morley's testimony. Revenue requirements to support System Growth include the costs of expanding the transmission and distribution infrastructure and the corresponding increase to the costs associated with operating and maintaining those facilities and serving those accounts.

Investment in distribution infrastructure to support new service accounts is projected to add approximately $20 million in revenue requirements. The types of expenditures incurred to establish new service accounts are explained by FPL witness Hardy.

To meet forecast growth and changing load patterns, FPL will incur costs which will add $14 million of revenue requirements to perform growth-related upgrades to the transmission system. An example of this is the Bobwhite-Manatee expansion project as discussed by FPL witness Miranda.

Q. Please explain the increased investments to meet Regulatory Commitments and the projected contribution to the revenue increase.

A. The Regulatory Commitments driver reflects an increase in base revenue requirements of $56 million from 2010 to 2013 related to investments and activities undertaken as required by state and federal governmental and regulatory bodies. Storm hardening and other storm-related commitments made to this Commission is the largest component of this driver. FPL will incur $315 million in storm-related expenditures during this period. These expenditures are discussed by FPL witnesses Hardy and Miranda. Another major area of expenditures are those related to increased compliance costs for

North American Electric Reliability Corporation ("NERC") and Federal Energy Regulatory Commission ("FERC") reliability issues, as well as requirements of this Commission to keep the transmission infrastructure serviceable and reliable. These areas represent expenditures of $116 million. These expenditures are discussed by FPL witness Miranda.

Q. Please describe the projected reduction in revenue requirements resulting from Productivity Improvements.

A. FPL is projecting a reduction in revenue requirements of $76 million. This is due to FPL's successes in streamlining processes and in performing certain activities at a lower cost in 2013, adjusted for inflation and customer growth, than it cost to perform those same activities in 2010.

The productivity improvements that support this reduction are evident across the company and support FPL's initiatives to keep operating and maintenance expenses down, in order to save our customers money without sacrificing service. The efforts of the Customer Service function alone will result in a $30 million reduction in revenue requirements from the 2010 filing with commission adjustments. This will be accomplished through initiatives and process improvements as discussed by FPL witness Santos.

The resource management efforts of FPL's Nuclear function have reduced 2013 revenue requirements by $20 million when compared to 2010. As discussed in the testimony of FPL witness Stall, this is primarily the result of focused effort to retain our workforce through the economic downturn, as well as the use of more flexible fleet contractual arrangements.

The Human Resources business unit, largely through successful management of the Company's health care program and costs, was able to reduce revenue requirements by approximately $40 million since 2010. The Company's successful cost control strategy has included a variety of plan designs initiatives as outlined in FPL witness Slattery's testimony.

Throughout the rest of the organization, business units have been able to find efficiencies to manage costs to a growth rate less than customer growth and inflation. These types of ongoing productivity improvements enable FPL to mitigate some of the inflation cost pressures and thus help keep FPL's costs among the lowest in the industry.

Q. Please describe the impact of Revenue Growth on revenue requirements.

A. Retail base revenue resulting from increased sales reflects modest growth resulting in a decrease in revenue requirements of $55 million. Other base revenues decrease by $23 million, however, resulting in a corresponding increase to revenue requirements due to lower service charges. The net impact is a decrease of FPL's revenue requirements in 2013 by $32 million.

V. NECESSITY FOR THE CANAVERAL STEP INCREASE

Q. Why is FPL requesting a step increase in base rates in mid-2013 for the incremental revenue requirements for Cape Canaveral?

A. FPL has excluded the revenue requirements associated with the Canaveral Modernization Project from its 2013 Test Year forecasts because the unit is not expected to go into service until approximately the middle of the test year. FPL is proposing to begin recovering the first-year revenue requirements when the Canaveral Modernization Project goes into service. FPL will request that its 2013 fuel cost recovery factors be reduced as of June 1, 2013 to best match recovery of the step increase with its associated fuel savings. This rate change synchronization is analogous to that used for each of the last several gas-fired combined cycle units the company has placed into service.

The Canaveral Step Increase will be limited to the revenue requirements associated with the Canaveral Modernization Project, and is based on the current forecast of the construction and other costs that are lower than the estimates that were projected as part of the need determination for the Canaveral Modernization Project in Docket No. 080246-EI. FPL expects that other cost increases and additional investment during the period following the in-service date of the modernization project will exert downward pressure on FPL's earnings, but it is not seeking a rate increase at this time to recover any of those other costs.

Q. Why is FPL requesting a step-up in June for Canaveral rather than including the 2013 portion of its revenue requirements in the Test Year?

A. The Canaveral Step Increase does a much better job of synchronizing base rate recovery for the Canaveral Modernization Project with the reduction in Fuel Clause factors resulting from its efficiency. Beyond the benefits of this synchronization, however, the Canaveral Step Increase also will avoid building in an under-recovery for the Canaveral project's revenue requirements.

Let me explain how this problem would arise if the Canaveral Modernization Project were included in the January 2013 Base Rate Increase. The 2013 revenue requirements for Canaveral are approximately $105 million, representing the first seven months of operation (i.e., June through December). If the Company were to receive only the 2013 portion of the annual revenue requirements for Canaveral it would begin to under-earn on Canaveral beginning in January 2014 and would be approximately $70 million under-earning on an annual basis thereafter.

Q. What is the impact on the projected ROE in 2013 due to the Canaveral Step Increase?

A. The Canaveral Step Increase is designed to preserve FPL's opportunity to earn its requested ROE of 11.50% over the first year after the Canaveral Modernization Project goes into service. Due to the pattern of sales, June 2013 through December 2013 contains slightly more than seven-twelfths of the sales for the full year, which is primarily responsible for the A-SUM Canaveral Step Increase schedule (refer to exhibit REB-1) showing slightly more revenues than are needed to cover the revenue requirements of the Canaveral Modernization Project for that seven-month period. That phenomenon reverses itself in the January to May period, however, when sales are slightly less than five-twelfths of a full year.

Q. Does this conclude your direct testimony?

A. Yes.

BY MR. BUTLER:

Q. Mr. Barrett, are you also sponsoring Exhibits REB-1 through REB-8 that are attached to your Direct Testimony?

A. Yes.

Q. Were those prepared under your direction or supervision?

A. Yes.

MR. BUTLER: Mr. Chairman, I would note that those have been marked for identification as Exhibits 140 through 147.

CHAIRMAN BRISÉ: Okay.

BY MR. BUTLER:

Q. And, Mr. Barrett, have you prepared a summary of your Direct Testimony?

A. I have.

Q. Would you please give it at this time.

A. Yes.

Good evening, Commissioners. Thank you for the opportunity to speak with you today. FPL has been operating under a settlement agreement since 2010 which has benefited customers by keeping base rates essentially flat for three years and maintain the lowest bills in the state.

As that agreement expires at the end of 2012, FPL requests a base revenue increase in 2013 of $691 million, almost 80 percent of which relates to the impact of two issues, surplus depreciation and the revenue requirement of the new Cape Canaveral Next Generation Energy Center expected to be in service in June of 2013.

My testimony in this case is focused on three fundamental issues; the reasonableness of the forecast for the 2013 test year and its reliability for setting base rates; the cost drivers behind FPL's rate request, and the necessity of a step increase for the recovery of the cost of Cape Canaveral.

First, the forecast used in preparing the MFRs in this case is reasonable for use by this Commission in setting FPL's rates. As the Vice-President of Finance for FPL, I oversee the development and the approval of the company's budgets. Our budgeting process is rigorous. It includes the input of subject experts in all major assumptions and is extensively reviewed prior to its approval by management. The company's forecast has a good track record of accuracy, and accordingly is very reliable for use by this Commission in setting rates in the 2013 test year.

Second, my testimony explains the major cost drivers of the company's request for an increase in base revenues of $691 million. As shown on Exhibit REB-6 on the board behind me on the left, from 2012 to 2013, the largest driver of the need for new revenues is the impact of surplus depreciation as ordered in the last rate case and implemented through the 2010 settlement agreement.

The increase in rate base resulting from surplus amortization, as well as the reduction in available surplus to amortize in 2013, represents $367 million, or about 70 percent of the $517 million general rate increase needed in January of 2013. This one item alone results in the deterioration of FPL's ROE from 11 percent in 2012 to less than 8.7 percent in 2013.

The Canaveral Plant, expected to come into service in mid-2013 and already approved by this Commission in a need determination, will require another $174 million. This year it is expected to provide more than $600 million in customer savings over its life.

My testimony also provides an explanation of the major drivers of the company's request for new revenues from 2010, the year base rates were last set, to 2013. This is summarized in Exhibit REB-7, on the right.

There are many factors or drivers that have increased our costs; among them are inflation, customer growth, the impact of surplus depreciation, and regulatory commitments. However, FPL has also taken action to reduce our need for new revenues which are identified in this waterfall chart as productivity improvements, and total $76 million.

Finally, my testimony explains why the company's request for the step increase of Cape Canaveral in mid-'13 is necessary and appropriate. FPL proposes that this step increase occur at the time the plant is placed into service to provide for the base revenue requirements for the first twelve months of its operation.

FPL further proposes that the step increase will coincide with the corresponding reduction in fuel adjustment factors, so the customers receive the proper price signals resulting from the Canaveral Modernization Project going into service. It also ensures that at the time of the step increase base rates properly reflect the full annual cost of operating the plant, mitigating the need for another increase beyond 2013 merely to complete the recovery of the annual revenue requirements of this plant.

