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 33

Pages 4897 through 5044

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN RONALD A. BRISÉ COMMISSIONER LISA POLAK EDGAR COMMISSIONER ART GRAHAM COMMISSIONER EDUARDO E. BALBIS COMMISSIONER JULIE I. BROWN
DATE:	Friday, August 31, 2012
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	MICHELLE SUBIA, RPR
APPEARANCES:	(As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

NUMBER:	ID.	ADMTD.
459	4397	4990
460	4397	4990
461	4397	4990
462	4397	4990
463	4397	4990
464	4397	4990
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466	4397	4990
467	4397	4990
468	5012	5037
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586	4947	4993
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641	4954	4992
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P R O C E E D I N G S

(Transcript follows in sequence from Volume 32.)

CHAIRMAN BRISE: Good morning. I'm sure you all got a good night's rest like I did. I was wired last night so I guess I didn't sleep until like four in the morning. It was just weird.

So we are ready to proceed. We have Mr. Ender.

And, Ms. Clark, you may proceed.

MS. CLARK: Thank you, Mr. Chairman.

Mr. Ender has been sworn.

Thereupon,

JOSEPH A. ENDER

was called as a witness, having been previously duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. CLARK:

Q Would you please state your name.

A My name is Joseph A. Ender. My business address is 700 Universe Boulevard, Juno Beach, Florida.

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

A I'm employed by Florida Power & Light as a manager of cost of service and load research.

Q And have you prepared and caused to be filed 34 pages of rebuttal testimony?

A I have.

Q Do you have any further changes or revisions to your rebuttal testimony?

A No, I do not.

Q Mr. Ender, do you have an errata sheet?

A That is correct.

Q Okay. And I think that errata sheet -- would you go over the change. I think it's on page 29, line 1, the words "lines 10 through 12" should be changed?

A That is correct. "It should be 7 and 8."

Q And with that errata, if I asked you the same questions contained your rebuttal testimony, would your answers be the same?

A Yes, they would.

MS. CLARK: Mr. Chairman, I would ask that the rebuttal testimony be inserted in the record as though read.

CHAIRMAN BRISE: All right. We will enter Mr. Ender's rebuttal testimony in the record as though read, seeing no objections.

(Whereupon, prefiled testimony inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF JOSEPH A. ENDER

DOCKET NO. 120015-EI

JULY 31, 2012

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Joseph A. Ender. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. Yes.

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

A. Yes. I am sponsoring the following rebuttal exhibits:

- JAE-7 – Impact of MDS Methodology on Rate Class Revenue Requirements
- JAE-8 – Allocation of 2013 Projected Production and Transmission Plant in Service Using Summer CP and 12 CP and 1/13th Methodologies
- JAE-9 – Impact of Summer CP Production Methodology on Rate Class Revenue Requirements
- JAE-10 – Impact of Alternative Summer CP and 25% AD versus FPL's Proposed 12 CP and 1/13th for Production Plant
- JAE-11 – Impact of Summer CP Transmission Methodology on Rate Class Revenue Requirements
- JAE-12 – Impact of Summer CP and MDS Methodologies on Rate Class Revenue Requirements
- JAE-13 – Analysis of Production O&M Expense Classification to Demand and Energy

- JAE-14 – Impact of Corrected Production O&M Expense Classification on Rate Classes
- JAE-15 – Summary of Distribution Cost Allocations to Primary and Secondary Voltage Customers

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address issues raised in the testimonies of South Florida Hospital and Healthcare Association ("SFHHA") witness Baron, Florida Industrial Power Users Group ("FIPUG") witness Pollock, and Federal Executive Agency ("FEA") witness Stephens. The issues discussed in my rebuttal testimony include: (1) the use of alternative cost of service methodologies proposed by SFHHA witness Baron and the propriety of adjusting historical load research data to normalize the effects of extreme weather; (2) the proposed reclassification of other production O&M expense from energy to demand and the use of the 12-Month Average Coincident Peak ("12 CP") methodology to allocate transmission plant to rate classes proposed by FIPUG witness Pollock; and (3) FEA witness Stephens' proposed changes in distribution cost allocation methodologies and concerns whether Florida Power & Light Company ("FPL" or "the Company") properly assigned primary and secondary distribution costs to primary and secondary voltage level customers.

II. SUMMARY

Q. Please summarize your rebuttal testimony.

A. Mr. Baron, testifying on behalf of SFHHA whose members consist of medium and large commercial customers, has filed testimony proposing to allocate significant costs away from customers he represents and onto the residential and smaller commercial customers. Mr. Baron's proposals would allocate $48.3 million additional costs to residential and smaller commercial customers. Mr. Baron filed similar proposals in FPL's last rate case, Docket No. 080677-EI. The Florida Public Service Commission ("FPSC" or "Commission") has rejected such proposals in the past and should do so now.

FPL has consistently followed Commission precedent and sound ratemaking principles in developing its cost of service studies. As I discussed in my direct testimony, the results of these studies clearly indicate that the rates for many classes, particularly those applicable to medium and large commercial customers, are below their cost to serve. Mr. Baron has proposed alternative cost of service methodologies that have the effect of shifting costs away from his clients in these medium and large commercial rate classes onto other rate classes. These methodologies should be rejected. These alternative methodologies:

- are inconsistent with FPL's generation, transmission, and distribution system planning and how costs are incurred on FPL's system;

- would relieve some rate classes of cost responsibility for electric facilities used in service to those customers; and
- have not been previously recognized by this Commission as appropriate methodologies for investor-owned utilities (with the exception of the Minimum Distribution System ("MDS") method in Gulf Power Company's ("GPC" or "Gulf") Stipulation & Settlement Agreement).

Furthermore, Mr. Baron's claim that FPL has biased its cost of service results because it adjusted its historical load research data for January 2010 is without merit. The adjustment FPL made to the January 2010 historical load factors was necessary to normalize the effects of the extreme weather experienced in FPL's service territory in that month, in keeping with sound rate making principles.

FIPUG witness Pollock is mistaken in his contention that the allocation of non-firm credits, i.e., Curtailable Service ("CS") credits to both firm and non-firm customers violates the principle of cost causation and is inconsistent with FPL's planning principles. FPL's allocation of the CS credits to all customers is consistent with FPL's planning principles and with current FPSC policy. Furthermore, Mr. Pollock's proposed re-classification of certain other production O&M expenses from energy to demand based on a claim it does not conform to the National Association of Regulatory Utility Commission's ("NARUC") Cost Allocation Manual is without merit and ignores the underlying operating characteristics of FPL's current portfolio of generation assets.

FEA witness Stephens' recommendation that the Commission should require FPL to use the MDS method should be rejected for the same reasons outlined in the response to this proposal by witness Baron. Mr. Stephens' concerns about whether FPL properly allocated costs of primary and secondary voltage facilities to rate classes are addressed in Exhibit JAE-15 – Summary of Distribution Cost Allocations to Primary and Secondary Voltage Customers, which clearly demonstrates that FPL made the proper allocations.

Finally, the witnesses have raised other issues I address in my testimony that may warrant further consideration. These issues are: Mr. Baron's proposal to modify FPL's Coincident Peak ("CP"), Group Non-Coincident Peak ("GNCP") and Non-Coincident Peak ("NCP") demand reconciliation methodology; Mr. Pollock's proposed use of the demand-only 12 CP method for allocating transmission plant; and Mr. Stevens's suggestion to allocate single- and dual-phase primary facilities to secondary customers.

III. TESTIMONY OF SFHHA WITNESS BARON

Q. On page 7 of his testimony, SFHHA witness Baron claims that FPL used cost of service methodologies that unreasonably attribute cost responsibility to large general service rate classes. Do you agree with his claim?

A. No. As I indicated in my direct testimony, FPL's cost of service study results for the projected 2013 Test Year were accurately determined and fairly present each

rate class's cost responsibility, Rate of Return ("ROR"), and parity position relative to FPL's projected retail jurisdictional ROR. The methodologies used to allocate rate base, other operating revenues, and expenses were appropriately applied and are consistent with those previously approved by this Commission.

Q. What reasons are cited by Mr. Baron?

A. On page 7 of his testimony, Mr. Baron points to the following reasons:

- the incorrect calculation of demand allocation factors;
- the failure to use an MDS cost classification methodology to assign cost responsibility for FPL's primary and secondary distribution systems; and
- the failure to use a 1 CP methodology (based on summer peak) to allocate production and transmission demand related costs to rate classes.

Q. What does Mr. Baron offer in support of his claim that FPL incorrectly calculated the demand allocation factors?

A. Mr. Baron contends that FPL incorrectly adjusted the historical CP and GNCP load factors for the residential class and, as a result, improperly calculated the residential class CP and GNCP demands for January 2013.

Q. What do you conclude from your review of Mr. Baron's testimony regarding the calculation of the class CP and GNCP demands for January 2013?

A. Mr. Baron's claim is without merit. The calculation is correct and the adjustment made was with respect to data from January 2010 for the purpose of normalizing the effects of the extreme weather experienced by FPL in that month. Weather normalization adjustments are common practice in the regulated utility industry

and do not bias or invalidate the statistical accuracy of the data. FPL's adjustment to normalize the effects of extreme weather for that month is appropriate.

Q Mr. Baron also asserts that FPL's CP, GNCP and NCP demand reconciliation methodology is not reasonable and should be modified.

A. Mr. Baron takes issue with the methodology used by FPL to reconcile the allocation of CP, GNCP and NCP demands to rate classes. FPL believes its demand reconciliation methodology, which has been consistently applied by FPL in prior rate cases, is reasonable; however, FPL does not disagree in principle with the refinement proposed by Mr. Baron.

Q. On pages 22 through 35 of his direct testimony, SFHHA witness Baron advocates the use of the MDS for allocating distribution plant. Do you agree with his proposal?

A. No. The Commission should reject the MDS methodology in this case for the following reasons:

- The Commission has consistently rejected the use of the MDS method for investor-owned utilities (with the exception of the MDS method in Gulf's Stipulation & Settlement Agreement).
- The MDS method presumes a type of electric system and a method of planning that is not reflective of FPL's distribution system.
- The MDS method inherently ignores the impact of diversity and double-counting.

- Mr. Baron inappropriately relies on the use of the MDS classifications recently approved by the Commission for GPC as part of a Stipulation and Settlement Agreement as a proxy to re-classifying FPL distribution costs.

Q. Please explain.

A. First, the proposed use of the MDS method to allocate distribution plant has been considered by the Commission numerous times, and the Commission has rejected these proposals with two exceptions. In 2002, in Docket No. 020537-EC, Order No. 02-1169-TRF-EC, In re: Petition for approval of modification of electric rate schedules by Choctawhatchee Electric Cooperative, Inc., the Commission, for the first time, accepted the MDS method. In that Order, the FPSC made it clear that Choctawhatchee Electric Cooperative, Inc. ("CHELCO") possessed "unique characteristics" that justified a departure from previous precedent. These "unique characteristics," which consisted of CHELCO's low customer density, rural service territory, and customers taking service under multiple accounts, do not exist for FPL.

In 2012, the Commission approved a Stipulation and Settlement Agreement for GPC whereby the parties agreed to the use of the MDS methodology as proposed in GPC's original filing (Order No. PSC-12-0179-FOF-EI, issued April 3, 2012, in Docket No. 110138-EI, In re: Petition for increase in rates by Gulf Power Company). The Stipulation and Settlement Agreement was an agreement that the Commission had to approve or reject in its entirety. The Commission's order is

very clear that their approval of GPC's proposed MDS method was "solely for use in designing rates for this case" (Order No. PSC-12-0179-FOF-EI, page 137).

Second, the MDS method assumes that a certain investment in transformers, conductors and poles is required solely as a result of connecting customers to the electric system. Thus, the MDS method is based on a set of distribution facilities designed to serve the zero or minimum load requirements of customers, which this Commission has previously stated is purely fictitious and has no grounding in the way the utility designs its systems or incurs costs because no utility builds to serve zero load (Order No. PSC-02-0787-FOF-EI, page 76, issued June 10, 2002, in Docket No. 010949-EI, In re: Request for rate increase by Gulf Power Company). Moreover, the Commission's analysis is consistent with FPL's distribution planning as the central criterion used in planning the FPL distribution system is kW load requirements, not customers served.

Next, the MDS method shifts all benefits obtained from economies of scale to the larger customers even though there are economies of scale in serving residential customers. In dense urban areas, not only are multiple residential customers frequently served off the same transformer, but the size of such a transformer is frequently comparable to that used for commercial customers. The diversity of residential customers' loads also creates economies of scale. Because each residential customer's maximum demand will not coincide exactly with other customers on the same transformer, engineering procedures dictate that

transformers serving multiple residential customers need not be sized to serve the sum of every customer's maximum demand. FPL's distribution planners can, and do, routinely add new customers to existing transformers because of the diversity of residential loads. By contrast, no such diversity is applicable to a large commercial customer served from a single transformer.

The MDS method also double counts the kW loads of residential customers and the smallest commercial customers for the investment in transformers associated with their so-called minimal load requirements. This double counting occurs because the RS-1 rate class and the smallest commercial rate class (GS-1) would first be allocated their cost of the so-called minimum load transformers based on the number of customers. The remaining cost of transformers would then be allocated to RS-1 and GS-1 on the basis of their maximum customer peaks, with no adjustment for that portion of the maximum customer peaks which is provided under the minimum load transformer.

Finally, Mr. Baron inappropriately relies on Gulf's MDS classifications as a proxy for FPL's distribution plant accounts. GPC's and FPL's systems are different in terms of size (physical service area and number of customers), geography, and the diversity of customers being served.

Q. What type of analysis did Mr. Baron perform to compare FPL's distribution costs to GPC's?

A. Mr. Baron performed an analysis only of Account 364 – Poles, Towers and Fixtures to compare Gulf's costs to FPL's costs for the purpose of classifying the plant under the MDS methodology (Direct Testimony page 31, line 23 – page 33, line 7). In his comparison, he states that GPC used the cost of 35' poles and smaller as the basis for classifying 65% of costs in this account to the customer component. For FPL, Mr. Baron used a subaccount that also includes more expensive 40' and 45' poles in addition to 35' poles to calculate a customer component percentage of 82%. He then concludes that these two percentages are close enough to be able to declare that Gulf's MDS classification results are a good proxy for *all* of FPL's distribution costs, which is convenient for his argument, but unsuitable as a basis for allocating FPL's costs.

Q. Mr. Baron also cites the number of inactive accounts on the system as a reason to use the MDS methodology. Does the presence of inactive meters mean FPL should use the MDS methodology?

A. No. There are always inactive accounts on the system. Furthermore, Mr. Baron's testimony seems to imply that all inactive accounts are residential. That is not the case. As of December 2011, there were more than 65,000 non-residential customer accounts that were inactive. On a comparative basis, the ratio of inactive meters to total meters for the residential customer class was 5.17%, and the ratio of inactive meters for the non-residential customer classes was 12.75%. This line of reasoning, therefore, does not justify the use of the MDS method.

Q. Does Mr. Baron offer any other arguments for applying the MDS method in this case?

A. Yes. Mr. Baron implies that the NARUC Electric Utility Cost Allocation Manual ("NARUC Manual") endorses, if not requires, the use of the MDS method. However, as the Commission has previously observed, the NARUC Manual states that the choice of methodology will depend on the unique circumstances of the case (Order No. PSC-02-0787-FOR-EI, page 75, in Docket No. 010949-EI). The NARUC Manual states:

> In making this determination, *supporting data* may be more important than *theoretical considerations* (emphasis added). Allocating costs to the appropriate groups in a cost study requires a special analysis of the nature of distribution plant and expenses (page 89).

Moreover, the NARUC Manual also recognizes that MDS may not be an accurate way to segregate customer- and demand-related costs. Specifically, the Manual states:

> Cost analysts disagree on how much of the demand costs should be allocated to customers when the minimum-size distribution method is used to classify distribution plant. When using this distribution method, the analyst must be aware that the minimum-size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost (page 95).

In other words, the NARUC Manual itself does not endorse any particular cost allocation method. It also recognizes that the MDS has an inherent flaw - that the so-called customer-related costs have a demand component to them.

Q. How does Mr. Baron's proposed MDS method compare with the Company's proposed method of allocating distribution plant?

A. The MDS method classifies a portion of poles, conductors and transformers as customer-related and allocates these costs among the rate classes based on the number of customers. The MDS method determines the customer-related portion of these facilities on the basis of a hypothetical distribution system constructed to serve the minimum load requirements of customers. Under the MDS method, minimally-sized transformers, poles and conductors are used as the basis for constructing this minimum load requirements system. A variant of the MDS method, the zero intercept method, uses statistical extrapolation to determine a hypothetical customer-related portion of poles, conductors and transformers.

FPL's methodology classifies meters, service drops and primary pull-offs as customer-related and classifies the remaining balance of distribution plant as demand-related. Thus, under FPL's methodology substations, poles, conductors (excluding primary pull-offs) and transformers are classified as demand-related and are allocated among the rate classes using various measures of peak demand.

Q. You previously indicated that the central criterion used in planning the FPL distribution system is kW load requirements, not customers served. Does this mean that the need to serve individual customers never influences distribution plant additions?

A. No. There are certainly cases where line extensions are required to serve specific customers. This is where a strong and consistently enforced contribution-in-aid-of-construction ("CIAC") policy comes into play. As outlined in the Florida Administrative Code (F.A.C. 25-6.064), customers are required to pay for the cost of any line extension to the extent that the expected revenues do not offset the cost of the line extension. In this manner, customers with "minimum load requirements" must pay for the cost of any line extensions required to service them. This is a far more equitable outcome than the cost allocation resulting from the MDS method since customers necessitating the line extension bear the cost.

Q. Is the requirement to pay a line extension CIAC limited to large commercial/industrial customers?

A. Not at all. A CIAC would be required in any case where the expected load and revenue does not offset the required investment. In fact, the CIAC line extension formula is routinely applied to new residential subdivisions.

Q. Have you performed a calculation of the cost shifts that would result from SFHHA witness Baron's proposed use of the MDS method?

A. Yes. Mr. Baron's proposed use of the MDS method would shift costs away from medium and large commercial rate classes, classes in which Mr. Baron's clients take service, onto residential and small commercial rate classes. Exhibit JAE-7 -

Impact of MDS Methodology on Rate Class Revenue Requirements, provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's proposed MDS method. As can be seen on Exhibit JAE-7, the residential rate class, RS-1, would be allocated $34.2 million in additional costs (revenue requirements) using Mr. Baron's proposal than the amount in FPL's 2013 Test Year cost of service study. Likewise, the GS-1 rate class would be allocated additional costs, $5.1 million more than the amount in FPL's 2013 cost of service study.

In summary, Mr. Baron's proposed use of the MDS method would shift nearly $39.3 million in costs away from rate classes he represents and onto residential (RS-1) and small commercial (GS-1) rate classes.

Q. Have you compared the results of Mr. Baron's proposed MDS approach in this case to his approach in FPL's last rate case?

A. Yes. Mr. Baron's approach to MDS in this case produces drastically different impacts on rate class revenue requirements. His MDS approach in this case shifts a fraction, less than 30%, of the costs shifted to the residential class than his proposed approach in FPL's last rate case. The difference between the two approaches is driven by Mr. Baron's use of significantly different customer versus demand classification assumptions. This fact demonstrates the highly subjective nature of the hypothetical MDS method. This is one of the issues cited by the Commission in rejecting the use of MDS in prior rate cases.

Q. Are the reasons the Commission cited for rejecting the MDS in prior cases still applicable?

A. Yes. The reasons cited remain applicable in this case. Further, the new justifications Mr. Baron relies on, the Stipulation and Settlement Agreement in the Gulf and the existence of inactive accounts, do not provide a valid basis for the Commission to deviate from those prior decisions. FPL's methods of allocating distribution and transmission costs remain valid, and Mr. Baron's MDS methodology proposal should be rejected.

Q. Do you agree with Mr. Baron's proposal to replace the 12 CP and 1/13th methodology used by FPL with a Summer CP methodology to allocate production and transmission demand related costs to rate classes?

A. No. The use of the 12 CP and 1/13th methodology has an extensive history of regulatory approval in Florida and, over the years, the Commission has clearly articulated why it finds the methodology appropriate. Accordingly, it would be reasonable to expect that consideration of an alternative method would be made only to the extent that a clear and compelling case is made or that circumstances have changed significantly to favor an alternative method. Mr. Baron has not provided a compelling case, and the method he proposes is at odds with the way FPL plans its system and incurs costs. The Commission should, therefore, approve the 12 CP and 1/13th methodology as proposed by the Company.

Q. What do you conclude from your review of Mr. Baron's proposal to use the Summer Coincident Peak to allocate production plant?

A. Although FPL's minimum summer reserve margin criterion of 20% currently drives FPL's need for new resources, the Commission should reject Mr. Baron's proposed use of the Summer Coincident Peak methodology for the following reasons:

- The Summer Coincident Peak method fails to recognize the influence of a critical cost component of FPL's planning process, i.e., the influence that annual fuel savings has on the type of generating units added.
- The Summer Coincident Peak allocation does not send a better price signal than the 12 CP and $1/13^{th}$ methodology.
- The Summer Coincident Peak allocation methodology would allocate no production costs to certain rate classes even though all rate classes receive the benefit of FPL's generating capacity.

Q. On page 35 of his direct testimony, SFHHA witness Baron states that customer demands during the summer months drive the need for new generation capacity on the FPL system. Do you agree?

A. Yes. While FPL's projected need for additional resources is currently driven by the summer reserve margin criterion, FPL's resource planning utilizes two other reliability criteria which are important and could trigger the need for additional capacity.

In addition to the 20% summer reserve margin criterion, FPL's resource planning utilizes two other reliability criteria: (1) a minimum winter reserve margin criterion of 20%; and (2) a maximum annual loss-of-load probability ("LOLP") of 0.1 days per year. The winter reserve margin criterion addresses the winter months, and the LOLP criterion considers daily peak loads year round. Using a method that considers only the summer peak hour would not be consistent with FPL's use of the three reliability criteria in its resource planning work.

Q. You have previously testified that FPL considers other factors in its generation planning process. Does Mr. Baron consider these other factors in his proposal that FPL use the Summer CP methodology for production plant?

A. No. Consistent with his position in FPL's last rate case, Mr. Baron fails to consider other key factors of FPL's generation plan that drive capital expenditures on FPL's system. One of the factors Mr. Baron completely ignores is the influence that projected annual fuel cost savings has on the type of generating units added. While the decision to add additional generation capacity is driven by load requirements, the type of generation capacity added - and thus the total cost of the unit additions - is influenced by the number of hours the units are expected to run. As Dr. Steven R. Sim, FPL's Resource Assessment and Planning witness in Docket No. 060225-EI, In re: Florida Power & Light Company's Petition to Determine Need for West County Energy Center Units 1 and 2 Electric Power Plant, noted, "the type of resources that should be added is primarily based on a determination of the resources that result in the lowest average electric rates for

FPL's customers" (Direct Testimony, Dr. Steven R. Sim, page 5, line 23 through page 6, line 2). If MW capacity were the only consideration in the generation plan, as suggested by Mr. Baron, the Company's resources would consist solely of gas turbine peaking units which have the lowest fixed costs. This is clearly not the case, nor should it be.

Q. Would the Summer Coincident Peak allocation, as proposed by SFHHA witness Baron, send a better price signal than the 12 CP and 1/13th methodology?

A. No. The 12 CP and 1/13th methodology more accurately reflects FPL's generation plan than does the Summer Coincident Peak allocation. Accordingly, the 12 CP and 1/13th methodology will send a more appropriate price signal than the Summer Coincident Peak allocation methodology. As discussed previously, the Summer Coincident Peak methodology ignores the influence that annual fuel savings have on the type of generating units added which affects capital expenditures on FPL's system.

Q. Are there any other factors which should be considered in determining the appropriate method of allocating production plant?

A. Yes. The Commission has long recognized that one of the advantages of the 12 CP and 1/13th methodology is that it ensures that each rate class pays some portion of the production plant it uses (see page 42 in Order No. 11437, Docket No. 820097-EU, In re: Petition of FLORIDA POWER & LIGHT COMPANY for permission to increase its rate and charges and supplemental petition for addition of St. Lucie Nuclear Unit No. 2 to rate base). By contrast, methods such as the

Summer Coincident Peak allocation, which is limited to the demand for only one hour out of an entire year, can result in some rate classes contributing nothing towards production plant even though such rate classes clearly benefit from, and rely on, the system's production resources. This is evident in JAE-8 – Allocation of 2013 Projected Production and Transmission Plant in Service Using Summer CP and 12 CP and 1/13th Methodologies which shows that two rate classes would be allocated no production plant costs using a Summer Coincident Peak allocation.

Q. Have you performed a calculation of the cost shifts that would result from SFHHA witness Baron's proposed use of the Summer Coincident Peak allocation?

A. Yes. Mr. Baron's proposed use of the Summer Coincident Peak allocation method would shift costs away from medium and large commercial rate classes, classes in which Mr. Baron's clients take service, onto primarily the small commercial rate class. Exhibit JAE-9 – Impact of Summer CP Production Methodology on Rate Class Revenue Requirements provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's proposed Summer Coincident Peak allocation method. The GS-1 rate class would be allocated additional costs, $7.3 million more than the amount in FPL's 2013 cost of service study, to the benefit of large commercial customers.

Q. Should the Commission approve Mr. Baron's proposed Summer CP method?

A. No. The Commission should approve FPL's proposed 12 CP and 1/13th methodology because it accurately reflects FPL's generation plan as it: (1) recognizes that the type of generation unit selected is influenced by both energy

and peak demand; (2) reflects the influence of the summer reserve margin criterion; and (3) recognizes that capacity must be available throughout the year to meet FPL's winter reserve margin and the annual LOLP criteria.

Q. What should the Commission consider if it decides to depart from the 12 CP and 1/13th method to a demand-only method such as the Summer CP?

A. I urge the Commission to reject a demand-only method like the Summer CP for allocating production costs to rate classes. Should the Commission consider approving the Summer CP method, I recommend that an energy component such as 25% Average Demand ("AD") be included in the methodology. The 25% AD component, which has been approved by the Commission for Tampa Electric Company ("TECO"), recognizes the impact energy savings have on the selection and cost of the unit best suited to meet FPL's capacity expansion needs. The Summer CP and 25% AD method would be more consistent with how FPL plans generation and how FPL incurs costs because it recognizes that the type of generation unit selected is influenced by both energy and peak demand. It also reflects the influence of the summer reserve margin that is currently driving the need for generation resources.

Q. Has FPL calculated the impact on rate classes of using the Summer CP and 25% AD alternative method?

A. Yes. FPL has performed an analysis showing the impact of using the alternative Summer CP and 25% AD method in comparison to the 12 CP and 1/13th method proposed by FPL in its cost of service study in this case. The results of the analysis can be seen in Exhibit JAE-10 - Impact of Alternative Summer CP and

25% AD versus FPL's Proposed 12 CP and 1/13th for Production Plant. As can be seen on in this Exhibit, this alternative methodology would decrease the residential rate class, RS-1, revenue requirements by $20 million. For the most part the other rate classes, including the higher load factor rate classes, would experience increases in revenue requirements.

Q. What does Mr. Baron propose in terms of transmission plant?

A. Mr. Baron proposes to also use the Summer CP demand method for allocating transmission plant costs to rate classes.

Q. What do you conclude from your review of Mr. Baron's proposal to use the Summer Coincident Peak to allocate transmission plant?

A. Using Summer CP is not representative of how FPL plans and expands its transmission system. The transmission planning process looks at FPL's annual system seasonal peaks to ensure adequate transmission capacity is available to meet the transmission needs of all FPL customers throughout FPL's transmission infrastructure.

Furthermore, the Summer CP methodology proposed by Mr. Baron would allocate no transmission costs to certain rate classes even though all rate classes receive the benefit of FPL's transmission capacity. The 12 CP and 1/13th method used by FPL is more consistent with FPL's transmission planning process and allocates some transmission costs to all classes.

Q. Has the Commission opined on the importance of "no free riders" by ensuring that all rate classes pay for the use of facilities that benefit them?