Through the 2010 settlement agreement, FPL held customers' base rates flat over the last three years. Our customers today have rates that are 13 percent lower than they were in 2006, resulting in the lowest bills in the state. The increase FPL is now requesting will enable us to continue to provide that value to customers.

This concludes my summary.

MR. BUTLER: Thank you, Mr. Barrett.

I tender the witness for cross-examination.

CHAIRMAN BRISÉ: All right. Mr. Moyle with FIPUG.

MR. MOYLE: Thank you.

CROSS EXAMINATION

BY MR. MOYLE:

Q. Mr. Barrett, you have been here since the start of the proceedings, have you not?

A. Not physically here, but I have been watching as much as I could.

Q. Okay. I asked Mr. Silagy yesterday and used the MFR exhibit with him, whether it was his understanding if the CILC-1T Rate Class, a rate class that some of my clients are participating in, that as filed if the base rate increase would result in a 34 percent increase for them, and he kind of punted. Can you answer that question?

A. Can you refer me to the MFR schedule? It was an E Schedule, I just don't remember, is it 4A or something? And I actually have all the MFRs here, but E.

MR. BUTLER: Mr. Chairman, I believe that that was punted Ms. Deaton's way, but if Mr. Barrett can answer the question quickly, we'll do it.

MR. MOYLE: I think it's 13a.

THE WITNESS: E-13a?

MR. MOYLE: Right.

THE WITNESS: If I could have one provided to me. I don't have -- I don't sponsor the E Schedules, so I don't have them here with me.

MR. BUTLER: On that basis, I object to the question.

CHAIRMAN BRISÉ: Okay. The witness doesn't sponsor that.

MR. MOYLE: All right.

CHAIRMAN BRISÉ: And I think the company said Witness Deaton might be in a better position to answer that question.

MR. MOYLE: Okay. All right.

BY MR. MOYLE:

Q. You're responsible for kind of knowing the component parts of the ask, is that right?

A. Yes.

Q. Okay. And there were some questions earlier about West County 3 and how West County 3 is treated. It's approximately a $100 million item, is that right?

A. Actually it is $159 million in the test year, 2013.

Q. Okay. And with respect to your filing that you made, 516 without Canaveral, is that approximately right?

A. Yes.

Q. Okay. Is the revenue requirements of West County 3 built into that 516 number?

A. It's not in the 516 number, but if I have a moment to explain, hopefully, I can explain how it is incorporated.

Q. Okay.

A. Okay. The West County 3 unit under the current settlement agreement has been recovered under our capacity clause. I think Witness Ousdahl talked about that.

Now, the way we have recovered that is we have recovered the revenues from customers from the capacity clause, and then we have moved them over to base rates where all of the costs reside, all the revenue requirements. So the plant-in-service is in base rates, the O&M is in base rates, et cetera.

So let's use my example of $159 million, which is what is in the test year. There is $159 million of revenue requirements reflected in our total revenue requirements, which is over $4 billion, and there's $159 million of revenues reflected in base revenues. So it has no impact on the 516-1/2 million that we are seeking to increase revenues by, but all of its revenue requirements are incorporated in the total company revenue requirements.

Q. Okay. And so I guess it would follow, given your answer, that the billing determinants that are used to recover the requested 516 likewise don't pick up West County 3, is that right?

A. That's probably a question best directed to Ms. Deaton for the exact -- you know, how the tariff sheets were put together, you know, the individual rate class components. But all the revenue requirements are in our filing as are the revenues that we would collect, as well. So it has no impact on the 516.

MR. MOYLE: Okay. I have two exhibits that I would like to use with this witness, if I could, Mr. Chairman.

CHAIRMAN BRISÉ: Sure. I believe that we're on 519.

MR. MOYLE: That's one. Mr. Chairman, I think the Interrogatory Answer to Interrogatory Number 44 has not yet been marked. The second one I handed out was marked yesterday as 483, and I'm just for convenience sake redistributing it.

CHAIRMAN BRISÉ: Okay. Are there any Objections on 519, which would be the Interrogatory Number 44?

MR. BUTLER: No.

CHAIRMAN BRISÉ: Okay. All right. Seeing none.

(Exhibit Number 519 marked for identification.)

BY MR. MOYLE:

Q. Were you involved in -- it's the question on the interrogatory, it says regarding Barrett at 25:21 to 23, please provide a detailed explanation including computations explaining how, quote, in 2010 extreme weather almost completely offset the need to use surplus depreciation to earn a return on equity of 11 percent. Did you sponsor that?

A. Yes.

Q. And you say in your answer that weather in 2010 contributed to $182 million in revenues, is that right?

A. Yes.

Q. Okay. So that was to FPL's good. It was hot weather, and you made more than you were projecting, is that right?

A. Yes. The revenue that was -- yes, the revenue that was in excess of what we considered normal weather generated $182 million of additional revenue.

Q. And then so why did that reduce your need to take depreciation?

A. Well, as I explained in the answer, the calculation that we go through to determine how much surplus depreciation we need in order to hit 11 percent, which under the settlement agreement is the rate of return on equity that all parties agreed was fair and reasonable and anticipated that we would hit, we calculate what we need in order to get to 11 percent.

In 2010, we needed $4 million. And so my assertion here is that had weather been normal, we would have had $182 million less revenue, and, therefore, we would have needed to book $186 million of surplus to get to that same 11 percent.

Q. So what's normal weather?

A. I believe Dr. Morley talked about normal weather.

Q. Right. But you use it, too. You just used it in answer to the question.

A. Well, normal weather as we define it is the weather that we have experienced in terms of cooling degree days and heating degree days over the past 20 years.

Q. So if you have cooling degree days, do you have a formula or some kind of calculation where you make a judgment or a determination as to the degree of variance that distinguishes normal as compared to extreme?

A. I believe Dr. Morley is the best one able to answer that, maybe in rebuttal. Once we determine what normal is, any deviations up or down from that, it doesn't necessarily need to be extreme, but they are variances from normal.

Q. No, I understand, and I tried to ask Dr. Morley that in my direct, and I was met with an objection. So, you know, you're next in line.

A. Okay.

Q. I think you clearly use it in your testimony and also here, so I just want to understand how the difference between normal and extreme weather is calculated. Can you explain how the distinction between normal weather and extreme weather is determined or calculated, and just enlighten the Commission and me as to how that's done?

A. Well, if I can answer it in a couple of parts, and I will try not to stray outside of my expertise. But there is a 20-year average temperature, and we determine, you know, based on that temperature, when you go above that temperature by a certain amount it constitutes a degree day. For instance, and I'm just using this as a hypothetical, Mr. Moyle, if normal temperature were to be determined to be 72 degrees for a day, and then the average for that day was 73, that would be one cooling degree day in my hypothetical.

Similarly with heating degree days. If a normal winter day were to be determined to have an average temperature of 50 degrees, and we experience 49 degrees on average for that day, that would be a heating degree day. Again, hypothetically. Dr. Morley can take you through all of the rigors of how she calculates it, but it's a longstanding practice that we as a company have done and reported -- actually in our surveillance report, we make a pro forma adjustment to our operating revenues to reflect the impact of deviations from normal.

Q. Okay. And hopefully we'll be able to ask her some questions. But I am unclear and remain unclear, and I talked to Dr. Morley in her deposition about this topic, but with respect to any type of objective or concrete measurement that's used to define a normal weather period of time vis-a-vis an extreme weather period of time. There is no percent or other objective measure that can be used to distinguish from normal versus extreme as far as you know, correct?

A. If I could ask for a clarification. Are we really focused here on the definition of extreme or normal?

Q. Well, whatever definition -- I mean, it seems that there is only two things the way I understand your testimony. It's either normal, or it's not normal, or extreme, is that right? Are there other options?

A. Well, not normal doesn't, by definition, mean extreme. In the context of 2010, we experienced the coldest winter that we had in 60 years. Similarly, our summer was the coldest -- or, excuse me, the hottest sort of in our company records. That's where the notion of extreme comes from. I don't have a statistical definition for you, but coldest ever and hottest ever is what I felt at liberty to use the extreme on.

Q. Okay. But, again, my question was are you aware of any measurement, criterion, metric that can be used to distinguish between normal and extreme? I mean, you just said it's the coldest within 60 years. I assume that is not the barometer to stick with a weather analogy, the barometer that is used to distinguish between normal and extreme, is it --

A. No.

Q. -- a 60-year event?

A. No. We use a thermometer, not a barometer, and it is looking at the temperature, and we measure cooling degree days and heating degree days. And so we could look at the normal definition of heating degree days and cooling degree days in 2010 versus that experienced. I don't happen to have those figures.

Q. Okay. So you had just used in your hypothetical 95 degree, that you had, you know, 95 degree is your average. And then to the extent that it was hotter, say 98 degrees or 100 degrees, you know, you don't know whether that would then trigger extreme or abnormal situation, correct?

MR. BUTLER: I'm sorry, what do you mean by extreme or abnormal situation?

MR. MOYLE: With respect to the weather as to how it is characterized.

A. First of all, my hypothetical didn't use 95 as normal. If I could just clarify maybe we can --

Q. I wish you would.

A. Maybe we can get there quicker.

Q. Yes, that would be helpful.

A. What I'm suggesting is that the revenues that we experienced in 2010 we quantified to be $182 million attributable to sales that were due to temperatures being either above normal in the summertime or below normal in the wintertime.