A. Yes. The Commission has long recognized that one of the advantages of the 12 CP and 1/13th methodology is that it ensures that each rate class pays some portion of the production plant it uses (see page 42 of FPSC Order No. 11437, Docket No. 820097-EU). The same conclusion applies to transmission plant. Methods such as the Summer Coincident Peak allocation, which is limited to one hour a year, can result in some rate classes contributing nothing towards transmission plant costs even though such rate classes clearly benefit from, and rely on, the system's transmission resources. This is evident in Exhibit JAE-8 – Allocation of 2013 Projected Production and Transmission Plant in Service Using Summer CP and 12 CP and 1/13th Methodologies which shows that two rate classes would be allocated no transmission plant costs using a Summer Coincident Peak allocation.

Q. Have you performed a calculation of the cost shifts that would result from SFHHA witness Baron's proposed use of the Summer CP method for allocating transmission?

A. Yes. Mr. Baron's proposed use of the Summer Coincident Peak allocation method for transmission would shift costs away from medium and large commercial rate classes onto residential and small commercial rate classes. Exhibit JAE-11 – Impact of Summer CP Transmission Methodology on Rate Class Revenue Requirements provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's

proposed Summer Coincident Peak allocation method. As can be seen on Exhibit JAE-11, this methodology would have negligible effects on all rate classes.

Q. Have you performed a calculation of the cost shifts that would result from Mr. Baron's proposed use of the Summer CP, for both production and transmission, and the MDS methods?

A. Yes. Mr. Baron's proposed use of the Summer CP and MDS allocation methods would shift significant costs away from medium and large commercial rate classes onto residential and small commercial rate classes. Exhibit JAE-12 – Impact of Summer CP and MDS Methodologies on Rate Class Revenue Requirements provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's proposed Summer Coincident Peak and MDS allocation methods. The calculation utilizes the MDS assumptions used by Mr. Baron and provided on Exhibit SJB-5 of his testimony.

As can be seen on Exhibit JAE-12, the residential rate class, RS-1, would be allocated $34.2 million of additional costs (revenue requirements) in the 2013 Test Year due to the use of the Summer Coincident Peak and MDS methodologies proposed by Mr. Baron. The GS-1 rate class would be allocated additional costs for the 2013 Test Year of $14.1 million.

In summary, Mr. Baron's proposed Summer Coincident Peak and MDS allocation methods would shift over $48.3 million in costs away from rate classes he

represents and onto the residential (RS-1) and small commercial (GS-1) rate classes.

IV. TESTIMONY OF FIPUG WITNESS POLLOCK

Q. Are there any cost of service issues raised by FIPUG witness Pollock to which you would like to respond?

A. Yes. FIPUG witness Pollock has raised three primary issues regarding FPL's 2013 cost of service study. Mr. Pollock:

- contends that non-firm credits, i.e., CS credits, should be allocated only to firm loads;
- proposes the use of the 12 CP method for allocating transmission plant; and,
- recommends the re-classification of certain production O&M expenses from energy to demand.

Q. On page 25, lines 10–12, of his testimony, Mr. Pollock contends that FPL's allocation of non-firm credits to both firm and non-firm customers violates the principle of cost causation and is inconsistent with FPL's planning principles. Do you agree?

A. No. FPL's allocation of the CS credits to all customers is consistent with FPL's planning principles and with current FPSC rate making policy for like incentives in FPL's Energy Conservation Cost Recovery ("ECCR") clause.

In 2007, FPL began treating projected CS kW reduction capability in a manner identical to all other projected load management ("LM") kW reductions, including Commercial/Industrial Load Control ("CILC") and Commercial/Industrial Demand Reduction Rider ("CDR"). FPL's decision to treat CS kW reductions the same as other LM kW reductions was made following the Commission's approval of the change in the CS tariff, effective July 18, 2006, requiring CS customers to notify FPL at least three years prior to terminating service under the CS rate schedule. FPL's resource planning process treats the projected kW reductions from all DSM programs and CS customers, residential/commercial/industrial energy efficiency ("EE") and LM programs, the same way. All of these kW reductions are accounted for as line item reductions to FPL's load forecast.

Since all customers, firm and non-firm, benefit from the kW reductions from all DSM programs and CS service, it is appropriate for all customers to pay for the incentives and credits provided to CILC, CDR and CS customers just as all customers pay for incentives associated with residential EE and LM programs. As previously mentioned, FPL's allocation of CS credits in base rates mirrors the treatment approved by the Commission for FPL's Demand Side Management and LM programs in FPL's ECCR clause.

Q. On page 32, lines 10–12, Mr. Pollock proposes that, "If the Commission adopts 12 CP-1/13th for production plant, it should adopt the 12 CP method for transmission plant." What is your position regarding his proposal?

A. While FPL believes the 12 CP and 1/13th method is the appropriate methodology for FPL, the demand-only 12 CP method proposed by FIPUG's witness is not an unreasonable method.

Q. Please summarize Mr. Pollock's issue with FPL's classification of production O&M expense?

A. On page 32, lines 12-14, of his testimony, Mr. Pollock asserts that FPL classified $99 million of expense to energy which, according to the NARUC Manual, should be classified to demand.

Q. **Do you agree with Mr. Pollock's proposed re-classification of certain production O&M expenses from energy to demand?**

A. No. On page 33 of his testimony, Mr. Pollock indicates that, for the most part, FPL followed the NARUC Manual in classifying production O&M expenses. He then notes some exceptions in the Nuclear Operation and Supervision and Other Production O&M expenses. He then claims that had FPL also followed the NARUC Manual for these expenses, it would have classified a total of $422 million to demand instead of the $323 million FPL classified to demand, for a difference of $99 million more to demand.

Q. Mr. Pollock claims FPL did not follow the NARUC Manual for Other Production O&M expenses, please explain.

A. With regards to Other Production O&M expenses, which account for $87 million of the $99 million difference claimed by Mr. Pollock, FPL classified these expenses to energy and demand consistent with the NARUC Manual classification of FPL's Steam Production assets. FPL followed the Steam Production and not the Other Production O&M classification to recognize the underlying operating characteristics of FPL's current portfolio of Other Production assets.

When the NARUC Manual was published 20 years ago, the other production FERC function consisted primarily, if not entirely, of peaking units so it was appropriate to classify these expenses to demand. In contrast, FPL's other production function currently consists primarily of combined cycle base and intermediate units, so the classification of these expenses today is more energy than demand. FPL, therefore, classified the Other Production O&M consistent with the NARUC Manual classification of Steam Production O&M.

In summary, FPL properly classified the O&M expenses associated with its combined cycle units in the other production FERC function as energy, consistent with the NARUC Manual classification of other base load and intermediate units.

Q. In conducting your review of Mr. Pollock's claim regarding the classification of production O&M expenses, did you identify any other issues?

A. Yes. Exhibit JAE-13 – Analysis of Production O&M Expense Classification to Demand and Energy provides a summary of the analysis performed by FPL regarding the classification of the Production O&M expenses in question. On Page 1 of the Exhibit, the total in column 4 shows that FPL classified $340.4 million to energy. The total in column 9 of page 1 shows the amount of O&M that would have been classified to energy had the NARUC Manual been followed exactly, $264.1 million. On Page 3, the total in column 7 shows the shift to energy resulting from FPL's re-classification of Other Production O&M addressed above, $86.9 million. Based on the results of this analysis, which are also shown on Table 1 below, FPL should have classified a total of $351.0 million to energy, not the $340.4 million classified to energy in its filed cost of service study.

TABLE 1 – SUMMARY OF PRODUCTION O&M EXPENSES

	FPL METHOD AS FILED (1)	NARUC MANUAL (2)	NARUC MANUAL & FPL CHANGES (3)	SHIFT TO ENERGY (4) = (3)-(2)
ALLOCATED TO ENERGY	$340,367,442	$264,105,546	$350,996,883	$86,891,336
		$10,629,441 Cols. (3) – (1)		

This means FPL understated the amount of Production O&M to energy by $10.6 million. This is in sharp contrast to Mr. Pollock's claim that FPL overstated the amount of Production O&M to energy by $99 million.

In summary, Mr. Pollock's claim that FPL incorrectly classified $99 million of production O&M expense to energy is unfounded and should be rejected by the Commission. Exhibit JAE-14 – Impact of Corrected Production O&M Expense Classification on Rate Classes, shows that the impact on rate class revenue requirements from using FPL's corrected Production O&M classifications to demand and energy would be minimal.

V. TESTIMONY OF FEA WITNESS STEPHENS

Q. Has FEA witness Stephens raised any cost of service issues to which you would like to respond?

A. Yes. On page 2 of his testimony, witness Stephens identifies three costs of service issues, all related to distribution costs. Mr Stephens:

- questions whether FPL properly separated primary voltage and secondary voltage distribution costs;
- recommends that FPL include single-phase primary voltage as functioning only to serve secondary voltage customers and allocate these costs only to secondary voltage customers; and,
- indicates that FPL's cost study ignores the customer-related component of the distribution system associated with the minimum distribution system.

Q. With regards to Mr. Stephens' first issue, did FPL properly separate and allocate distribution equipment costs to primary and secondary customers?

A. Yes. Exhibit JAE-15 – Summary of Distribution Cost Allocations to Primary and Secondary Voltage Customers clearly shows that FPL has properly allocated costs of primary and secondary voltage facilities to rate classes.

Q. Witness Stephens also asserts that FPL's cost of service methodology fails to recognize that primary voltage lines that are operated in single-phase and dual-phase configurations are rarely constructed to serve primary voltage loads and function primarily to serve secondary customers, and therefore should be allocated to secondary voltage customers. Please respond.

A. Mr. Stephens is correct that single/dual-phase primary facilities primarily serve secondary customers. On the other hand, it is also true that certain of FPL's single/double/three-phase lines serve solely primary customers.

Q. As a result of this issue, Mr. Stephens recommends that FPL alter its cost of service study in this case and, if it cannot be reasonably accomplished in this case, it should happen at the next opportunity, e.g., FPL's next rate case. Please comment.

A. Mr. Stephens' issue bears further consideration; however, FPL would need additional time to gather the necessary information to evaluate this methodology change. While Mr. Stephens asserts that identifying the single/dual/three-phase facilities is "a relatively simple task", the fact is, it is not. Identifying the single/dual/three-phase facilities is only one necessary component required to complete and evaluate this methodology. Other information requirements include

identifying those customers served by these facilities and the costs associated with each of the primary phase systems.

Q. FEA witness Stephens also advocates that FPL use an MDS methodology to allocate distribution plant in its next rate case. Do you agree with his proposal?

A. No. For the same reasons outlined in response to SFHHA witness Baron's proposal, the Commission should reject Mr. Stephens' proposal.

Q. On page 16 - 18 of his testimony, Mr. Stephens asserts that certain Florida Administrative Code (F.A.C.) rules such as Rule 25-6.0345 which require electric utilities to comply with the National Electrical Safety Code, and Rule 25-6.0432 - Electric Infrastructure Storm Hardening, "cause electric utilities to incur costs in a manner that is, in no way whatsoever, related to the peak load of the customers, ..." Do you agree with this assertion?

A. No. These rules require FPL to construct facilities to certain standards so that it can more reliably and safely serve the load needs of its customers. The costs associated with these requirements should not be decoupled from the underlying assets being constructed or hardened and are, therefore, properly accounted for in FPL's cost of service study.

Q. Does this conclude your rebuttal testimony?

A. Yes.

ERRATA SHEET

WITNESS: **JOSEPH A. ENDER - REBUTTAL**

PAGE #	LINE #	CHANGE
29	1	"lines 10 – 12" to "lines 7-8"

BY MS. CLARK:

Q And are you also sponsoring exhibits to your rebuttal testimony?

A Yes, I am.

Q And do those exhibits consist of 34 pages and they are shown as Exhibits JAE-7 to JAE-15?

A Yes.

MS. CLARK: Mr. Chairman, I think those are premarked as 459 through 467.

CHAIRMAN BRISE: Okay.

(Exhibit Nos. 459 through 467 were marked for identification.)

BY MS. CLARK:

Q Mr. Ender, have you prepared a short summary?

A I have.

Q Would you give that now?

A I will. Good morning again, Chairman and Commissioners.

CHAIRMAN BRISE: Good morning.

A I'm here today to refute the testimony of the intervenors' witnesses regarding FPL's cost of service study. My testimony rebuts basically four areas: One, proposed alternative cost of service methodologies; two, the adjustment to historical load research data to normalize the effects of extreme weather; three, the

allocation of curtailable service credits; four, the reclassification of production O&M expenses from energy to demand.

Commissioners, FPL consistently followed long-established Commission precedent and sound ratemaking principles in developing its cost of service study. The methodologies employed by FPL result in a fair and reasonable allocation of costs to the various customers.

Use of the proposed Summer Coincident Peak Method for allocating production and transmission plant and the minimum distribution system for distribution plant does not reflect how FPL plans and builds its system and should therefore be rejected.

Regarding the claim that FPL has biased its cost of service results because it adjusted its historical load research data for January 2010, that claim is without merit. The adjustment FPL made to the January 2010 historical load factors was necessary to normalize the effects of extreme weather experienced by FPL that month.

Turning to the allocation of curtailable service credits, FPL's allocation of those credits to all firm and non-firm customers was proper and is consistent with FPL's planning principles and current

Commission policy.

Finally, with regard to the classification of production O&M expenses, FPL's classification of those expenses between energy and demand properly recognizes the operating characteristics of FPL's current portfolio generation assets and is therefore appropriate.

Subject to the adjustments listed on FPL Witness Ousdahl's Exhibit CO-16, the jurisdictional separation and cost of service studies presented in my testimony should be approved. This concludes my summary of my rebuttal testimony.

MS. CLARK: Mr. Chairman, we tender the witness for cross-examination.

CHAIRMAN BRISE: Ms. Kaufman, for FIPUG.

MS. KAUFMAN: Good morning, Mr. Chairman, Commissioners.

CHAIRMAN BRISE: Good morning.

CROSS-EXAMINATION

BY MS. KAUFMAN:

Q Good morning, Mr. Ender.

A Good morning.

Q It seems like we were all just here.

I just have a short line of questions for you that concerns your comments about the allocation of the

non-firm credits. But as a predicate, I wanted to ask you if you listened to any of Mr. Deason's testimony the other day?

A Briefly. I did not listen to the entire.

Q Okay. Well, would you agree, subject to check, as we like to say, that I believe Mr. Deason commented that if a policy is incorrect or inappropriate it should be changed?

A I don't recall that line of questioning.

Q Well, would you agree with that statement?

A That makes reasonable sense.

Q Okay. Now, in regard to the allocation of the non-firm credits, I understand it's the company's position that that cost should be allocated to all customers, including the non-firm customers, correct?

A Yes, and for good reason.

Q Okay. Now, would you agree with me -- and we've had a lot of discussion about this during these past two weeks -- that non-firm customers, which include the CILC customers, for example, may be interrupted at any time that there is a capacity emergency on FPL's system?

A Yes. And for that they get compensated.

Q Exactly. And, also, they may be interrupted if there's a capacity shortage on another utility

system in Florida, correct?

A That is correct.

Q And so these customers -- I guess this is maybe redundant -- they provide capacity at times of emergency shortfalls, correct?

A That is correct. And they are properly compensated for the ability for us to curtail their service.

Q So you're getting to my next question.

A Okay.

Q Which is that in return for this inferior level of service where they can be shut off instantaneously in a capacity shortage situation, they receive a credit for that service?

MS. CLARK: Mr. Chairman, I would object to the phrasing of "inferior service." If she just wants to ask a straight question without interposing what I think is an inappropriate qualifier, that would be fine.

CHAIRMAN BRISE: Ms. Kaufman.

MS. KAUFMAN: You know, I'm happy to rephrase it. I think we're all clear on the differences between interruptible and firm service.

BY MS. KAUFMAN:

Q At any rate, for FPL's ability to interrupt

these customers in a shortfall situation, they are compensated via a credit, correct?

A That is correct.

Q Okay. And would you also agree with me that when FPL decides to build or add capacity to its system, it excludes the needs of the non-firm customers?

A I would agree that the non-firm customers are not included. However, this load that is actually -- FPL relies on because it pays customers for the use -- for the ability to curtail, is considered in the planning process as a reduction of the load, so therefore they are getting the benefit of not having to -- the benefit of deferring plants, new plants.

Q Understood. But my question is when FPL is planning for its system and for capacity additions, it excludes the needs of the non-firm customers, correct, it doesn't count them when it's trying to figure out if it needs to add capacity?

A The thing I can tell you is that FPL in planning its expansion reduces the amount of the load based on how much credit they are granting customers and the amount of demand that is actually being curtailed.

Q Okay.

A So they are considering the curtailable service load as if it was firm.

Q But they are considering that load as a resource, actually, because in times of emergency they can curtail the load, correct?

A Right. And all customers benefit from that load curtailment because it helps all customers to defer the building of new plants.

Q Okay. So let's kind of cut to the chase of my questions here. On the one hand, because FPL has the ability to interrupt these customers, it provides them with a credit, and on the other hand -- so it pays them for that service, if you will -- and on the other hand, it wants these same customers to pay FPL back for the credit that they received, essentially?

A Yes, because they all received credits from the deferment of plant. And it's consistent with the way the cost recovery occurs in the Energy Conservation for Load Management and Demand Side Management Programs.

Q So would you agree with me that it's sort of like paying them on the one hand and taking the money back on the other?

A No, I disagree with that characterization, actually. They're being paid for them giving us the

ability to curtail their service, and that is also helping the general body of customers defer the need for new plants. So every customer benefits, including those that generate the credit.

Q Okay. They are being paid for the ability to curtail and then they asked to also pay a portion of the cost of that program?

MS. CLARK: Mr. Chairman, I think this question has been asked at least three times.

MS. KAUFMAN: I'm just trying -- I'm sorry, I'm just trying to get the yes or no.

MS. CLARK: I think he's explained it.

CHAIRMAN BRISE: Yeah, I think that he provided an answer to that question.

MS. KAUFMAN: Thank you, Mr. Chairman. That's all I have, Mr. Ender. Thank you.

THE WITNESS: Thank you.

CHAIRMAN BRISE: Thank you, Ms. Kaufman. Mr. Wiseman.

MR. WISEMAN: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. WISEMAN:

Q Good morning, Mr. Ender.

A Good morning, Mr. Wiseman.

Q Mr. Ender, could you turn to page 8, lines 12

through 16 of your testimony, please, your rebuttal.

A I'm there.

Q You have that.

Now, at this portion of your testimony, you're discussing this agreement you have with Mr. Baron about the adjustment you made to the Coincident Peak Load Factor for the RST-1 rate class; is that correct?

A Yes, Mr. Wiseman, can you give me the reference again?

Q Sure.

A The line reference on page 8, please.

Q Well, at least on my copy, it's on page 8, lines 12 through 16.

A Okay.

Q Does that match up with yours?

A Correct.

Q Okay. So let's go back. My question was it's at this portion of your testimony that you're discussing the disagreement that you had with Mr. Baron about the adjustment that you made to the Coincident Peak Load Factor for the RST-1 rate class, correct?

A Yes, it was an adjustment made for extreme weather.

Q Okay. And you -- and the extreme weather

you're talking about is the weather that occurred in January of 2010; is that correct?

A January 11, between the hours of seven and eight, to be exact.

Q Okay. And you would agree that you increased the RST-1 rate class load factor from 43.64 percent to 48.39 percent; is that correct?

A I agree that we made an adjustment to normalize the weather.

MR. WISEMAN: Could I have a yes or no.

THE WITNESS: Extreme weather.

CHAIRMAN BRISE: Mr. Ender, if you could provide the yes or the no and then the brief explanation.

THE WITNESS: I believe your math may be correct. However, it is because of the normalization. It is what it is. I mean, we normalized it by adding more data points because these are outliers, 40 percent higher than any January in history. So we felt that that was an abnormal weather condition that we should not use for purposes of setting rates going forward.

BY MR. WISEMAN:

Q At this time -- Mr. Ender, when I cross-examined Dr. Morley, there was an interrogatory

response that she had sponsored that counsel for FPL stipulated was her response, but I was going to ask you a question about it.

Do you happen to have a copy of that?

A I do not, Counselor.

MR. WISEMAN: Mr. Chair, if we could approach.

CHAIRMAN BRISE: Sure.

MR. WISEMAN: And for the record, this is Exhibit No. 586.

CHAIRMAN BRISE: Thank you.

(Exhibit No. 586 was marked for identification.)

BY MR. WISEMAN:

Q Mr. Ender, do you have it now?

A I have it.

Q All right. Can you just read out loud the answer to that interrogatory?

A The answer is "Econometric models are not developed at the rate class level; therefore, weather normalized sales by rate class cannot be computed. Regardless, the impact on each rate class of weather normalized sales would not be known until answers are available."

Q All right. Thank you.

Now, could you refer to page 9, lines 3 through 9 of your testimony, please. Do you have that?

A Yes.

Q Okay. Now, at lines 3 through 4, there's a sentence that's designated as a question, but actually, it's not a question, it's a statement. And what it says is that Mr. Baron asserted that FPL's coincident peak, group non-coincident peak, and non-coincident Demand Reconciliation Methodology is not reasonable and should be modified.

Do you see that?

A Yes.

Q Okay. And then your answer that follows directly below, am I correct that you indicate that although FPL believes that its Demand Reconciliation Methodology is reasonable, it doesn't disagree in principle with the refinement that Mr. Baron proposed, correct?

A Correct.

Q Okay. And I want to make sure that the record is clear on this. Would you agree that the disagreement that Mr. Baron expressed with FPL's methodology and the refinement that he proposed is discussed in his testimony, Mr. Baron's testimony, at page 14, line 4 through 19, line 1?

A I do not have his testimony with me so --

MR. WISEMAN: Could we approach again?

CHAIRMAN BRISE: Sure.

THE WITNESS: Could I ask you to give me the reference again, please.

BY MR. WISEMAN:

Q Sure. Page 14, line 4, going through page 19, line 1.

A You said line 1 on page --

Q Line 1 on page 19.

A Oh, okay. I didn't go to Evelyn Wood so it's going to take me a little bit.

Q We have nothing but time.

A Okay.

Q All I want is to make sure that the record is clear. Is that portion of Mr. Baron's testimony the portion -- is that the Reconciliation Methodology that you said that FPL would agree with in principle?

A That is it, right.

Q All right. Great.

Now, let's go to another area that also starts on page 9 of your testimony, and just at lines 9 -- I'm sorry, page 9, line 10 through page 10, line 3 of your testimony. You have four bullet points there which are a summary of the reasons why you

disagree with Mr. Baron's recommendation that the Commission adopt the MDS Methodology for allocating FPL's investment and distribution plant; is that correct?

A That's correct.

Q All right. I want to focus on the second bullet point. Now, is it correct that it's your position that the MDS Methodology presumes a type of electric system and method of planning that's not reflective of FPL's distribution system?

A Yes, it is correct.

Q And if you could turn to page 11, lines 4 through 6 of your testimony. There you describe the MDS Methodology. And is it correct that -- you would agree that the MDS Method assumes that a minimum set of facilities, particularly transformers, conductors, and poles, are required to connect customers, right?

A I would agree that it would be based on a hypothetical minimum size distribution system.

Q Well, and it's the installation of those particular facilities that I just named; is that right?

A I believe you name the poles, conductors --

Q Transformers, conductors, and poles.

A Right.

Q Okay. And the MDS System assigns the costs

of those facilities based upon a customer component; is that right?

A I believe it does. I believe that it takes the -- it assumes that a certain portion of these poles, wires, and transformers which form the basis of FPL's network, which the sole purpose of which is to deliver power to our customers, and assigns them based on a customer cost.

Q Okay. Now, can you turn to page 11, lines 12 through 14 of your testimony. You state there that the Commission's analysis in previously rejecting the use of the MDS System is consistent with the fact that the central criterion used in FPL's -- in planning FPL's distribution system is based upon kilowatt hour load -- I'm sorry -- kilowatt load requirements and not customers.

Is that a fair characterization of your testimony?

A I believe that's a fair characterization in the context of what I'm reacting to as the Commission's order in the 2000 and case for -- 2002 case for Gulf Power.

Q So it's your position, am I correct, that FPL does not base -- does not plan its system based on customers served; is that right?

A Only to the extent that the customers that we serve, that we serve their demand. The number of customers themselves do not drive the need for us to plan and build our system; it's the demand that those customers bring that drives the need to build our system.

Q All right.

MR. WISEMAN: Mr. Chair, if we could have marked for identification as the next exhibit in order, it's FPL's response to staff's 18th set of Interrogatories No. 463.

CHAIRMAN BRISE: Okay. We're at 640.

MR. WISEMAN: I'm sorry, six four zero?

CHAIRMAN BRISE: Six four zero.

(Exhibit No. 640 was marked for identification.)

MS. CLARK: Mr. Chairman, I was just going to point out that this was part of a packet that staff had indicated to me they wanted to have in the record, but I guess we can take it out of that packet.

CHAIRMAN BRISE: Thank you.

BY MR. WISEMAN:

Q Mr. Ender, do you have that?

A I do.

Q And was this response prepared by you or under your supervision?

A No, it was not.

Q Does mister -- who is Mr. David T. Brumley?

A He works in the Distribution Business Unit.

Q Does he work for you, or no?

A No, he does not.

Q All right. Well, let's look at the response nonetheless and let's see if you would agree with it. And particularly I'm looking at the last sentence in the response. It says, "FPL is not aware of a scenario where the number of customers served is used as a basis for planning."

Do you see that statement?

A Yes, I do.

Q And do you agree with that?

A Insofar as it's not the actual numbers of customers that we need to connect to the system that drives the need to expand our system; it's the load that the customers bring upon our system.

MR. WISEMAN: Mr. Chair, if I could get a yes or a no, please, and then a short explanation is fine.

THE WITNESS: I guess it's a yes and a no.

CHAIRMAN BRISE: All right. Did you finish

with your short explanation?

THE WITNESS: I thought I did.

CHAIRMAN BRISE: Okay. Perfect.

Go right ahead, Mr. Wiseman.

MR. WISEMAN: That's fine. If we could have now marked as Exhibit 641, these are excerpts from FPL's Service Planning Quick Reference Guide and other distribution reference manuals.

CHAIRMAN BRISE: Okay.

(Exhibit No. 641 was marked for identification.)

MS. CLARK: Mr. Wiseman, could you indicate to me where this came from --

MR. WISEMAN: Yes.

MS. CLARK: -- and how you came to --

MR. WISEMAN: Absolutely. If you look on each page, there's a Bate stamp number. These were produced by FPL in discovery.

MS. CLARK: Do you remember the discovery number?

MR. WISEMAN: Well, it's either SFHHA POD 160 or 161. I apologize, I don't recall which.

MS. CLARK: Thank you.

BY MR. WISEMAN:

Q Mr. Ender, do you have the document in front

of you?

A I do.

Q I wonder, are you familiar with these documents?

A No, I am not.

Q Okay. Well, let's turn to page -- the first page of the exhibit, which is page 11 -- I'm looking at the Bates stamp number -- that would be page 11843.

Do you have that?

A I do.

Q Why don't you read to yourself -- just look at paragraphs 1 and 2 on that page and tell me when you're ready.

A I'm ready.

Q Okay. Looking at paragraphs 1 and 2, wouldn't you agree that in deciding what type of transformer to install, FPL applies different considerations, depending upon the type of customer that's going to be connected?

A I believe that's reasonable based on this.

Q Okay. And so as an example, you would agree that FPL -- according to this document, FPL would install a different type of transformer for, say, a small mom and pop store than it would install for a hospital?

A I mean, that sounds reasonable. I am not an engineer so I want to make sure that that goes on the record as well.

Q Sure. But that's actually what's indicated on the document itself, right?

A That seems correct, yeah.

Q Okay. Now, let's turn to the next page. This is Bate stamp page 11824. And if you look at -- do you see it says, "General information" and then it says, "introduction"? Do you see that?

A Yes.

Q Okay. And then the second paragraph under the introduction, it says, "The customer's loads determine the secondary design and the size and placement of transformers. This in turn determines the route and loading of laterals, which in turn determines whether feeder extensions or additions are required."

I would like you to read the paragraph out loud, the paragraph that immediately precedes that one.

A Precedes that?

Q Precedes, yes.

A So it would be the "When describing"?

Q Correct.

A "When describing a distribution system, it seems natural to discuss the various components and the

order in which power flows, starting at substation and proceeding to feeders, then to laterals, then to transformers, secondaries, and services. In designing a system, however, it is necessary to start with the customers and work back to the substation. The purpose of the whole system is to serve the customers adequately and reliably; therefore, the configuration of the lines and hardware are determined by the customers, when they are, how much they are, how much load they have, and what kind of service they require."

Q All right. Now let's turn to page -- the next page in the document, Bates page 11825.