We go through a calculation of cooling degree days, heating degree days, we attribute sales variances to that calculation, and then we multiply it by the base rates. We came up with $182 million. I took the liberty of calling it extreme. I thought $182 million is a pretty big number, and we knew that the temperatures in the winter and the summer were fairly extreme, and so that's why I used extreme.

The whole point of this was to say $182 million of revenues that we got because of weather. And because of that, we didn't have to use surplus amortization to hit our 11 percent. That's really what this is after.

Q. Okay. But you would agree, I mean, and more than a little passing interest in the weather is the decision as to whether something is booked because of normal weather, or abnormal weather, extreme weather, whatever you want to call it, does have a direct financial impact on the company, correct? I mean, you just said $182 million is a lot of money.

A. What matters in terms of the financial impact on the company is the sales that we make and the revenue that we collect because of that. This is merely trying to attribute how much of that was due to abnormal weather.

Q. But you don't do it in a way that, you know, like the National Weather Service or somebody does and say, well, we have had the hottest year on record. The average weather for this year compared to the last 20 years has increased by 3 degrees, therefore, a 10 percent increase, or something like that. You don't do it that way, correct?

A. Dr. Morley could take you through that calculation at whatever detail you'd like.

Q. Okay. Well, thanks for taking a stab at it.

You also are responsible for developing the cap-ex budget, is that right, capital expenditure budget?

A. Well, pretty much the whole company is responsible for developing the cap-ex budget, but it kind of rolls under my shop, yes.

Q. Okay. In the prehearing order in the positions, you don't need to go there unless you feel compelled to, but there is a statement on Page 9 toward the bottom that says to that end, from 2011 through 2013

FPL will have invested approximately 9 billion -- and 9 billion is footnoted -- in infrastructure or an average of approximately $3 billion annually.

Are you familiar with that?

A. Generally, yes.

Q. Okay. And it says in the footnote that approximately 3 billion of that figure is excluded from rate base, is that right?

A. I'm not looking at what you're looking at, so I don't know.

Q. Do you have information as to how much of that 9 billion was included in rate base?

A. I don't have the calculation in front of me. The exclusions would be for the major projects that earn AFUDC, for instance, or nuclear extended power uprate projects, which are clause recoverable, any other clause recoverable. Three billion is probably a rough number, but I don't have the calculations in front of me.

Q. Okay. But with respect to the capital expenditures for the test year, you're aware the test year was 2013, right?

A. Correct.

Q. The capital expenditure program for the test year is 2.3 billion, correct?

A. Correct.

Q. All right. And then the final questions I want to ask you about relate to what has been previously marked as Exhibit 483, and I handed that out. That's the FIPUG exhibit regarding cost of return on equity increase versus cost of debt. Do you have that?

A. 483?

Q. It has been previously marked as 483. It's not--

A. They don't come to me marked, so --

Q. Yes.

A. Okay.

Q. And I just want to ask you a couple of questions about this.

MR. McGLOTHLIN: Mr. Chairman, before we get too far down the road with the questions on this, I believe I do have an objection to the exhibit, per se, if you want to take that up now or later.

CHAIRMAN BRISÉ: Sure. Now would be the time to take it up.

MR. BUTLER: Well, let me just say before we get into objecting to the exhibit, this is something that I understand was deferred to Mr. Dewhurst, not Mr. Barrett. And regardless of whether the exhibit is objectionable or not, we would ask that these questions be directed to Mr. Dewhurst.

MR. MOYLE: I have just a couple of questions for him. I mean, he is the Vice-President of Finance, I think he could confirm a couple of numbers in here for me.

CHAIRMAN BRISÉ: Well, there is an objection.

MR. MOYLE: I'm getting hit on both sides.

MR. McGLOTHLIN: The first objection is there is an entry on here called interest rate difference between current credit rating and next highest rating. There is no indication of what ratings are contemplated, whether it is broad category to broad category or subcategories within one.

And there is a value there of 1 percent, and that's not something that has been established. It's an assumption for which there is -- no evidence has been offered. And then there is an entry that says extra annual cost to ratepayers of 1 percent on $3 billion in debt. There is an assumption there that the entire 3 billion cap-ex could be financed through debt. Again, there is evidence to support that assumption. So it's based upon on assumptions for which no evidence has been offered, and it's lacking in that regard.

CHAIRMAN BRISÉ: Okay.

MR. MOYLE: Can I respond?

MR. BUTLER: For once we agree with Mr.

McGlothlin.

(Laughter.)

CHAIRMAN BRISÉ: You may respond.

MR. MOYLE: Okay. So this document that I want to provide you, I mean, it may be demonstrative, maybe it comes in, but it has a number of key facts. And maybe not every -- maybe there is not one magical witness that can establish every one of these facts, and I have to do a piece here and a piece there, but ultimately I'm pretty comfortable that at the end of the day there will be evidence in the record that will address each of these points.

So I would like to talk to this witness about the cap-ex spend and have him just confirm the ROE number, because Mr. Silagy gave two different answers. I think he ultimately -- but this is the Vice-President of Finance for the company. I think I should be able to ask him a few questions about a couple of these items and have him say you're right or you're wrong.

CHAIRMAN BRISÉ: Okay. Can you ask these questions of Mr. Dewhurst?

MR. MOYLE: I guess I could; I don't know if he knows the answer to them. But, you know, I hate for me to ask them to Mr. Dewhurst and he says, no, you should have asked Mr. Barrett.

MR. LITCHFIELD: No, Mr. Dewhurst would be the right witness through which Mr. Moyle could attempt to establish the information here as factual. Whether he is successful or not remains to be seen, but Mr. Dewhurst would be the appropriate witness for Mr. Moyle to attempt that.

MR. MOYLE: Well, I just have to object. I mean, we're all trying to work cooperatively, but it's not really Power and Light's prerogative to tell me who I can ask my questions of. I mean, this guy, this witness, excuse me, is the Vice-President of Finance. He has just talked about all of this. His testimony is replete with financial information. You know, I think to use the, quote, unquote, due process argument, I ought to be able to ask him these questions and not have to wait for Mr. Dewhurst.

MR. YOUNG: Mr. Chairman, perhaps I can propose a solution. If Mr. Moyle would just ask -- instead of marking it, just for refreshing purposes, or just for the witness to look at, instead of trying to get it in, just ask the witness the question on the sheet.

MR. MOYLE: I would be happy with that.

MR. YOUNG: If the witness can answer the question, then we can move on. If he doesn't know the answer, then he can propose it to another witness.

MR. MOYLE: Fine by me.

CHAIRMAN BRISÉ: Okay. We can try it that way.

MR. MOYLE: Okay.

BY MR. MOYLE:

Q. Mr. Barrett, the ROE request and the revenue in your case, the difference from the 10 percent current midpoint to the 10.5 -- I'm sorry, the 10 percent current midpoint to the 11.5 amount that you have requested represents how much in terms of dollars?

A. Approximately $240 million.

Q. Okay. And your capital expenditure in the test year is not 3 billion. What is it?

A. It's about 2.4 billion.

Q. And would you agree that 1 percent on $3 billion is approximately $30 million?

MR. BUTLER: I would object here. Mr. Barrett just testified that the right number is about $2.4 billion, and he is going back to his exhibit with it showing a figure of 3 billion. If it's purely hypothetical, and I guess acknowledged as such, maybe that's one thing, but if it's supposed to be representative of something about the test year, he just established that the figure he wants to multiply times 1 percent, you know, isn't the right number.

MR. MOYLE: Fair point, and I will change my question.

BY MR. MOYLE:

Q. Would you agree that 1 percent on 2.4 billion is approximately 24 million?

A. Yes, I would agree that that's the math. I would disagree with the characterization of the 1 percent, because there is really no evidence in the record to suggest that that is the interest rate difference between current credit rating and the next highest rating. So I don't want my attribution of the accuracy of the math to imply that I agree with your characterization of the math.

Q. Did you read Mr. Avera's deposition transcript?

A. I did not.

Q. Okay. So you don't know whether Mr. Avera and I had this conversation?

A. I do not.

Q. Okay. And then I guess the final point, again, is just mathematical, but if the ROE increase went from 10 to 11, that's approximately 160 million, is that right?

A. Yes.

MR. MOYLE: Okay. Well, thank you for your indulgence in allowing me to ask these questions. And I will probably have this exhibit, again, with some other witnesses. Thank you.

CHAIRMAN BRISÉ: All right. Thank you, Mr. Moyle.

South Florida Hospital Association, Mr. Wiseman.

MR. WISEMAN: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MR. WISEMAN:

Q. Good evening, Mr. Barrett.

A. Good evening.

Q. Mr. Barrett, just to put the questions I'm going to ask you in context, which I think would help move things along, what I want to do is focus on the process by which FPL developed its MFRs and the process by which you developed the proposed rates for each rate schedule, okay?

A. Okay.

Q. All right. Now can you refer to your Exhibit REB-3, Page 1 of 2.

MR. McGLOTHLIN: Reference again, please, sir.

MR. WISEMAN: REB-3, the first page.

THE WITNESS: Okay.

BY MR. WISEMAN:

Q. All right. And that's a diagram, correct, that's what you have?

A. Yes.

Q. Okay. Now, is it correct that this diagram shows that FPL begins producing forecasts on items identified in these five rectangular boxes up at the top of the diagram?

A. I would say they are at the beginning of the process, along with maybe the supplemental forecast feeders on the left side. All the things that kind of come together across the top and into the sides are pretty much done about the same time.

Q. Okay. Fair enough. And with respect to those forecasts that you just referred to, those are all done by different FPL business units, is that right?

A. Yes.

Q. All right. And were you here while I cross-examined Dr. Morley yesterday?

A. I heard part of it.

Q. Do you recall she testified about performing or conducting forecasts for sales net earned energy for load and peak demand, right?

A. Correct.

Q. Okay. And that is that first rectangular box on the left up at the top right?

A. Right.

Q. Okay. So all of these forecasts, the rectangular boxes up at the top and the ones that are over on the left side of the diagram, those feed as inputs into the Consolidated Financial Model, is that right?

A. With the exception of the peak demand. It really kind of feeds the revenue forecast, which then comes into the Consolidated Financial Model. The CFM basically takes the sales, the revenues by revenue class, that sort of thing.

Q. All right. And so those are inputs to the Consolidated Financial Model, right?

A. Yes.

Q. Okay. Now, is it correct then that the next step in the process is that the Consolidated Financial Model produces balance sheet and income statement detail at a level that's necessary for development of jurisdictional separation and your class cost of service study?

A. A lot of that is done within the regulatory information system, but the Consolidated Financial Model produces a system per books, if you will, balance sheet income statement, and it passes information to the regulatory information system that also gets information from our general ledger that allows it to get down to the level of detail necessary to do jurisdictional separation over in the cost of service study.

Q. Right. So just trying to follow the flow --

A. Uh-huh.

Q. -- the data from these forecasts are input into the Consolidated Financial Model, then that financial model produces an income statement and a balance sheet statement, and then that information goes into the regulatory information system, which then produces the -- actually produces certain adjustments, I believe, which then are used to develop the class cost of service study, right?

A. Yes. It passes that over to the cost of service system. You will see that on the bottom left. And you can talk to Mr. Ender about that system, and then ultimately it comes back into the risk system for production of MFRs.

Q. Okay.

A. We have automated a number of MFRs, and that's where it comes out.

Q. All right. Well, would you agree that the Consolidated Financial Model is a critical element in the development of your filing in this case?

A. Yes.

Q. Would you agree that the accuracy of your balance sheet and income statement is tied directly to the accuracy of the Consolidated Financial Model?

A. To a certain extent. I guess the Consolidated Financial Model itself takes the inputs that are provided by the business, and as you suggested and I agreed, produces the balance sheet and income statement that then gets passed on down the line. So from that perspective, yes, it's important that it be able to put it together correctly.

Q. Okay. And you would agree, then, that as a result your entire filing in this case is based upon and is reliant upon the accuracy of the Consolidated Financial Model, right?

A. No, I wouldn't agree with that. I think the accuracy of our case is based upon our MFR filings, which have been -- were filed back in March and have been the subject of much discovery. So I think it's the MFR filings that kind of are the subject of, you know, the company's request.

Q. But they are indirectly a product of the Consolidated Financial Model, right? I mean, they are produced based upon data that they get through the Consolidated Financial Model.

A. The Consolidated Financial Model, again, consolidates all this information that comes in from the business, produces the balance sheet and income statement, and the output that gets input into MFRs is validated by the sponsoring witnesses. So I wouldn't say the CFM, Consolidated Financial Model, in of itself that is as critical as the MFR filing that we have made.

Q. But nonetheless, if the Consolidated Financial Model produces inaccurate results, that would affect the MFRs, wouldn't it?

A. No.

Q. So what role -- okay. Well, then explain if the Consolidated Financial Model produces errors, are you suggesting that that has no impact on the downstream data that are produced by the regulatory information system?

A. I'm suggesting that -- no, I'm suggesting that the Consolidated Financial Model output is not taken off the printer and filed. It goes through substantial review and checking by the sponsoring witnesses to make sure that it's accurate.

If there were to be errors that were found in the calculations, then we would have -- we would correct those. Depending on what they were, we would make corrections in those MFRs before we filed them. Things that were -- you know, things that we catch we will correct and we will file the MFRs. So I just kind of dismiss the characterization that it's the CFM that is dispositive of the accuracy of the forecast.

Q. Well, tell me something, is there a -- first of all, the CFM, or Consolidated Financial Model, that is not a product that is developed by FPL, right?

A. I didn't hear the last.

Q. I'm sorry. That's not a product that is developed by FPL, correct?

A. Correct. It is a model developed by the Utilities International.

Q. Right. And Utilities International, Inc., it is not affiliated with FPL, is it?

A. Correct.

Q. Okay. Would I be correct that you haven't sponsored a witness, you meaning FPL, hasn't sponsored a witness in this case from Utilities International, Inc. to testify about how the Consolidated Financial Model works?

A. That's correct.

MR. WISEMAN: All right. If I could now have marked for identification as the next exhibit in order an interrogatory response.

CHAIRMAN BRISÉ: Sure. For identification purposes that would be 520. Are there any objections to this document?

MR. BUTLER: No objection.

CHAIRMAN BRISÉ: Okay.

(Exhibit Number 520 marked for identification.)

BY MR. WISEMAN:

Q. Mr. Barrett, first of all, would you agree that the answer to this interrogatory was prepared by you or under your supervision?

A. Yes.

Q. Okay. Now, in this interrogatory SFHHA asked FPL for a copy of the Consolidated Financial Model in native format, right?

A. Yes.

Q. Okay. Let's go through -- if we could go through the answer sort of piece by piece to see what would have been entailed in SFHHA getting access to the model. Am I correct that, first, SFHHA would have had to get a license from Utility's International, Inc., right?

A. Correct.

Q. And, second, SFHHA would have had the software loaded onto its hardware, right?

A. Correct.

months later, right?

A. Yes.

Q. Okay. So you would agree that as a practical matter there was absolutely no way that an intervenor in this case could get a working model of the Consolidated Financial Model in time for this hearing, right?

A. Not necessarily. Again, these were estimates. Your staff might have been quicker than six to eight months to get up to speed on this.

MR. WISEMAN: I have no further questions. Thank you, Mr. Barrett.

CHAIRMAN BRISÉ: Thank you.

FEA.

CAPTAIN MILLER: No questions from FEA.

CHAIRMAN BRISÉ: Okay. The Office of Public Counsel, Mr. McGlothlin.

CROSS EXAMINATION

BY MR. McGLOTHLIN:

Q. Hello, Mr. Barrett.

A. Hi, Mr. McGlothlin.

Q. Mr. Barrett, you are not the witness who is sponsoring billing determinants, are you?

A. No, sir.

Q. And you referred a question on that subject to another witness, did you not?

months later, right?

A. Yes.

Q. Okay. So you would agree that as a practical matter there was absolutely no way that an intervenor in this case could get a working model of the Consolidated Financial Model in time for this hearing, right?

A. Not necessarily. Again, these were estimates. Your staff might have been quicker than six to eight months to get up to speed on this.

MR. WISEMAN: I have no further questions. Thank you, Mr. Barrett.

CHAIRMAN BRISÉ: Thank you.

FEA.

LT. COL. PIKE: No questions from FEA.

CHAIRMAN BRISÉ: Okay. The Office of Public Counsel, Mr. McGlothlin.

CROSS EXAMINATION

BY MR. McGLOTHLIN:

Q. Hello, Mr. Barrett.

A. Hi, Mr. McGlothlin.

Q. Mr. Barrett, you are not the witness who is sponsoring billing determinants, are you?

A. No, sir.

Q. And you referred a question on that subject to another witness, did you not?

A. Yes. I believe it was Witness Deaton.

Q. And that's because you are not familiar with the details of how those billing determinants were derived and calculated?

A. Primarily because I'm not sponsoring those MFRs, yes.

Q. But you did refer to the $516.5 million amount which is being requested in this case, correct?

A. Yes.

Q. And if I understand it correctly, the way that is calculated is this; you know what the existing base rates generate in terms of overall revenues, you calculate the amount of revenues that you believe should be generated by base rates, and the difference, if the latter is higher than what you are currently receiving, the difference is the revenue deficiency, correct?

A. That is generally correct. I guess I would refer you to MFR A-1, which actually details the calculation. In essence, it is what you describe, but the calculation is laid out there in MFR A-1.

Q. All right. And then base rates are developed that are designed to generate the full amount that has been identified as the cost of service, correct?

A. That's my understanding. But, again, Witness Deaton would be the best one to tell you how the rates are determined.

Q. Okay. And in this case, the total cost of service that the company has identified exceeds the amount generated by current base rates by $516.5 million?

A. That's my understanding, yes.

Q. And that includes such inputs as the requested 11.5 percent return on equity?

A. Yes.

Q. I'll have you turn to Page 7 of your direct testimony, and beginning at the top of Page 7 you talk about the primary drivers of the change in revenue requirements. Do you see those several lines?

A. Yes, sir.

Q. And as you described the difference in the weighted cost of capital, you are referring, are you not, to the 11.5 percent return on equity that FPL is requesting in this case?

A. That's one component of the cost of capital.

Q. Yes. And the lower the assumed return on equity there, then the lower the required revenue requirements and the less significant the driver, correct?