A Uh-huh.

Q And do you see that there is a title that says -- toward the bottom -- determine baseloads -- "determine baseload of residential units"? Do you see that?

A I do.

Q All right. Why don't you read to yourself the second full paragraph underneath that and tell me when you're ready.

A I'm ready.

Q Okay. Would you agree that this paragraph suggests that FPL will install different transformers for a full electric residence than it would for a

partial electrical residence?

A I really can't say that.

Q Well, in that case, why don't you read out loud the second full paragraph.

A "Determine the baseload of the dwelling units. Table 1 may be used for this purpose. For full electric homes, the baseload is function of air-conditioning size and may be read directly from the table. For partial electric, PE, homes having gas or other energy forms, water heating and/or cooking, the baseload may be determined by adding the AC load to the appropriate PE load described in the left-hand column of the table."

What that's saying to me is that load is determining the size of the transformer.

Q All right. Well, let's keep going and see if that's correct. Let's look at page -- the next page in the document, page 11827. Do you have that?

A I do.

Q All right. Why don't you read out loud the first full paragraph under No. 4, "Check voltage drop and flicker."

MS. CLARK: Mr. Chairman, before he does that, can I ask Mr. Wiseman where 11826 is?

MR. WISEMAN: These are excerpts. And if FPL

wants to put in -- frankly, the document was probably -- the whole response was 4 or 5 inches thick. If FPL -- I just didn't want to kill a lot of trees. If FPL wants to supplement this and put in the full document, I have no objection whatsoever.

MS. CLARK: At the time it's ready to be moved in, I'll have an answer.

CHAIRMAN BRISE: All right. Mr. Wiseman.

BY MR. WISEMAN:

Q Mr. Ender, could you read the first full paragraph on page 11827 under paragraph 4, "Check voltage drop and flicker."

A "Now consider the worst voltage drop conditions seen from the transformer to a customer to determine if the cables have been adequately chosen. The worse case is from the transformer location to a customer being serviced from volt two. This voltage drop will be some of the voltage drops of the transformer, the drop from pole one to pole two, and the drop from pole two to the customer."

Q All right. Now let's turn to page 11830, which is the next page in the document. And I would like you to look at table 1 on that page. Would you agree that this table sets forth some estimates of

standard loads based upon the size of the air-conditioning unit in a residential unit; is that correct?

A The table says, "standard loads based on AC size."

Q Okay. And let's turn to the next page in the document 11831, page 11831. And would you agree that table 2 shows standard loads for full electric houses based upon the number of customers and size of the air-conditioning units?

MS. CLARK: Mr. Chairman, I've been fairly patient. He's indicated he's not an engineer, and Mr. Wiseman is just asking him to read items out of a table. If Mr. Wiseman felt this was important, it could have been addressed in the intervenor testimony.

MR. WISEMAN: Mr. Chair, Mr. Ender, in his rebuttal testimony, makes a very specific representation that FPL does not plan its system based upon number of customers. This is an FPL planning document.

To the extent that he is aware of how FPL -- he has testified how FPL plans a system. To the extent this document impeaches that testimony, it's highly relevant and clearly proper for

cross-examination.

CHAIRMAN BRISE: I would agree.

BY MR. WISEMAN:

Q Mr. Ender, going back to table 2 on Bates page 11831. Don't you agree that table 2 shows standard loads for full electric houses based upon the number of customers and the size of air-conditioning units?

A Can you repeat that question again.

Q Yes.

Wouldn't you agree that table 2 shows standard loads for full electric houses based upon the number of customers and the size of air-conditioning units?

A It appears that it does that.

Q All right. Now let's turn to Bates page 11832, the next page in the document. And would you agree that table 3 sets forth calculations to determine the size of the transformer to install based upon the number of customers?

A And the demand those customers place on it.

MR. WISEMAN: If I could get a yes or no, Mr. Chair.

THE WITNESS: Yes, it's number of customers and the demand each customer is placing on the --

BY MR. WISEMAN:

Q I'm sorry. And would you look underneath the table, there's an example, and would you agree that that example is discussing how to determine the right size of a transformer to serve four customers?

A It looks like that's what it intends to do.

Q All right. Now let's turn to the next page in the document, Bates page 11839. And first there's a table there, which at least to me appears to be the same table that was on the prior page.

Does that appear to be the same to you, just eyeballing it?

A I have not compared the two.

Q Well, do they -- could you compare them? Do they look the same? Actually, as I'm looking at them, they appear to be slightly different, but they are -- you would agree that what they are showing is transformer size by number of full electric homes; isn't that correct?

A I'm not sure of that.

Q Well, let's look at the table and see if we can work our way through it. Let's start at the top line that's got "Transformer size 25 KVA." Do you see that?

A Are you on page 839?

Q Correct. 11839.

Okay. And you see the -- it says, "Transformer size 25 KVA." Do you see that?

A Yes.

Q And then next to the -- well, let's start actually at the top. It says, "Transformer size" in the left-hand column, right?

A Correct.

Q Okay. And then to that, it has "Number of full electric homes," correct?

A Yes.

Q Okay. And going back to the column of Transformer Size starting at the top, it has "25 KVA." Do you see that?

A Yes, I do.

Q And then right next to that, there's a column that says, "One ton." Do you see that?

A Yes, I do.

Q All right. And underneath that, it's a number, it says, "One hyphen 12," correct?

A Yes.

Q Okay. And doesn't that indicate to you that for this -- that this table is saying for homes with a 1-ton air-conditioning unit, you could connect between one to 12 homes with a transformer size of 25 KVA?

A Yes.

Q And if we were to go through all the numbers in this table, you would agree that obviously the numbers are going to change based upon the size of the air-conditioning unit and the number of homes and then you combine those two factors to determine the size of the transformer, right?

A That is correct.

Q All right. And let's look underneath the table. There is another example here. And would you agree that this example is discussing what size transformer to use for five full electric customers with 3-ton AC units, correct?

A Uh-huh.

Q That was a yes?

A Yes.

Q Thank you.

A Sorry.

Q All right. And the last page, I believe, in the document -- yes -- and this page I put in here out of order, but that's -- it's page 11837. And would you agree that this table contains an estimate of coincident load peak -- I'm sorry -- of coincident load based upon the number of customers with various load? Is that correct?

A That's what it says and that's what it appears to be.

Q All right.

MR. WISEMAN: Now, if we could have marked for identification as the next exhibit in order, this is FPL's response to SFHHA request for production of documents 160.

CHAIRMAN BRISE: Okay. This would be 642.

(Exhibit No. 642 was marked for identification.)

BY MR. WISEMAN:

Q Mr. Ender, in this request for production of documents, SFHHA asked FPL to produce copies of any analyses it had prepared in the last five years of an MDS cost of service -- using a MDS Cost of Service Methodology; is that correct?

A Yes, that is correct.

Q And you would agree that FPL has no response -- indicated it has no responsive documents?

A That is correct, we have not done an MDS study.

Q Thank you.

All right. Last area to go over, can you return -- I'm sorry -- refer to page 13, lines 14 through 23 of your testimony.

A Can you say the page again, please.

Q Sure, 13.

Okay. Now, it's in this portion of your testimony that you're addressing Mr. Baron's reference to inactive meters of residential customers as support for the use of the MDS Methodology and you criticize Mr. Baron because on a comparative basis you say that the ratio of inactive meters for noncommercial class customers is actually higher than the ratio of inactive meters for residential class customers; is that right?

A My reaction -- that is correct. And I was responding to Mr. Baron's claim that all of the inactive homes were presumably residential, and that is not the case. We have over 65,000 customers that are not residential customers that are inactive.

Q Well, were you here when doctor -- and fair enough. But let me ask you this: Were you here when Dr. Morley testified or did you listen to her testimony?

A Not in its entirety.

Q All right. Well, Dr. Morley told us that FPL doesn't have a breakdown of inactive meters on a rate class basis. Is that your understanding as well?

A That is my understanding, that's correct.

Q Okay. And so would it be correct that in

this portion of your testimony, that's why you're comparing residential to nonresidential customers as opposed to comparing customers -- or comparing inactive meters on a rate class basis? Is that correct?

A That is correct, that's all the information we have.

Q But notwithstanding your last statement, wouldn't you agree that the degree of -- wouldn't you agree that the degree of inactive meters is much higher for small commercial customers in, say, the GS rate class as opposed to customers in the larger general service rate classes such as GSLD-1, GSLD-2, and CILCD-1 -- CILC-1D, if you know?

A I really don't know that.

Q Okay.

MR. WISEMAN: That's all I have. Thank you, Mr. Chair.

CHAIRMAN BRISE: Thank you, Mr. Wiseman.

Ms. Christensen.

MS. CHRISTENSEN: No questions.

CHAIRMAN BRISE: Mr. Wright.

MR. WRIGHT: No questions, Mr. Chairman. Thank you.

CHAIRMAN BRISE: All right. Staff.

MR. HARRIS: Yes. Thank you, Mr. Chairman,

we do have some few questions. But first we have handed out a packet, and I think we have copies for you. We've gotten it to all of the parties at the table.

And this is -- I think it's six selected FPL responses, five of which are to staff discovery one, which is, I think, to another party. One of these -- the second document -- and it's being passed out now.

CHAIRMAN BRISE: Would you like to deal with these as a package?

MR. HARRIS: Well, I would like to have them all identified.

CHAIRMAN BRISE: Okay.

MR. HARRIS: But I was going to point out the second document in this stack, which is FPL's responses to staff's 18th interrogatories No. 463 was previously identified as No. 640 by Hospital Association.

CHAIRMAN BRISE: Right.

MR. HARRIS: So if we could remove that from the package.

CHAIRMAN BRISE: Sure.

MR. HARRIS: And then have numbers assigned to the remaining exhibits.

CHAIRMAN BRISE: Okay. So we will assign to number -- to the 18th set of interrogatories No. 462, Exhibit No. 643.

(Exhibit No. 643 was marked for identification.)

CHAIRMAN BRISE: Then to the same set of interrogatories No. 464, that will be 647 -- I mean 644, sorry.

(Exhibit No. 644 was marked for identification.)

CHAIRMAN BRISE: Same set of interrogatories No. 465, we will assign that 645.

(Exhibit No. 645 was marked for identification.)

MR. HARRIS: See, I'm testing to see how awake you are this morning. You're doing pretty good, I got to say.

CHAIRMAN BRISE: Same set of interrogatories No. 466, that will be 646.

(Exhibit No. 646 was marked for identification.)

CHAIRMAN BRISE: And then SFHHA seventh set of interrogatories No. 268, we will assign 647.

(Exhibit No. 647 was marked for identification.)

MR. HARRIS: Thank you. And I think it might be appropriate to inquire of the parties whether there's going to be any objection to the entry of these. I know Power & Light has previously stipulated to the authenticity of their responses to discovery.

CHAIRMAN BRISE: Okay. Are there any objections?

MR. WRIGHT: No objections, Mr. Chairman.

MR. WISEMAN: If you could give me just one moment to review them.

CHAIRMAN BRISE: Sure.

MR. WISEMAN: No objection.

MS. CLARK: We have no objection.

CHAIRMAN BRISE: All right.

MR. HARRIS: Wonderful. Now we do have a few questions for Mr. Ender.

CHAIRMAN BRISE: Sure. Go right ahead.

CROSS-EXAMINATION

BY MR. HARRIS:

Q Mr. Ender, I believe the majority of these will call for a yes or no answer. Some will require an explanation. And it would be my intent that we could hopefully move through this relatively quickly.

The first issue I would like to cover with

you has been identified as issue 140, which relates to cost of service for production plant. And this is going to generally relate to your testimony, I believe, that starts around page 20.

A I'm there.

Q Mr. Ender, am I correct that you testified in Florida Power & Light's last rate case on cost of service issues?

A Yes, I did.

Q Okay. And to your knowledge, has anything changed in FPL's generation plan since the last rate case that would warrant FPL changing its Cost of Service Methodology for production plant from the 12 CP and 1/13th Methodology to an Alternative Cost of Service Methodology?

A No.

Q Okay. Now, I've already referred you to page 20 of your testimony, and I would like you to look at lines 3 to 4.

A I'm there.

Q Okay. And I believe here you state that one of the FPL resource planning criteria is a maximum annual loss-of-load probability, which is LOLP, of point -- 0.1 days per year.

And the question is can you please explain

what this criterion is or what that means?

A Yes. It means that the number of times -- the number of days that FPL is unable to meet the demand because of lack of capacity, and it cannot have more than 0.1 days per year, and that is the maximum loss of load probability. So it's the ability to meet the demand.

Q Okay. Thank you.

Now, if you could turn over to page 22 of your testimony and lines 6 through 7.

A I'm there.

Q And I believe that here you testify that under the Summer Coincident Peak, or CP Allocation Methodology, two rate classes would not be allocated any production costs.

And am I correct that those two rates classes are the SL-1, which is street lighting, and the OL-1, which is the outdoor lighting, rate class?

A That is correct.

Q Okay. And can you briefly explain why these two rate classes are not allocated any production plant cost under the Summer CP Method?

A The Summer CP Method just looks at one hour of the entire year and whenever -- whatever that hour is, which is typically in the summer, it will be -- for

summer CP -- it will be daylight hours and therefore there will be no allocation of cost to street lights since they would not be contributing to the system peak.

Q Thank you.

If no production costs get allocated to the OL-1 and SL-1 rate classes, is it correct to say that those costs are allocated then to all other classes?

A That is correct.

Q Okay. Now, if you could refer to lines 11 through 19 on page 22 of your rebuttal testimony.

A I am there.

Q Okay. And I believe here you're discussing how the Summer Coincident Peak Methodology increases the revenue requirement for the small commercial class -- which I believe is the GS-1 class -- by $7.3 million when compared to FPL's filed methodology?

A That is correct.

Q And the question is can you please explain why this is?

A And that is because they would have a higher percent contribution to the peak in the -- just looking at the summer by itself, then it would be under the 12 CP 1/13th.

Q Okay. I'm not sure I understood your answer,

if I could get you to repeat it.

A Okay. Maybe you can repeat the question so I can make sure I answer it correctly.

Q Yeah. I'm just essentially trying to figure out why the revenue requirement for the small commercial class is increased under the Summer Coincident Peak Methodology compared to the methodology that FPL has filed in this rate case.

A And the reason is, is because they would have more of a contribution to the summer peak than they would under the 12 CPM 1/13th Method, so their cost responsibility would be higher.

Q Okay. Thank you.

And now could you please turn to Exhibit JAE 9, which is attached to your rebuttal testimony.

A I'm there.

Q Okay. And I believe that this shows the impact of the Summer Coincident Peak Method on the class revenue requirements. And in addition to the GS-1 class that we just talked about, I believe it also shows that the two stand-by generation rate schedules, which are SST-TST and SST-DST, would see large increase in revenue requirements under the Summer CP Method.

And the same question, can you explain why those two classes would see a large increase under the

Summer CP Method?

MR. WISEMAN: Objection. Can counsel define what he means by "large"? It's a somewhat subjective term.

CHAIRMAN BRISE: Mr. Harris.

MR. HARRIS: Sure.

BY MR. HARRIS:

Q I think we can break that question down and just say -- you said you have the table. Do you see that there's an increase for the SST-TST and SST-DST rate classes?

A Yes, I do.

Q And can you tell me what the increase in the revenue requirements for those two classes is?

A The short answer is obviously they would have a higher cost responsibility under the Summer Method because they would be contributing more to the summer peak. However, these are very small classes, so any cost allocation change would have -- could have a drastic effect on the actual cost allocations.

Q Okay. I think that answered my question. Thank you.

Now I would like to move on to issue 141, which is the cost of service for transmission plant. And I believe you discuss this around page 29 of your

rebuttal testimony, specifically lines 5 through 6.

A I'm there.

Q And I believe your testimony states that the Demand Only 12 CP Method proposed by FIPUG is not an unreasonable method; is that correct?

A That is correct.

Q Can you please elaborate on that a bit and explain whether that means that you agree with FIPUG Witness Pollock?

A I believe that FPL's 12 CP 1/13th, which has been used by this Commission for a long, long time, plus 30 years, it's also applicable to transmission and to production as well.

The 12 CP Method, however, for transmission is not -- is a reasonable method. In fact, FERC uses it, so it's just an acceptable method. And we would consider possibly moving to that at some point in the future as we evaluate our -- or continue to evaluate the methodologies from year to year to make sure that they're synced up properly.

Q Okay. And am I correct that transmission plant is sized to meet peak system -- system peak demand, or do you know of any other consideration used when planning transmission plant?

A My understanding, as I indicated in my

testimony, is that they base it on seasonal peak demand.

Q Okay. And that's the only consideration you're aware of?

A That's the only consideration I'm aware of.

Q Thank you.

I would like to move on to issue 142, which is, I think, a discussion of the allocation of cost to the various rate classes. And if you could refer back to page 9 of your rebuttal testimony.

And I think you touched upon this a little bit with the Hospital Association. But on page 9, lines 6 through 8 where you're discussing FPL's Demand Reconciliation Methodology, and I believe you state that it's reasonable; is that correct?

A That is correct.

Q Can you please briefly explain what FPL's Demand Reconciliation Methodology is and how it works.

A Yes. The Demand Reconciliation Methodology that -- what FPL used was to ensure that as we -- we don't have -- we have to develop the rate class demand levels because that information is not provided from the forecasting group.

So we have three main components that drive demand allocation in our system. One is coincident

peak, non-coincident peak, and group non-coincident peak, and then customer non-coincident peak. And we utilize the historical load research data in deriving the amounts of the projected demands.

However, we have to then -- we have some rules that the CP cannot be higher than the GNCP and the GNCP can't be lower than the NCP. These are some rules that are part of the reconciliation. So we have to go through a reconciliation process.

And the way we did it, we kind of worked by reconciling first the NCP and CP and then reconciling the CP. What Mr. Baron recommended is that since the only thing that we know is the coincident peak because it is forecasted by Dr. Morley, and we know what the peak demands are, that we should tie that one first and then meet the other standards by allocating to the other classes for any differences. And that is basically the difference. We've been using ours for a number of years and we just find that Mr. Baron's refinement is a better way to do it.

Q Okay. So in your testimony where you state that you do not disagree in principle with that refinement, is it my understanding that you intend to implement this refinement in FPL's next rate case?

A That is our plan, correct. So we valuate it

and make sure when we make the transition to the new methodology that it's proper and correct.

Q Okay. Can you explain why, if you're going to do it for the next rate case, you can't do it in this rate case?

A Well, for one thing, I think there's a narrow window of opportunity between the time the Commission votes on the methodologies and the revenue requirements to then do the compliance filing. I believe there's like a five-day window. So it may not give us enough time to right-size it and make sure that everything is correctly done. But should the Commission decide that that's the way we ought to go, we'll do what we can.

MR. HARRIS: May I have a minute?

CHAIRMAN BRISE: Sure.

MR. HARRIS: Thank you.

BY MR. HARRIS:

Q Staying with roughly this line, if I could ask you to turn back a page to page 8 of your rebuttal testimony.

A I'm there.

Q Starting on line 17. And then that does flow over into page 9.

And I believe we had a little bit of a discussion with Hospital Association on this issue, but

I have a couple of more focused questions. And specifically I believe that here you are responding to Hospital Association's Witness Baron that FPL incorrectly adjusted the historical coincident peak and group non-coincident peak load factors for the residential class and as a result improperly calculated the residential class coincident peak and group non-coincident peaks demands for January of 2013.

Is that correct?

A That is -- that's their claim.

Q Okay. And am I correct that FPL did in fact include a weather normalization adjustment for the month of January of 2010 in calculating the three-year average residential -- we'll call it CP and GNCP load factors for January of 2013?

A Yes.

Q Okay. And can you explain the precise nature of that weather normalization adjustment that you made in calculating those factors for January 2013?

A Of course, as I think has been very clearly stated on the record, I mean, that was the coldest day in 60 years. And at that time, I mean, the residential class, which is -- it happened between seven and eight on Monday, and the residential class woke up to a chilled day and they turned up the heaters and as a

result it caused their consumption to be way off normal.

Q I'm sorry, I don't think I was clear with my question. I'm wondering exactly what the adjustment was?

A How did we make the adjustment?

Q Yes.

A Okay. The adjustment -- what we did is instead of just relying on three years -- three Januaries, three different Januaries for the 2010, '09 and '08, what we did is we expanded the baseline upon which we developed the factors to include all of the winter months, so we included January, December, and February for three years.

So we actually expanded it from a three-point to nine-point and developed an average on that basis. But it was all using historical load research data that is maintained in accordance with the load research Rule 25-6.0437.

Q Okay. Thank you.

And now if I could ask you to refer to what's been previously marked as -- I believe this was the staff interrogatory 642, which I think was handed out by the Hospital Association and marked as -- I'm sorry, 642 I said has been marked as Exhibit 643, it was not,

it was staff's Exhibit 643.

A I'm there.

Q Okay. And I believe in this response, you state that -- and I believe you actually responded to this, but you also refer to the Power & Light. Here you state that you applied a load factor adjustment only to the residential class because you evaluated the coincident peak and group non-coincident peak load factors attained by all of the other rate classes during January 2010, and you concluded that none of those factors were irregular or abnormal; is that correct?

A That is correct. But could you, please, point me to -- is that interrogatory No. 462?

Q Yes, sir.

A Is that 642? I may have written it down wrong.

Okay. But, yes, the answer is correct.

Q Okay. And the question is what is your or FPL's criteria for determining regular or abnormal impacts to FPL's class load factors?

A Well, we look at the three years and see how the -- how the demands fair out for the three-year period, and we look for abnormalities. And generally when something like the residential class that was

40 percent higher than any previous year, that required some adjustment. But generally we do not make adjustments for things that are in terms of normal pattern, regular growth, a little variability, but that's our -- that's the way we look at it.

Q Okay. Referring to this interrogatory, exclusive of the residential class, for which rate class did the extreme weather of January 2010 have the greatest impact to that class's CP and GNCP factors relative to weather normalized data?

A Other than?

Q Other than the residential class.

A I don't have that information with me, but I think it was a GS class, but I'm not sure.

Q Okay. And you said you don't have that information. Would that mean you don't have the impacts of that adjustment to that class?

A Correct. We did not normalize it, so the results would have been whatever it is that is shown in, I think it's E-11, if I remember correctly.

Q Okay. That's fine. Thank you.

The last set of questions I have -- and I appreciate your patience in working through this with me.

A That's my job.

Q Is I would like to discuss a little bit about the -- you mean you're not just enjoying my company?

A I love it. I think it's great.

Q And I would like to sort of speak with you, again, generally about the minimum distribution system or MDS.

A Certainly.

Q And am I correct -- and this, I think, starts on page 9 of your testimony for a reference. But am I correct that your testimony is that the MDS Methodology should not be used to allocate FPL's test year distribution costs included in the items listed in FERC accounts 364 through 368 as proposed by the Hospital Association's Witness Baron?

A That is correct, we should not.

Q To your knowledge, is it true that FERC accounts 364, 365, 366, 367, and 368 generally include such items as distribution poles, conductors, and line transformers?

A That is correct.

Q Okay. And am I correct that FPL allocated all of the costs of accounts 364 through 368 to rate classes on the basis of peak demand?

A With the exception of the customer pull-off costs, they were all allocated based on demand.

Customer pull-off costs were allocated based on number of customers.

Q Okay. And does it follow that none of FPL's test year distribution costs in those accounts are allocated on the basis of the number of customers in each rate class?

A Can you repeat that question, please.

Q Sure. Given that you've allocated the costs from accounts 364 through 368 to rate classes on the basis of peak demand, does it therefore follow that none of those distribution costs in those accounts would have been allocated on the basis of number of customers?

A That's correct, with the exception of pull-off costs.

Q Okay. I could ask you to turn to page 11 of your testimony, lines 12 through 14.

A I'm there.

Q And I believe you mentioned that the central criterion used for planning FPL's distribution system is kilowatt load requirements, not customers served; am I correct?

A That is correct.

Q Okay. And so except for line extensions required to serve specific customers, does FPL plan its

installation of distribution poles, conductors, and line transformers without considering the number of customers the company serves?

A That is correct, only to the extent, of course, that the demand is what -- the demand of those customers bring our system is what is important to the way we plan our system.

Q Thank you.

And if you know, what are the criteria used in distribution planning, besides the central criterion which we just mentioned, kilowatt load requirements?

MR. WISEMAN: I'm going to object to that question. Mr. Ender stated earlier that he's not an engineer, and so I don't believe that he's qualified to answer that question.

MR. HARRIS: I did ask if he knew.

CHAIRMAN BRISE: All right. And the same objection was posed to your line of questioning and I allowed latitude, so I'll allow latitude now.

THE WITNESS: I believe that we responded to that, FPL responded to that, and I did not respond to that. But it is on interrogatory No. 463 that I believe is your Exhibit 644.

BY MR. HARRIS:

Q Yes, sir. Thank you.

And then is it your testimony, Mr. Ender, that the customer-related percentage of accounts 364 through 368 is zero based on FPL's central planning criteria for distribution, being kilowatt load requirements?

A Correct.

Q And my last question, why is FPL's distribution planning criteria, kilowatt load requirements, the basis of FPL's distribution cost allocation?

A That's the way FPL plans and expands its system. I mean, we look at KW demands to build a network that is able to meet the capacity needs of our customers at peak demand. So it's peak demand, not the number of customers that drives need to build the FPL system.

Q Thank you, Mr. Ender. Those are all of my questions, and I appreciate your patience.

A Thank you.

CHAIRMAN BRISE: Thank you, Mr. Harris.

Commissioners.

(No response.)

CHAIRMAN BRISE: Okay. Redirect.

MS. CLARK: Just a couple, Mr. Chairman.

REDIRECT EXAMINATION

BY MS. CLARK:

Q Let me just get one clarification out of the way. I think on page 29 there was a discussion about the proposal from Mr. Pollock. I just want to be clear that FPL's conclusion with regard to the 12 CP Methodology being reasonable was with respect to transmission plant; is that correct?

A That is correct.

Q Okay. You were asked some questions by Mr. Wiseman, but I don't know that there were many questions. But this was with regard to SFHHA's first set of interrogatories 104, and I believe that is Exhibit 586. And the answer says econometric models are not developed at the rate class level.

My question is, if you know, is it necessary to have econometric models to develop the rate class level?

A As I under -- no. As I understand it, they develop the econometric model forecast at the revenue class level, so the weather is -- the forecast is already weather normalized, and then it's allocated to rate classes. And the sum of all of the rate class sales will equal the weather normalized revenue class

level forecast.

Q Okay. Mr. Wiseman had a line of questions on what he termed the transformer planning documents, and that's Exhibit 641. And if you would, would you look at Bates No. 11832.

Are you there?

A Yes.

Q And this is within the top line on that chart. Do you see the row at the top starting with "1 ton" and continuing to "5 ton"?

A Yes, I do.

Q What does that refer to? Is that the number of customers that may be served by a given sized transformer? Does that indicate it's different depending on the AC load?

A That is my understanding. And that goes to the diversity issue, load diversity issue that I talk about in my testimony where multiple customers can be connected to one transformer, which is not the case for most typical customers where they have one transformer dedicated to their service.

Q What does that indicate for you as to whether FPL is planning to serve number of homes or the anticipated load?

A It is the anticipated load.

Q I guess my final question is he walked you through a number of paragraphs in this document. Were there any items there that conflicted with your position that load is the central criteria for planning distribution system?

A No.

MS. CLARK: That's all I have, Mr. Chairman.

CHAIRMAN BRISE: Thank you, Ms. Clark.

Exhibits.

MS. CLARK: I would move Exhibits 459 through 467.

CHAIRMAN BRISE: Okay. Are there any objections?

(No response.)

CHAIRMAN BRISE: Seeing no objections, we will move into the record 459 through 467.

(Exhibit Nos. 459 through 467 received in evidence.)

MR. WISEMAN: I would move Exhibits 586 and 640 through 642.

MS. CLARK: Mr. Chairman, we would ask that for 641, that the entire document be included in the exhibit.

MR. WISEMAN: I have no objection. I guess I just have a question about the logistics of doing

that. It's an enormous document. I don't know if that's -- if I'm being asked, if I should do that and file it as a late-filed exhibit or if FPL wants to do it. I have no problem with that, I'm just figuring out -- trying to figure out how to do it.

MR. HARRIS: Mr. Chairman.

CHAIRMAN BRISE: Mr. Harris.