A. Yes, that would be the math.

Q. At Page 7, Line 20, you say the company is requesting a Canaveral step increase of $173.9 million, correct?

A. Yes, sir.

Q. And, again, an input to that calculation is the request for an ROE of 11.5 percent, am I right?

A. Yes, sir.

Q. Look at Page 17, Line 19. Well, a preliminary question. Several times in your testimony you used this phrase, from 2010 through 2013, the time period that is being measured there?

A. Yes.

Q. And I read that to mean a period of three years, am I right?

A. Correct. It's '11, '12, and '13.

Q. In your testimony you refer to the impact of inflation, and I think you say that during the period from 2010 through 2013 it amounted to 7.2 percent?

A. Yes, that is the cumulative impact of the change in the CPI for those three years.

Q. And you can check my math, but on an average basis that translates to 2.4 percent annual inflation, correct?

A. Yes. This would be a compound effect, but that's if you just divide 7.2 by 3.

Q. And then you also say that one of the drivers is the increase in service accounts, correct?

A. What was the last part again?

Q. Increase in number of service accounts?

A. New service accounts, yes. I believe I called that the growth driver, system growth.

Q. The growth driver?

A. Uh-huh.

Q. And that amounts to 100,000 new service accounts during the same three-year period?

A. Yes.

Q. And I have seen the number 4.6 million total service accounts in other testimony. Does that sound about right?

A. I think of the 4.6 million number as total customers, as distinguished from a new service account, which Dr. Morley indicated was a new premise. So they are slightly different concepts, but we have got 4.6 million average customers.

Q. Okay. So that may not be the same as the number of service accounts?

A. Again, a service account in the context of the 100,000 is setting a meter in a new premise.

Q. I see. Was the $4.6 million -- excuse me, not dollar -- 4.6 million customer approximately the same as the number of service accounts?

A. Could you repeat that?
Q. Yes. I'm trying to understand the significance of the distinction you're making between number of customers and number of service accounts.
A. The number of customers is 4.6 million.
Q. Okay.
A. A new service account is a component in determining the number of new customers. So a new customer could move into an existing premise, in which case they would be a new customer, but they wouldn't be a new service account.
Q. Okay. How many existing service accounts do you have?
A. Well, all customers are service accounts.
Q. Okay. Well, then I think that satisfies what I'm looking for here.
A. Okay.
Q. Would you agree that assuming the 4.6 million service accounts existing, would you agree that growth of 100,0000 represents about a 2 percent increase?
A. Yes.
Q. And that's for a three-year period, correct?
A. Again, I want to caution us that new service accounts are not the same as customers, but a three-year period new service accounts represent 100,000 new

premises that we estimate will be added to the system.

Q. Okay. And in terms of the total number of customers over that three-year period, if you divide the 2 percent by the three years, that's about 0.7 percent annually?

A. Again, the 100,000 that we just calculated was new service accounts and that was about 2 percent a year.

Q. And over --

A. Or about 2 percent over the three-years, yes. So about .7 per year. And that's roughly what the customer growth is. A little bit more than that in 2013, I believe.

Q. And that is your growth driver, correct?

A. The new service accounts really is -- it's a combination of new service accounts and --

Q. If you would answer yes or no first.

A. I'm sorry. Sort of yes. The new service accounts --

Q. That's not bad.

(Laughter.)

A. I'm trying to help you here. The growth driver tries to take into account all the cost to the system of adding growth, which could be either a new service where we have a new premise we're setting a meter in, so there will be the cost of running infrastructure to that new premise. But customer growth where a customer moves into an existing premise that maybe has been vacant for sometime will also put pressure on the system in terms of customer service, because now they have another customer that needs to be handled. So it's a combination of those things.

Q. You have already answered one question about the manner in which FPL is amortizing the amount of depreciation reserve surplus that the Commission ordered it to amortize over a particular period of time. And earlier in the case FPL estimated that it intended to amortize $526 million in 2012. Since then there have been at least -- there has been at least one update to that in which the 526 million was reduced by some $20 million.

A. What was that last figure?

Q. It was reduced by about $20 million, if I'm remembering correctly. And that happened in June. Do you have any additional information that bears on the current projection for 2012?

A. I think that around 500 million is still roughly accurate. The July forecast was being put together as I was getting prepared to come up here, so I believe about 500 million is -- I think in my deposition we used a figure of 506.

However, as I said in my deposition, we have still got a lot of the year left, and I'm kind of concerned now about how much revenue we might lose if this storm hits us. So I think that the 526 number that is in testimony is still a reasonable estimate for what we expect to have to use this year with all the uncertainty of the next five months.

Q. Well, given that there is uncertainty in all directions, the current estimate is about 500 million, correct?

A. 506 was the number that I used in my deposition, yes, sir.

Q. Now, if you will turn to Page 26, and I will, too. Beginning at Line 9, you say that as the depreciation surplus is reversed that has the effect of increasing rate base as those dollars are restored to rate base, is that correct?

A. That's correct.

Q. Now, would you agree with me that this is the effect of reversing the amount of reserve, whether the reversal was the initiative of, for instance, OPC, or whether it was the initiative of the utility, the effect would be to -- anytime you reverse a reserve the effect is to increase rate base?

A. Yes, I would agree that the accounting for it results in an increase in rate base. When we book this essentially negative depreciation, it has the effect of increasing rate base. And, in fact, that is, you know, one of the drivers for us having a need for a new revenue increase.

Q. Yes, and that driver relates not only to the 2010 order, but any programs of reversing those reserve amounts that might have occurred in prior years, correct?

A. I don't understand the prior years comment part of that.

MR. McGLOTHLIN: If that's the case, I will withdraw the question. No further questions.

CHAIRMAN BRISÉ: Thank you, Mr. McGlothlin.

Mr. LaVia.

MR. LaVIA: Just a brief line of questions, Mr. Chairman.

CROSS EXAMINATION

BY MR. LaVIA:

Q. Good evening.

A. Good evening.

Q. John LaVia on behalf of the Florida Retail Federation. Mr. Barrett, do you recall discussing the extreme weather event of 2010 with Mr. Moyle and your response to Interrogatory Number 44?

A. Yes.

Q. I believe it is Exhibit 519.

A. Yes, although I wouldn't characterize it as a weather event, per se, because there was --

Q. Extreme weather.

A. -- extreme weather during the whole year, basically. Yes.

Q. Let me ask you a hypothetical question. Let's say for the next -- starting in 2013 going forward we have three similarly extreme years. Use your number of roughly $180 million. What would that do to FPL's revenues?

A. It would increase our revenues. Similarly, if we had weather that was below normal in the same amount, it would reduce our revenues.

Q. And what would -- assuming the extreme weather, what would it do to return on equity?

A. Well, all else being equal --

Q. All else being equal.

A. -- it would increase the return on equity. But likely with additional revenues, if it is due to weather, there is going to be additional cost, as well. I know that when -- and maybe you can address this with some of the operating witnesses, but I know that when you have extreme weather, a lot of times equipment is very stressed and it needs to be replaced, or repaired, and that sort of thing. So, you know, it's easy to deal in the hypotheticals, and I understand --

MR. LaVIA: I understand, and I gave you a little latitude in answering. Thank you, Mr. Chairman.

CHAIRMAN BRISÉ: Thank you, Mr. LaVia.

Mr. Saporito.

MR. SAPORITO: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MR. SAPORITO:

Q. Good afternoon, sir. My name is Thomas Saporito. I'm here pro se. I'm just going to be very brief. When the representative for OPC probed you briefly on Page 6 of your prefiled testimony, and specifically Line 9 through 23, and then continuing on to the next page, Page 7, Line 1 and 2, you talk about inflationary pressures, is that correct?

A. Yes, sir.

Q. And then on Page 7, Lines 1 and 2, one of the primary drivers of change in revenue requirements, you talk about the impact of inflation, is that correct?

A. Yes, sir.

Q. Were you aware that on August 15th, 2012, that the United States Department of Labor Statistics issued a news release that stated a 12-month change in the index for all items was 1.4 percent in July, and that was actually lower from the previous readings. In your opinion, how would that impact this rate case if inflation is going lower?

MR. BUTLER: I'm going to object to the question as assuming facts not in evidence. I don't know where he got the numbers he just cited.

CHAIRMAN BRISÉ: Okay. I'm going to agree. Maybe you can restate the question in a more general way.

MR. SAPORITO: Okay.

BY MR. SAPORITO:

Q. If inflation is, in fact, being reported lower by the United States government, how does that impact this rate case, in your opinion?

MR. BUTLER: Well, it's the in fact part again. He is assuming facts not in evidence. If he has got something he wants to show the witness, that would be fine.

MR. YOUNG: Mr. Chairman, perhaps I can make a suggestion. If Mr. Saporito would pose the question, if inflation, and then move forward with the rest of his remaining question.

CHAIRMAN BRISÉ: I gave Mr. Saporito the option to make it more general, and that was the idea behind saying in a more general way.

BY MR. SAPORITO:

Q. Generally speaking, sir, if the United States government reported that inflation was actually dropping, how would that impact on your rate case?

A. I can't specifically say that it would have any impact, just based on how the U.S. government were reporting inflation. We would need to take a look at the impact of the goods and services that we buy and the contracts that we already have in place that may have locked in escalation or whatever terms they may have. Particularly for some of the large project, you know, they are under contracts with, you know, equipment vendors and such. So I can't unequivocally say what impact it might have.