MR. HARRIS: I know in the past with a lot of staff exhibits, we provided them on CD in order to save paper. And I don't know if that would be something that the parties could do if you have it as a response in an electronic format.

MS. CLARK: I believe we can provide it on a CD.

CHAIRMAN BRISE: Okay. That will work fine. So then that will become your exhibit?

MS. CLARK: Sure.

CHAIRMAN BRISE: Okay. All right.

MS. CLARK: What would that number be?

CHAIRMAN BRISE: That number would be -- can we substitute 641 and make that the exhibit?

MS. CLARK: Yeah. I'm content to make 641 the entire document and we would provide it.

CHAIRMAN BRISE: Okay. That will work just

fine for me.

(Exhibit No. 641 received in evidence.)

CHAIRMAN BRISE: And, Mr. Wiseman, the next one was 642, right?

MR. WISEMAN: Yes, 642 was -- I had moved that one as well.

CHAIRMAN BRISE: All right. Thank you. So without objections, we'll move 642 into the record.

(Exhibit No. 642 received into evidence.)

MR. HARRIS: Mr. Chairman, staff would move exhibits 643 through 647.

CHAIRMAN BRISE: Okay.

MS. CLARK: No objection.

MR. WISEMAN: Mr. Chairman, if I could just ask a clarification. You ruled that 642 would be moved into the record. I don't think you actually ruled on 586, 64 -- and 640. If you did, I apologize.

CHAIRMAN BRISE: You may be correct. You may be correct on that.

MR. WISEMAN: And I guess 641 as well for that are matter.

CHAIRMAN BRISE: I think I did rule on 641. I do need to rule on 640 and 586. So seeing no

objections, we'll move in 586 and 640 into the record. Thank you.

(Exhibit Nos. 586 and 640 received in evidence.)

CHAIRMAN BRISE: And for staff, 643 to 647?

MR. HARRIS: Yes, sir.

CHAIRMAN BRISE: Seeing no objection, they will be moved into the record.

(Exhibit Nos. 643 through 647 received in evidence.)

MS. CLARK: Mr. Chairman, would you excuse Mr. Ender?

CHAIRMAN BRISE: Sure. Mr. Ender, you are excused. Enjoy the rest of your day.

THE WITNESS: Thank you, Chairman. You all have a great weekend.

CHAIRMAN BRISE: Thank you, you too.

MS. CLARK: Mr. Chairman, are you ready to move on?

CHAIRMAN BRISE: Yes, ma'am.

MS. CLARK: Well, I think we're at the witness we've all been waiting for; Ms. Ender. I mean, Ms. Deaton.

Mr. Chairman, Ms. Deaton has been sworn, so I'll just begin.

Thereupon,

RENAE B. DEATON

was called as a witness, having been previously duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. CLARK:

Q Ms. Deaton, would you please state your name and business address.

A My name is Ms. Renae Deaton, and my address is 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A I'm employed by Florida Power & Light Company as the rate development manger.

Q Have you prepared and caused to be filed 16 pages of rebuttal testimony?

A Yes.

Q Do you have any changes or revisions to your rebuttal testimony?

A No.

Q I asked -- if I were to ask you the same questions contained in your rebuttal testimony, would your answers be the same?

A Yes, they would.

MS. CLARK: I would ask the rebuttal

testimony of Ms. Renee Deaton be inserted in the record as though read.

CHAIRMAN BRISE: Okay. We will enter the testimony of Ms. Deaton into the record as though read.

(Whereupon, prefiled testimony inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF RENAE B. DEATON

DOCKET NO. 120015-EI

JULY 31, 2012

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. Yes.

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

A. Yes. I am sponsoring the following rebuttal exhibits:

- RBD-9, Impacts of Changes to Rate Increase Limitations
- RBD-10, Comparison of Net Impact of Cape Canaveral Recovery through Energy vs. Demand charges
- RBD-11, Changes to Cape Canaveral Rates due to Revised Allocation Factors

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to rebut the testimony of the Florida Industrial Power Users Group's ("FIPUG") witness Pollock, the South Florida Hospital and Healthcare Association's ("SFHHA") witness Baron, the Federal Executive Agencies' ("FEA") witness Stephens, and the Florida Retail Federation's ("FRF") witness Chriss.

Specifically, I will address the Florida Public Service Commission ("FPSC" or "the Commission") policy on gradualism, FPL's proposed rate design for

demand and non-fuel energy charges for the general service demand and the Commercial/Industrial Load Control ("CILC") rate classes, the request to reopen the CILC rate classes and increase the CILC and the Commercial/Industrial Demand Reduction ("CDR") rider credits, the recovery of the proposed Cape Canaveral ("CC') step increase through non-fuel energy charges, and the criteria for assessing FPL's performance in relation to the proposed Return on Equity ("ROE") adder.

II. SUMMARY

Q. Please summarize your rebuttal testimony.

A. The first purpose of my rebuttal testimony is to refute the claim that under the Commission's policy for gradualism rate increases should be limited to 1.5 times the system average increase in base rate revenues rather than total revenues, as outlined in the 2009 FPL rate case, Order No. PSC-10-0153-FOF-EI issued March 17, 2010, in Docket Nos. 080677-EI and 090130-EI.

In applying its gradualism policy, the Commission recognized that increase limits may be needed in instances where a customer would see a significant impact on a total bill basis. Imposing a lower cap on the increase limit based on the base revenues rather than total revenues would do little to address parity and would continue the subsidization of certain rate classes.

I also address several intervenor misconceptions related to previously approved rate design methodology. Specifically, I will address the development of demand and energy rates for the general service demand and CILC rate classes, and the appropriate venue for review of the CILC and CDR rates and credits.

In addition, I will demonstrate that the implementation of the proposed CC increase in energy factors better matches the costs with the associated fuel savings to the customers within a class such that all customers would realize the same net impact on a per kWh basis.

Finally, I will address the claim that FPL did not describe how it would assess its performance in relation to the proposed ROE adder.

III. COMMISSION POLICY ON GRADUALISM AND INTERVENOR PROPOSALS FOR ALLOCATING THE REVENUE INCREASE

Q. Do you agree with SFHHA's witness Baron's testimony on page 44 and FEA witness Stephens' testimony on pages 29-31 that the Commission's policy on gradualism should not be applied based on total revenues?

A. No. FPL's proposal appropriately reflects the allocated costs by rate class and is based on Commission guidance that maximum increase limits be applied to the customers' total bills. The Commission stated in FPL's most recent rate

case, Order No. PSC-10-0153-FOF-EI issued March 17, 2010, in Docket Nos. 080677-EI and 090130-EI, "Consistent with our decisions in more recent electric rate cases, we find that in this case no class shall receive an increase greater than 1.5 times the system average percentage increase in total, i.e. with adjustment clauses, and no class should receive a decrease." (p. 179)

In prior cases, the Commission has made clear its goal that rates should be based on the fully allocated cost-of-service ("COS") methodology with the objective of achieving full parity among rate classes. In the FPSC Order that first instituted the rate increase limit process, the Commission distinctly indicated that this guideline was designed to mitigate the impact on the total customer bill. The Commission states in Order No. 10306, issued on September 23, 1981, in Docket No. 810002-EU, approving FPL's request for a rate increase: "All parties in this proceeding agree that the revenue increase should be allocated between classes so as to move toward an equalized rate of return for all classes. While we embrace this concept, we feel the impact on *customers' bills* must be considered in allocating revenues." (emphasis added) (p. 106-107)

Q. On pages 46-47 of SFHHA witness Baron's testimony, three alternative revenue allocations are presented. Do you agree with any of these methodologies?

A. No. SFHHA witness Baron's proposed revenue increase allocations are based on flawed COS methodologies as applied to the FPL system, as addressed by

FPL witness Ender. His methodologies result in a benefit to the customers that he represents by improperly shifting costs and revenue increases out of those customers' rate classes and into others, specifically residential and small general service customers.

Q. How would SFHHA witness Baron's proposal affect the various rate classes?

A. Under SFHHA witness Baron's approach, fewer rate classes would reach parity levels and a greater level of cross-subsidization would continue for the foreseeable future. Specifically, Mr. Baron's approach would result in a continued subsidy, i.e., the residential and general service rate classes overpaying, of approximately $66 million, as shown in Exhibit RBD-9, Page 1 of 1, Column (E). The Residential, RS(T)-1 class would end up shouldering the bulk of the subsidization, as target revenues would need to be increased an additional $59 million. The General Service, GS(T)-1 rate class would be allocated most of the remaining subsidization as it would receive an additional increase of $7 million. The General Service Demand, GSD(T)-1 and General Service Large Demand, 1 GSLD(T)-1 rate classes would receive most of the benefit in a $53 million reduction in target revenues.

IV. RATE DESIGN FOR DEMAND-BASED RATES

Q. Do you agree with FIPUG witness Pollock's statement on page 37 of his testimony that FPL has underpriced the demand charge and overpriced energy charges for the GSLD(T) and CILC rate classes?

A. No. The COS, as proposed, was closely followed in the rate design process. However, following a strict unit rate for demand charges would distort the relationships between the general service demand classes and make it difficult to achieve target revenues while maintaining time-of-use ("TOU") design goals and principles. As stated in FPL's response to FIPUG's Third Set of Interrogatories, No. 15, part (e), "the adjustments to the per unit demand costs are made to mitigate the impact to low load factor customers and to help achieve revenue neutrality with the optional rate schedules. A larger adjustment was made to the GSD(T)-1 customer class than the GSLD(T)-1 and GSLD(T)-2 classes because the GSD(T)-1 class has a lower load factor on average."

FPL's proposed rate design adheres to the Commission's position on this issue in past rate cases. In Order No. PSC-10-0153-FOF-EI issued March 17, 2010, in Docket Nos. 080677-EI and 090130-EI, the Commission stated: "However, consideration of rate stability and rate shock are also important considerations in rate design. Increases in the demand charge impact low load factor customers to a greater extent than high load factor customers because they are

less able to offset the higher demand costs with lower energy costs and are thus less able to affect their total bill." (p. 189)

Additionally, FPL offers High Load Factor ("HLFT") rates for those customers that prefer a higher demand and lower energy charge.

Q. Do you agree with FIPUG witness Pollock on page 39 of his testimony and SFHHA witness Baron on pages 50-51 of his testimony that FPL's proposed on-peak energy charges for TOU rate classes are not appropriate?

A. No. As stated in FPL's response to Staff's Third Set of Interrogatories, No. 42, the methodology that FPL used to set the proposed on- and off-peak energy charges for TOU rates followed the rate design methodologies approved in Order No. PSC-10-0153-FOF-EI issued March 17, 2010, in Docket Nos. 080677-EI and 090130-EI, and in Order No. PSC-92-1197-FOF-EI issued October 22, 1992 in Docket No. 910890-EI. In compliance with these Orders, FPL set off-peak charges to the class' unit cost of energy and only adjusted the on-peak charges to achieve revenue neutrality with the parent rate. In cases where the revenue neutrality calculation resulted in an on-peak charge being lower than the off-peak charge, FPL set the on-peak and off-peak charges to be equal and adjusted both by equal amounts to achieve revenue neutrality.

These charges were proposed to comply with the Commission's prior guidance as referenced above and in recognition of the investigation into FPL's TOU rates in Docket No. 100358-EI (Investigation into the design of Commercial Time-of-Use rates by Florida Power & Light). Following that investigation, the Commission issued Order No. PSC-11-0216-PAA-EI on May 11, 2011, which stated: "The purpose of price signals is to encourage customers to shift usage to less costly periods of use, such as off-peak periods when plant utilization is low." (p. 7) The Commission also encouraged FPL to increase the differential in the on- and off-peak rates through use of marginal fuel prices.

In this case, FPL has followed the Commission's directions for designing TOU rates and maximized the difference in the on- and off-peak rates.

Q. Do you agree with SFHHA witness Baron's and FIPUG witness Pollock's recommendations that it would be more appropriate to recover the required increases for CILC rate classes (above that needed to raise energy charges to unit costs), only on the demand charges of the rate instead of the on-peak energy charge?

A. No. Both the demand and energy charges are developed as approved by the Commission in Order No. 22747, issued on March 28, 1990 and amended on April 26, 1990, approving the CILC program in Docket No. 891045-EG. The CILC rate classes' demand charges are set to recover the production, transmission, and distribution demand related revenue requirements, without

adjustment. Any differential in target revenues needed to bring the class to parity are properly recovered from CILC customers' firm and non-firm load through the energy charge. As discussed above, all TOU rates are set pursuant to Commission Order and guidance, with the off-peak charge set to the energy unit costs. Therefore, the on-peak energy charge is properly adjusted to recover the remaining target revenue increase.

Additionally, the CILC base target revenue increases reflect the fact that the CILC credits incorporated in the rates are recovered through the Energy Conservation Cost Recovery ("ECCR") clause. The credits included in the test year reflect the forecast provided by the Demand Side Management ("DSM") program department and are based on the difference in base demand and energy revenues under the CILC rate and the otherwise applicable firm rate schedule, as required in Commission Order No. 22747, issued on March 28, 1990, and amended on April 26, 1990, approving the CILC program in Docket No. 891045-EG. CILC revenues at present rates are adjusted to reflect the CILC Incentive Offset as detailed in MFR E-5, row 6. Without this adjustment, the target revenues for the CILC rate classes would be higher by $25.2 million.

V. APPROPRIATE VENUE FOR REVIEW OF CILC & CDR RATES AND CREDITS

Q. Do you agree with FIPUG witness Pollock's assertions beginning on page 40 of his testimony that the CILC Rate Schedule should be reopened and the credits for CILC and the CDR Rider should be increased in this docket?

A. No. The CILC and CDR rates are conservation programs initiated as part of FPL's DSM plan. The proper venue for addressing conservation programs is in the DSM plan docket. FPL's DSM plan was recently assessed by the Commission in Docket No. 100155-EG. The Commission concluded in that docket that FPL's current programs should continue without modification. In Order No. PSC-11-0346-PAA-EG, the Commission stated, "We find that the programs currently in effect, contained in FPL's existing plan, are cost effective and accomplish the intent of the statute. Therefore, exercising the specific authority granted us by Section 366.82(7), F.S., we hereby modify FPL's 2010 Demand-Side Management Plan, such that the DSM Plan shall consist of those programs that are currently in effect today." (p. 5)

Since the CILC program was frozen and closed to new customers in Order No. PSC-99-0505-PCO-EG issued on March 10, 1999, in Docket No. 990002-EG, re-opening the program would be contrary to the Commission's Order to continue the current programs without modification. Likewise, increasing the

credits for either CILC or CDR would be contrary to the Commission's Order. Any request to reopen the CILC rate classes and increase the CILC and CDR rider credits should be addressed in a DSM docket and not a base rate docket.