MR. SAPORITO: All right. Thank you. That's all I have, Mr. Chairman.

CHAIRMAN BRISÉ: Thank you, Mr. Saporito.

Mr. Hendricks.

CROSS EXAMINATION

BY MR. HENDRICKS:

Q. I just had a couple of hopefully brief questions. First of all, if you'd take a look at Page 8 of your prefiled testimony. You refer there to the Cape

Canaveral Modernization Project savings $600 million, is that correct?

A. Yes, sir.

Q. Could you give me a little explanation of how that was calculated? I had some conversation with Mr. Silagy about it, but it was more general.

A. Right. Well, in essence, what we do is we have big models, dispatch models that take into account how we run the fleet, and we will run those models out over the life of these projects. And so essentially what we did is we r**an** it with and without Cape Canaveral, and using the old Canaveral plants as in the kind of status quo case, if you will, and then compared that to a case that had the Cape Canaveral Modernized Unit in it. And then also threw into that all the capital costs and operating costs of that unit.

So when you compare these two cases, we came up with slightly north of $600 million as the lower cost of running the system with the new unit versus having kept the old 1960's vintage plants running.

Q. So that would have included the cost of building the plant?

A. Absolutely.

Q. And all of the operating and fuel costs and everything that would be included in that?

A. Right. Let me put some context around that $600 million number. When we talk about the economics of an expansion plan or a new unit like that, we are talking in terms of cumulative present value of revenue requirements. So, in essence, it takes into account all of the cost to build the plant, all of the cost to operate the plant in the case that has the plant.

So when we say more than $600 million in savings, that's after we have paid for the plant and in today's dollars.

Q. And that is cumulative PV at current dollars?

A. Yes, sir.

Q. Okay. That's helpful. Does it take into account the fact that some units would be retired or replaced? Because I guess you're taking something out. That probably has not been totally depreciated, or it has. Does that play into this calculation or not?

A. It does play into the calculation. I mean, we have the Cape Canaveral units that were pretty much towards the end of their life, the old units, and almost fully depreciated.

Q. Okay. So that is the reason you didn't get much benefit from removing them, because they were already depreciated?

A. Pretty much, yes.

Q. Okay. Could you help me a little bit with reconciling the two charts you have up here on the front. I guess that's Exhibits 6 and 7. Obviously there are different time periods.

A. Correct.

Q. Because you're talking about 2010 to 2013 in one and 2012 to 2013 in the other, and one of them includes Cape Canaveral and the other one doesn't. Are those the only differences in terms of the conditions we should understand to understand those charts?

A. Yes. If I could step up to the charts to kind of point out some bars?

CHAIRMAN BRISÉ: There is a cordless mike.

THE WITNESS: So let me talk about this one on the left first, if I may. This is a view from 2012 to 2013. So as we have talked about in 2012, we expect to earn 11 percent ROE, and so this kind of has that as a perspective.

The first bar here you see is this surplus depreciation of $367 million being, quite frankly, you know, by far the largest driver of the 517. This represents going from using 526 million of surplus depreciation in 2012 to 191 in 2013, which is a difference of $335 million.

Now there is also, as we have discussed

before, a rate base impact as well of another $32 million. So when you add those two pieces together it's this $360 million. So, in essence, you know, absent anything else, our revenue requirements are going up $367 million due to surplus.

This next bar is going from an 11 percent to an 11.5 percent, and we have talked about the impact of ROE before. This is 50 basis points, about $80 million. And then when you kind of look at all the other moving parts, revenue going up, costs going up, the net of all that is 70 million, which gives us the 517 million January requested increase.

And then we have layered in the 174 for Cape Canaveral coming in and expected to be June 1st of the year. So that is a 2012 to 2013 view. Now, what I also did is I looked at a 2010 to 2013 view. And the reason I did that as well is because 2010 is the last time rates were set. So that's why the two different time periods.

So we start with inflation. So we have talked a little bit about the 7.2 percent. So when you inflate our costs, both O&M and capital for that level of inflation, it adds $162 million of costs.

Difference in weighted average cost of capital. We have talked about the ROE impact and how that is about $240 million, but the overall cost of capital is only going up 122, about half of that, in large part because we have a lot more deferred taxes in 2013 than we did in 2010. And they are zero cost of capital, so the impact of our cost of capital is only $120 million.

And then we move into a series of other drivers that I lay out in my testimony; investing in our infrastructure, surplus depreciation. Now, it's a different number here, okay, because this is looking at it in 2010. When rates were set, the Commission set our surplus depreciation amortization at $224 million. We have $191 million in the test year. So that's thirty-some-odd million dollars of increased costs because we have less accrual.

However, since 2010, we will have added almost $800 million of rate base. So the vast majority of this 104 is just the cost of carrying that extra rate base in 2013. And then as we move across --

MR. MOYLE: Mr. Chairman, this is a lot like additional testimony to the record that is already in there. He's getting into a lot of things. I know there has been objections or points raised about asking discovery questions. I mean, this is going on and on. I guess I would --

CHAIRMAN BRISÉ: Understood. But, you know, as we --

MR. HENDRICKS: I thought it was quite legitimate, John, to ask him to explain the charts that he has put up here. They were rather confusing.

CHAIRMAN BRISÉ: Mr. Moyle, I have generally allowed the person who asks the questions to sort of limit what the person answering the question -- what limits they want to set on what they want to hear. And the person who asked the question I think is relatively satisfied with the response that they're getting, so --

MR. HENDRICKS: I think he is --

THE WITNESS: I will try to be quicker.

MR. BUTLER: I would also note he only has about two or three bars to go.

(Laughter.)

MR. HENDRICKS: I think it's a little late.

THE WITNESS: So, again, the growth we talked about; the NSAs, Mr. McGlothlin asked me about that. We have estimated that adds about $65 million of costs.

Regulatory commitments. A lot of that has to do with the capital we are investing in storm secure and storm hardening and that sort of thing that the Commission has agreed with us is important for customers.

I do want to draw your attention to this productivity improvement bar. When you take all these other cost drivers into account, were it not for some of the productivity measures that we have put in place that you have heard testimony from some of our operating witnesses, particularly, we have been able to find at least $76 million of cost savings to limit the increase to 517.

And I will tell you just as a matter of having put this together, this is meant to be illustrative of reasonable drivers of our rate increase. We have actually come up with more than 76, but I had to balance out to the 517, so I'm only taking credit for $76 million worth of productivity improvements.

MR. HENDRICKS: Okay. I think that's enough. Thank you.

CHAIRMAN BRISÉ: Any further questions, Mr. Hendricks?

MR. HENDRICKS: No, that's it. Thank you.

CHAIRMAN BRISÉ: Sure?

MR. HENDRICKS: Yes, I'm sure.

CHAIRMAN BRISÉ: All right. Staff.

MR. YOUNG: Yes, sir. May staff approach the witness?

CHAIRMAN BRISÉ: Sure.

THE WITNESS: Depending on what you're going to do.

MR. YOUNG: Nothing but good intentions.

Mr. Chairman, for a point of information, what staff is handing out are two -- is an exhibit to the deposition transcript that Mr. Barrett took, and it is marked as for identification purposes under the Comprehensive Exhibit List as 109. Also the errata sheet to that deposition.

I think I have -- staff would -- I have spoken to most of the parties, and I have gotten an agreement that this deposition and the errata sheet can be moved into the record in lieu of some of staff's cross.

CHAIRMAN BRISÉ: We are at 521.

MR. YOUNG: It's marked as 109, Deposition Exhibit and the errata. And similar to what Ms. Klancke did, we can just add it as an addendum to 109 instead of giving it its own exhibit number.

CHAIRMAN BRISÉ: Okay. Any objections to this document?

MR. BUTLER: No objection from FPL.

CHAIRMAN BRISÉ: Okay. Has everyone got a chance to look at it?

Any objections? Okay. I'm seeing none. Go right ahead.

MR. YOUNG: All right. And just a quick clarifying question, couple of questions.

CROSS EXAMINATION

BY MR. YOUNG:

Q. Mr. Barrett, you are the witness testifying on Issue 186, correct?

A. Yes.

Q. And that issue states what is the appropriate effective date for FPL's revised rates and charges prior to a base rate staff adjustment, if any, associated with the Cape Canaveral Modernization Project, correct?

A. Yes, sir.

Q. In that, FPL's position states that the appropriate effective date for the revised base rate charges prior to the Cape Canaveral Modernization Project is January 2nd, 2013, correct?

A. Correct.

Q. Can you explain -- I'm trying to basically clarify. Does this mean that the revised rates and charges resulting from this proceeding will go into effect in the first billing cycle of January 2013?

A. Yes, sir, which happens to be January 2nd.

Q. January 2nd. Okay. So customers whose meters are read on January 2nd, will the bill be for December usage under the new rates, or under the old rates?

A. It's my understanding that the rates would be applicable for the meters that are read -- from January 2nd on would be at the new rates.

MR. YOUNG: Okay. No further questions.

CHAIRMAN BRISÉ: All right. Commissioners?

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman. I have a few questions for this witness.

You stated earlier, and it has to do with the treatment of West County Energy Center Number 3, and I want to make sure I heard you correctly. So the question is if you remove the revenue requirements of West County 3 from the base rate increase you're requesting and back into the clause, you indicated that you would not reduce the $517 million? I thought I heard you say that. I'd just like you to clarify that.

THE WITNESS: And I know it's a confusing issue even for me, so let me try to explain it. And I think that Witness Deaton will be able to explain it in great detail. She probably just cringed at that.

The 159 million that represents the revenue requirement for West County 3 is in our filing considered to be both in our total revenue requirements and in our base revenues under current rates, such that it has no impact on the 517. It's assumed to already be recovered.

So if you were to move it from the base back into the clause, then I guess you would move both pieces. And so it doesn't affect the 517, but it affects the rates that would be in place effective January 2nd. So it's not going to be recovered in both places. It's either going to be in capacity clause or in the base.

COMMISSIONER BALBIS: Okay. So the 517 in additional revenue requirements --

THE WITNESS: Yes.

COMMISSIONER BALBIS: -- includes the revenue requirement for West County 3 either in the clause or in the base rates?

THE WITNESS: Yes. I guess the best way I could explain it is our base rate filing has the revenue requirements for West County accounted for and revenues to match it. So it has not impacted the 517. If you were to put West County back in the clause we still need 517, because it's not driving the 517.

COMMISSIONER BALBIS: I'm struggling with that concept, and hopefully the next witness will explain it better.

THE WITNESS: I'm sorry.

COMMISSIONER BALBIS: And I'm not an

accountant, so, you know, I apologize for that. And that's why I rely on our professional staff to provide that type of advice. I know when I ran a utility, I was in my finance director's office every day because of issues just like this.

THE WITNESS: I apologize. I should be able to explain it better.

COMMISSIONER BALBIS: Okay. The other question has to do with the accelerated amortization of the surplus depreciation. And if this Commission did not allow FPL to accelerate that amortization, with the rates that were in place in the 2009 rate proceeding, would FPL have overearned or underearned without that flexibility?

THE WITNESS: Let me make sure I understand your question. The 2009 rate case had a certain -- the order from that rate case ordered us to take the 895 over four years. That was then superseded with the settlement agreement. So are you talking about --

COMMISSIONER BALBIS: Well, we can talk about the settlement agreement. That's fine, either one. So the settlement agreement, if you were not able to accelerate the amortization and take that out, just assume that you amortized that throughout the life of your other assets like we normally do --

THE WITNESS: Uh-huh.

COMMISSIONER BALBIS: -- would FPL -- would they, or would you have been at risk of overearning or underearning?

THE WITNESS: Underearning.

COMMISSIONER BALBIS: Underearning. In the 2010 settlement agreement we authorized an ROE midpoint of 10 percent, correct?

THE WITNESS: That was the midpoint, yes.

COMMISSIONER BALBIS: Okay. So you accelerated the amortization to hit the 11 percent. Would you have more remaining in the surplus account if you would have accelerated it to hit the 9 percent, or the 10 percent versus the 11?

THE WITNESS: Let me see if I can lay this out. Going to the 11 percent used surplus amortization as a negative expense.

COMMISSIONER BALBIS: Would you have used more if you would have had hit the 9 percent?

THE WITNESS: We would have used less to hit 9 percent. We wouldn't have needed as much surplus to hit 9 percent. The surplus increase gives us the ability to increase our earnings.

COMMISSIONER BALBIS: No, I understand. I'm just trying to -- FPL made the decision to hit the 11 percent. And would there be more than 191 million remaining if you would have hit the 9 percent, which was authorized by the 2010 settlement?

THE WITNESS: Yes. However, in entering into the settlement agreement, all parties acknowledged that 11 percent was likely to be our target to hit, and that's why there was substantial negotiations around how much we could use during the three-year period.

And so it was everyone's intention and acknowledgment that we would be hitting 11 percent and using surplus to get there. I might add, had we not entered into the settlement agreement, just following the Commission's order of 224 million a year would have used about the same amount of surplus as our flexible use of amortization.

You remember from the chart on my right over here, the 191 that we have left over in 2013 is compared to the 224 that would have been there had we done it straight line over four years. So during the settlement period we used about the same amount. It just allowed us to use it as we needed to get to 11 percent. Does that --

COMMISSIONER BALBIS: Yes, that explains it. And, again, I'm focusing a lot on that because according to your charts, you know, that surplus depreciation plays a very important role in the overall revenue requirements. I want to make sure that I understand it, and I think another witness indicated it was an unusual use of the surplus depreciation. So that's why I look forward to staff's thorough evaluation of the briefs and a recommendation on it, since it is such an important part, especially with the flexibility to go from 9 to 11 percent. But I understand what you did.

So thank you. That's all I had.

CHAIRMAN BRISÉ: Thank you. Commissioners, any further questions?

Okay. Seeing none, redirect.

MR. BUTLER: Thank you, Mr. Chairman.

REDIRECT EXAMINATION

BY MR. BUTLER:

Q. Mr. Barrett, staying on the theme of reserve surplus amortization, FPL is projecting to have $191 million of reserve surplus left to amortize in 2013, is that right?

A. Yes, sir.

Q. Okay. What happens in 2014?

A. We don't have any surplus amortization to reverse, and so we have a $191 million hole.

Q. You were asked some questions about the rate impact and effects of weather. Do you know what is normally done by this Commission in setting base rates, do they assume normal weather or something other than that?

A. Well, to my knowledge and to Dr. Morley's testimony, this Commission always uses normal weather in setting rates and for other purposes, as well.

Q. Are you aware of any other jurisdictions that use other than an assumed normal weather for setting rates?

A. Not to my knowledge.

Q. You mentioned in your response to a question from Mr. McGlothlin potential loss of revenues associated with a storm that is brewing out in the Caribbean. Do you have any sort of estimate you can provide?

MR. MOYLE: I'm going to object to this. This is new evidence coming in, and it's not part of their case. They could have put together some information about loss of revenues based storm. They had a whole bunch of time to do that. And just because there is a storm out there doesn't mean that new evidence should come in. So I'm going to object.

MR. BUTLER: This is directly responding to questions that Mr. McGlothlin asked to Mr. Barrett regarding, you know, what would end up ultimately happening as to the amount of surplus that would be left and whether it would be used in 2012. And I think it's fair to ask Mr. Barrett whether he has any estimates on what would be the impact on that amount remaining if there were to be a moderate storm. That's really what my question was going to be.

MR. McGLOTHLIN: I believe it calls for speculation. I don't think anybody can estimate a storm ahead of time. I object on that basis.

CHAIRMAN BRISÉ: Okay. I have provided everybody some latitude this afternoon, so I will go ahead and allow a little bit of latitude there. You may answer the question.

MR. BUTLER: Thank you.

THE WITNESS: Could you pose it one more time?

MR. BUTLER: Yes.

THE WITNESS: Thank you.

BY MR. BUTLER:

Q. Mr. Barrett, do you have an estimate as to the revenue loss that would be associated with a storm of moderate intensity hitting FPL's service territory?

MR. McGLOTHLIN: Clarification. How many counties; where is the landfall; and is it densely populated or not?

MR. BUTLER: Let's have it go through the southern part of the state up through FPL's service territory.

MR. MOYLE: And just for the record, I also want to object on the grounds that there has been no qualification that this expert -- that this witness is an expert in storm restoration or repair or anything like that. I mean, I think for that testimony to be credible and relied on, it would have to be, you know, a storm restoration expert to say, well, we hardened this and we did that. I mean, this is sort of a swag. I'm going to object.

MR. BUTLER: This is just asking the revenue side.

THE WITNESS: Am I free to answer?

CHAIRMAN BRISÉ: Yes. Go ahead.

THE WITNESS: I don't have a specific estimate for this storm, but we do generate about $12 million a day in base revenues, probably about $20 million a day in total revenues. So some fraction of that hitting our service territory for any number of days of outage, I think the last active season we had one storm was $40 million in revenues.

BY MR. BUTLER:

Q. Mr. Barrett, you had testified about FPL's expectations for earnings, ROE, during the period of the settlement agreement. Do you have an estimate of what the difference in revenue requirements would be between an ROE of 11 percent, as you have been earning, and FPL's requested ROE of 11.5 percent?

A. In 2013, it would be roughly $80 million.

MR. BUTLER: At this time I would like to distribute a document that we would like to have marked as an exhibit.

MR. MOYLE: How can he put in an exhibit on redirect? I mean, we all got prefiled exhibits, and you've got lots of time to look at them, and now we've got new exhibits coming in? I can make that objection without even looking at it.

MR. BUTLER: All in good time, Mr. Moyle. This is going to be directed at examination that the Hospital Association, Mr. Wiseman, had of Mr. Barrett concerning the Consolidated Financial Model.

MR. MOYLE: Can we just have a minute to review it?

CHAIRMAN BRISÉ: Sure. Absolutely.

MR. BUTLER: Would that be Exhibit 521?

CHAIRMAN BRISÉ: It would be marked 521.

MR. BUTLER: Thank you.

CHAIRMAN BRISÉ: The parties are looking at it.

MR. BUTLER: Mr. Chairman, I will briefly explain what we have here, and then I have a couple of questions about the exhibit for the witness, if the Commission will indulge me.

CHAIRMAN BRISÉ: Mr. Wiseman.

MR. WISEMAN: Yes. I'm going to object to this document before any questions are asked. And, you know, this document reflects a discussion, a negotiation during the course of discovery, and it adds nothing whatsoever to this record in terms of whether the Consolidated Financial Model was available or not.

I think to put into the record a document between counsel concerning a discovery matter is entirely inappropriate, and I object to the use of this document at all.

MR. MOYLE: And I would also object and note that in order for it to be properly admitted it would need to be authenticated, and Mr. Butler would get to raise his right hand. And, you know, it's all from Mr. Butler and Mr. Wiseman. So I think it should not come in. It's inappropriate and it's all hearsay for this witness to somehow say, oh, yes, I saw this.

CHAIRMAN BRISÉ: I think I will agree.

MR. BUTLER: Well, let me just ask Mr. Barrett, then. This is in response to Mr. Wiseman's questions of Mr. Barrett concerning the Consolidated Financial Model and access to information about it. He ended the examination, in my mind, rather abruptly with, you know, the answer about the availability of access in the model, and I just wanted to explore that and what alternatives we made available to the South Florida Hospital Association.

BY MR. BUTLER:

Q. So, Mr. Barrett, are you aware of whether FPL made alternative information available to the Hospital Association regarding the workings of the Consolidated Financial Model?

MR. WISEMAN: Again, I'm going to object, Your Honor. This involves a matter of discovery. And what we asked for, a working copy of the financial model, it was not provided. We did negotiate, obviously, concerning trying to get access to the information in a different way.

The fact that we decided that what we were being offered was inadequate and we weren't going to go that route, and if you want that's why we ended up not going the route that was suggested by FPL in this document that is now at least indirectly attempting to ask Mr. Barrett questions about.

Again, this is a discovery matter. This is completely inappropriate to bring up in the context of this cross-examination or this redirect. I don't believe that discovery matters between counsel are appropriate for airing in consideration before this Commission, and any questions that go to that whether they are based on this document or otherwise I believe are completely out of order.

CHAIRMAN BRISÉ: Mary Anne.

MR. BUTLER: I'm sorry, Mr. Chairman, let me just respond briefly. First of all, Exhibit 521 is a discovery matter. The whole reason we're talking about this is that what the Hospital Association wants to leave you with is the impression that they made a request for information about the Consolidated Financial Model, that we didn't make any reasonable accommodations to provide them.

You know, it was their choice to bring that issue up, and we are simply trying to provide you information to show that is not true, that's not where things were left. Now, I don't know why the Hospital Association chose not to take the alternative we made available to them, but we did make alternatives available to them. I think for fairness and balance, it's only fair and only appropriate to have us be able to explain, you know, the rest of that discovery story that they started to tell.

CHAIRMAN BRISÉ: Mary Anne.

MS. HELTON: Mr. Chairman, I had stepped out of the room when Mr. Wiseman was cross-examining Mr. Barrett and I came in just at the tail end, so I did not hear the cross-examination. But I can tell you that in my time here I have never seen anything quite like this. I think it is highly irregular to bring up a discovery issue at this point in the proceeding. The evidence is what the evidence is, and my suggestion is that we go forward without taking this up.

CHAIRMAN BRISÉ: Okay. I will follow your advice on that one.

Next question.

MR. BUTLER: I would proffer the exhibit as evidence. Also, in the alternative, if the Commission is of a mind not to include it, then on the very same theory it seems impossible to justify including Exhibit 520 in the record. And I would object to that because it's doing the exact same thing, it's telling a discovery story.

MR. WISEMAN: If Mr. Butler wants to object to 520 when it's an appropriate time to object to its admission, I think we can address that at that point. If we wants to make a proffer for the record, obviously that's a procedure that's available to him. But the fact that one piece of information concerning something that is clearly inappropriate to bring before the Commission somehow or another justifies not admitting another document that clearly is properly before the Commission, I don't see the linkage.

CHAIRMAN BRISÉ: Okay.

MR. BUTLER: I would also like clarification, Mr. Chairman. Does the recommendation about excluding the exhibit that we have proffered also apply to asking Mr. Barrett to describe his personal knowledge of alternatives that were made available to the Hospital Association?

CHAIRMAN BRISÉ: Accepting the document is one thing. I think you can ask the witness what their recollection is, and I'll allow that.

MR. BUTLER: Thank you.

BY MR. BUTLER:

Q. Mr. Barrett --

MR. WISEMAN: Mr. Chair, if I can take one last -- I thought that that was what Ms. Helton just said was improper. Whether it was through the document itself or through questions that were intended to elicit the same type of information that's in the docket -- in the document, rather.

CHAIRMAN BRISÉ: It's my ruling, right?

MR. WISEMAN: Thank you, Mr. Chairman.

CHAIRMAN BRISÉ: Thank you. You may pose the question.

MR. BUTLER: Thank you, Mr. Chairman.

BY MR. BUTLER:

Q. Mr. Barrett, would you please describe what alternative information was made available to the Hospital Association, to your knowledge, as an alternative to having the access to the Consolidated Financial Model that is described in Exhibit 520?

A. Yes, sir. We put together a book of flow charts, and I think we called it a road map or a blueprint of all the major modules within the CFM, the calculations that are done there, what's done where, how it all relates. It was multi-pages, probably 20 pages or more in a binder in an attempt to help them understand all that happens within the model. I mean, obviously more than that one page. It's a complicated model. So we put together a detailed series of pages of flow charts to show how things worked, how things interact, and offered that as an alternative, or a first step, or something.

CHAIRMAN BRISÉ: Okay.

MR. BUTLER: Thank you. No further questions.

CHAIRMAN BRISÉ: All right. Thank you. Let's deal with exhibits.

MR. SAPORITO: Mr. Chairman, can I just -- this document that was not admitted, so we can reuse that number then, 521, that is open again, is that true?

MR. YOUNG: Yes.

CHAIRMAN BRISÉ: Yes, 521 is available for use.

MR. BUTLER: Mr. Chairman, we would move the admission of Exhibits 140 through 147.

CHAIRMAN BRISÉ: Okay. 140 through 147. Any objection to 140 through 147? Okay. Seeing none.

(Exhibit Numbers 140 through 147 admitted into the record.)

MR. MOYLE: FIPUG would move 519.

CHAIRMAN BRISÉ: Okay. Any objections to 519? Seeing none.

(Exhibit Number 519 admitted into the record.)

MR. WISEMAN: SFHHA moves the admission of 520.

CHAIRMAN BRISÉ: Okay. Any objections?

MR. BUTLER: With having had the opportunity to have Mr. Barrett explain the circumstances of that, we don't object to it.

CHAIRMAN BRISÉ: Okay. And so those are all the exhibits for Mr. Barrett?

(Exhibit Number 520 admitted into the record.)

MR. YOUNG: Staff moves 109.

CHAIRMAN BRISÉ: 109. Thank you.

MR. YOUNG: To include the Errata Sheet.

CHAIRMAN BRISÉ: Okay. 109 will be moved into the record.

(Exhibit Number 109 admitted into the record.)

CHAIRMAN BRISÉ: Are those all the exhibits for Mr. Barrett? Okay. With that, thank you for your testimony.

THE WITNESS: Thank you.

CHAIRMAN BRISÉ: Are we seeking to excuse Mr. Barrett for his direct?

MR. BUTLER: For his direct testimony, yes.

CHAIRMAN BRISÉ: Okay. Mr. Barrett, you are excused for your direct testimony.

MR. HENDRICKS: Mr. Chairman.

CHAIRMAN BRISÉ: Yes, sir.

MR. HENDRICKS: Yes. Could I just inform you that I have filed a motion -- a response to the joint motion for approval of settlement agreement in opposition to it this afternoon. And I have some paper copies of it here. Would it be appropriate for me to have the staff make them available to the parties here?

CHAIRMAN BRISÉ: That's perfectly fine. The staff can make that available to all the parties.

MR. HENDRICKS: Thank you.

CHAIRMAN BRISÉ: Thank you.

Mr. Young, are there any other things that we need to take care of this evening?

MR. YOUNG: No, sir. Just a reminder, the order --

CHAIRMAN BRISÉ: Yes, please.

MR. YOUNG: -- for tomorrow is that we are going to take up the rebuttal witnesses of Ms. Santos, Kennedy, Hardy, Miranda, Pollock -- FIPUG's Witness Pollock will be on the stand tomorrow, also. And from there we move on to Stall, Slattery, Avera, Dewhurst on their direct.

CHAIRMAN BRISÉ: All right. Okay.

MR. YOUNG: And if we are moving at a fast pace, then the pro se litigants, Mr. Hendricks and Mr. Santos will be taken up.

CHAIRMAN BRISÉ: Mr. Saporito.

MR. YOUNG: I mean, Mr. Saporito. I'm sorry.

CHAIRMAN BRISÉ: Mr. Saporito. All right. If we can get that either in e-mail form or in writing so that everyone is working off the same document.

MR. YOUNG: Yes, sir. Staff will send an e-mail out before we leave tonight.

CHAIRMAN BRISÉ: All right. Thank you very much. And please expect tomorrow that -- you know, be prepared for 8:00. Be prepared between 8:00 and 10:00 tomorrow, as well. All right. Have a good evening, everyone.

MR. BUTLER: Thank you, Mr. Chairman.

(The hearing adjourned at 7:44 p.m.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, 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' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 27th day of August, 2012.

Jane Faurot

JANE FAUROT, RPR
FPSC Official Commission Reporter
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