Q. Do you agree with FIPUG witness Pollock's assertions on page 24 of his testimony that FPL's CILC incentives do not accurately reflect the cost differential between firm and non-firm service and that the incentives should be increased?

A. No. Witness Pollock's calculation of the firm and non-firm differential is flawed. Witness Pollock assumes that all CILC-1G incentives are calculated based on the differential in the GSDT-1 rate, all CILC-1D incentives are calculated based on the differential in the GSLDT-1 rate and all CILC-1T incentives are calculated based on the differential in the GSLDT-3 rate. This is an incorrect assumption. First, customers under the CILC-1D rate are eligible to take service under either the GSLD-1 or the GSLD-2 rates or their optional alternative rates. Second, FPL calculates the CILC incentives based on the differential in the revenue under the CILC base rate, excluding the customer charge, and the rate each customer was on at the time they started taking service under the CILC program, whether that is the standard rate or one of the optional rate alternatives.

If the differential between the proposed CILC rates and the firm general service demand rates does not exactly equal the forecasted CILC incentives, I do not agree with witness Pollock's conclusion that the incentive should be

increased. Instead, FPL should adjust the CILC rates such that the differential is closer to the incentives. The CILC-1G rate should be reduced and the CILC-1D and 1T rates should be increased. The level of the differential between the firm and non-firm rate is built into the rate by factoring in the incentives under current rates.

VI. CAPE CANAVERAL STEP INCREASE RATE DESIGN

Q. Do you agree with FIPUG witness Pollock at page 37 of his testimony and SFHHA witness Baron on pages 51-53 of his testimony that the CC step increase rate design is inappropriate?

A. No. Both witness Pollock and witness Baron assert that the CC rate design is inappropriate and that the CC increase should be recovered through both demand and energy charges. I disagree. Applying the step increase to energy charges rather than demand charges better matches the increased cost associated with CC with the benefit of the fuel savings associated with CC that will be reflected in the fuel factors when CC goes into service.

Exhibit RBD-10, Page 1 of 1, illustrates how customers would be impacted by the proposed change to the application of the CC step increase. For GSD customers, the proposed CC base energy factor is 0.153¢/kWh with estimated fuel savings of (0.104)¢/kWh, resulting in an estimated net increase of 0.049¢/kWh for all GSD customers.

If the increase were recovered through demand charges instead, the demand rate would increase by $0.53 per kW. In that case, an average load factor customer would still realize a net increase of .049¢/kWh. However, a 30% load factor customer would see a net increase of 0.139¢/kWh and an 80% load factor customer would see a net decrease of (0.013)¢/kWh. This example illustrates that recovery of the CC step increase through non-fuel energy rates, rather than through the demand charge, most closely matches costs with benefits.

Q. Did FPL file additional information on the Cape Canaveral step increase factor?

A. Yes, on April 27, FPL filed a Notice of Identified Adjustments. One of the identified adjustments was a revision to the cost allocation factors for the Cape Canaveral step increase. The revised allocations and factors are shown on Exhibit RBD-11.

Q. Did FPL also provide an update to the 1000 kWh typical residential bill at that time?

A. Yes, FPL included an updated typical residential bill impact that included the changes in the Cape Canaveral step increase factor, the revised EPU factor reflecting the updated estimates provided in the April 27 NCR filing, and updated 2013 estimated fuel factors reflecting April 2 fuel curves.

Q. Is FPL providing a further update to the bill comparisons reflected in Exhibit RBD-2 as part of its rebuttal testimony?

A. No. FPL plans to provide an update to Exhibits RBD-2 and ES-2 close to the beginning of the hearings, which will allow us to incorporate the updated information on fuel projections that will be used for FPL's projected 2013 Fuel Clause filing.

VII. PERFORMANCE BASED ROE ADDER

Q. Do you agree with FRF witness Chriss' statement on page 9 of his testimony that FPL has "proposed a performance-based adder that rewards positive performance but does not address how the ROE adder would be removed from rates were FPL's future benchmark results to show that the Company should no longer receive the adder?"

A. No. On lines 9 – 23 of page 23 and lines 1-3 of page 24 of my direct testimony, I describe the proposed criteria for assessing FPL's performance, when and how the Commission would be notified, and the per kWh amount of FPL's rate adjustments based on the results of that assessment.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MS. CLARK:

Q And, Ms. Deaton, are you sponsoring any exhibits to your rebuttal testimony?

A Yes, I am.

Q And do those exhibits consist of three pages shown as our RBD-9 to RBD-11?

A That's correct.

MS. CLARK: And on the staff's exhibit list, Mr. Chairman, I believe they are labeled 468 to 470.

CHAIRMAN BRISE: Thank you.

(Exhibit Nos. 468 through 470 were marked for identification.)

BY MS. CLARK:

Q Ms. Deaton, have you prepared a summary for your rebuttal testimony?

A Yes, I have.

Q Would you give that now, please.

A Certainly. Good morning, Chairman, and Commissioners. I'm glad to be here today and I'm sure you are glad that I am the last witness in this case.

CHAIRMAN BRISE: Absolutely.

A We're all ready to go home. And I do thank you for a little bit of rest last night too.

My name Renae Deaton, and I am the rate

development manager at Florida Power & Light. And my rebuttal testimony addresses the rate design issues raised by intervenor witnesses.

First of all, FPL has correctly applied the gradualism policy articulated by this Commission in FPL's last rate case and in prior orders. And that policy is to limit the rate increases to the rate classes to no more than one and a half times the system average increase in total based on total revenues, revenues including other operating revenues and cause revenues.

This policy recognizes that the impact on bills needs to be moderated in establishing the level of increases for each rate class. Moderate increases are necessary to pay for the investment that FPL has made to provide the fuel efficiency savings and the level of service Witnesses Dewhurst and Kennedy and other operating witnesses have described.

I also address Witness Pollock's testimony regarding the recovery of costs versus -- in the demand verses the energy charge for our general service demand rates. In accordance with past Commission guidance, FPL did lower the demand unit cost in order to maintain the rate relationships between the standard rate and the optional rate, and this has been upheld in past

Commission guidance. And this mitigates the impact to low load factor customers.

As to the time-of-use rates, FPL, again, followed the policy set by this Commission in our last rate case and prior orders, and the off-peak charges set to the unit cost for energy, and the on-peak charge is adjusted to achieve a revenue neutral calculation with a standard rate.

Regarding the proposed Cape Canaveral cost allocation, FPL, contrary to intervenor witnesses' testimony, did allocate the cost based on the 12 CP and 1/13th Methodology described by Witness Ender. Once those costs are allocated to the -- properly allocated to the rate classes, the recovery of those costs through a demand or energy charge is a matter of rate design. And I maintain that the recovery through the energy charge is appropriate as it better matches the cost of the Cape Canaveral with the fuel savings that are implemented in the energy charge of the fuel rate.

In closing, the rates proposed by FPL balances the diverse needs of all FPL customers and should be approved. This concludes my summary. Thank you.

MS. CLARK: Mr. Chairman, we tender the witness for cross-examination.

CHAIRMAN BRISE: Sure. Thank you.

Ms. Kaufman.

MS. KAUFMAN: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MS. KAUFMAN:

Q Good morning, Ms. Deaton. And I think when you first appeared, you were the witness that had the most questions punted to you, and today we're all happy to see you and glad that you're the last witness. And in keeping with that, I just have a few brief questions for you.

In your summary and also in your rebuttal, you mention the concept of gradualism. And we have discussed that at some length, and I'm not going to go back over all of those questions. But you did mention that your interpretation of that -- of gradualism is in accord with past Commission policy?

A Yes. The Commission order in our last rate case, as well as the Commission order in other rate cases.

Q Would you agree with me that in the last Tampa Electric rate case, the Commission applied the principle of gradualism only to base revenues?

A I would agree that Tampa volunteered to apply it only to base revenues and the Commission did not

alter that.

Q Okay.

MS. KAUFMAN: I would ask the Commission to take official recognition, if you would, of the last Tampa Electric rate case order, which is PSC-09-0283-FOF-EI.

CHAIRMAN BRISE: Okay.

BY MS. KAUFMAN:

Q So in that case, if you will, the Commission did not follow what you've characterized as a policy, correct?

A I wouldn't say that. I would say that Tampa Electric applied it to base revenues only. None of the intervenors objected to that and therefore the Commission did not alter it.

Q And the Commission didn't direct Tampa Electric to change that, as you called it, policy, right?

A No. And evidently I would say that the disparities and parities for Tampa Electric's classes were not as great as FPL's.

Q Would you agree that was not an issue in that case, was it?

A I don't know all of the issues in the Tampa case, but I do know that the relative parity levels for

Tampa were not as greatly disbursed.

Q Okay. Well, I think we can all -- we'll look at the order on that.

In your summary and also beginning on page 8, you take exception to Mr. Pollock's opinion that FPL has under-priced demand and over-priced the energy charge, correct?

A That's correct.

Q And I think you mentioned that in your summary, but you also mention it on page 8, lines 11 to 12 there, and you say that the adjustments to the per-unit demand costs were made to mitigate the impact to low load factor customers?

A And to -- yes, and to help achieve revenue neutrality with the optional rate schedules.

Q Okay. Well, let's focus on mitigating the impact to low load factor customers for a moment. You would agree with me, would you not, that the customers I represent and the customers that the military represents are high load factor customers, correct?

A For the most part, I think that's correct.

Q Okay. And so in your attempt to mitigate the impact on low load customers, you have increased the impact on high load factor customers, correct?

A I disagree with that. FPL does have a high

load factor rate specifically for high load factor customers who prefer a high demand charge and a lower energy charge.

Q Well, for the customer, for example, on the CILC rate, your attempt to mitigate the impact for low load customers has the effect of increasing the impact or exacerbating the impact on high load factor customers, correct?

A Well, I disagree with that because I did not make any changes to the demand unit costs for the CILC Rates. I'm just addressing the general service demand rates, not the CILC rates. For the CILC rates, I did not make adjustments. I set the demand cost to unit cost and I adjusted the energy charges to achieve target revenues as required by this Commission.

Q Okay. Would you agree with me that the more costs that are collected through the energy charge have an impact on high load/high energy users?

A Given the class is a --

Q I'm sorry.

A I'm sorry, no. I would say no, not always, and it depends. The class is -- the class as a hole is pretty uniform in their load factor. Then the recovery of cost through the demand versus the energy charge would not impact high load factor customers if the

whole class is indeed high load factor.

Q Well, let's try to take a hypothetical, because often we talk about impacts in terms of 1000 kilowatt residential bill. And I want to take a look at it, if you would, in terms of an industrial bill.

And let me ask you if you could agree with me that an industrial customer that has about 10,000 KW demand and an 80 percent load factor -- are you with me so far?

A Uh-huh.

Q Okay. They would use per month over 5 million kilowatt hours, correct?

A I don't know.

Q Okay. Does that sound about right to you?

A Right now I just can't remember what the right number would be, and I'm certainly not being able to do that in my head right now.

Q Okay. Well, let's just -- maybe we can just assume that for purposes of our hypothetical, that this industrial customer -- let's just use 5 million kilowatt hours a month.

And obviously you would agree that that is many, many, many, many times the usage of a typical residential customer, correct?

A I'm sorry, I'm not following your comparison

of industrial customer usage to residential customer usage.

Q Okay. Typically it's my understanding that when the Commission is looking at impact on residential customer, they use for ballpark purposes 1000 -- that that customer uses 1000 KWH per month?

A Yes, for residentials. But even in my Exhibit 2, I show different levels of usage for different commercial industrial customers, so I'm not -- still not following the comparison.

Q Okay. All I'm trying to do is to compare the hypothetical industrial customer that I said -- I gave you the statistics that they use about -- or over 5 million kilowatt hours per month to the typical residential customer who we've said, for purposes of comparison, uses 1000 kilowatt hours per month.

So are you with me?

A Sure.

Q Okay. It's really not that hard.

A Oh, really?

Q So would you agree with me that obviously the industrial customer that we've talked about is using many, many, many more kilowatt hours per month than the residential customer?

A Of course.

Q Okay. And when the energy charge is increased to mitigate the impact on the low load residential customer, it has a greater impact on the high load/high use energy customer?

A I'm sorry, Ms. Kaufman, because I'm really -- this is -- I'm not mitigating any impacts to residential customers. I'm talking about for the GSD class of customers, the low load factor customers within that class, not residential customers, low load factor versus any other class, just within a rate class so --

Q Okay.

A The application to residential customers does not -- has no relevance.

Q Okay. So you don't classify residential customers as low load customers?

A Again --

Q Let me ask -- go ahead. I was just trying to -- I'll try to ask it in the reverse. Do you generally classify residential customers as low load factor customers?

A The residential customer class has generally a low load factor.

Q Excuse me.

CHAIRMAN BRISE: Ms. Deaton, if you could

answer yes or no and then qualify the answer.

THE WITNESS: In comparison to -- okay. In comparison to what?

BY MS. KAUFMAN:

Q In comparison to industrial customers.

A Some industrial customers have a lower load factor, which would be on the par of the residential customer, so I would say no.

Q Would you agree with me that in the hypothetical I gave you with the industrial customer having an 80 percent load factor, that that is a much higher load factor than a typical residential customer?

A I would agree with that.

Q Okay. And would you --

MS. KAUFMAN: I'll try this question one more time, Mr. Chairman. I'm already getting ready for the asked and answered objection.

BY MS. KAUFMAN:

Q But would you agree with me then an increase in the energy charge is going to impact that industrial big user more than it will impact the residential typical user?

A Again, any adjustment survey --

MS. KAUFMAN: Excuse me.

THE WITNESS: In the GS -- no.

CHAIRMAN BRISE: Ms. Deaton, if you could -- I understand that you want to qualify it. Give it the yes or no, if you can, and then qualify it.

THE WITNESS: This question does not have a yes or no answer because it is comparing apples and oranges.

BY MS. KAUFMAN:

Q It's comparing apples and oranges?

A Yes.

Q Okay.

A Adjustments within a rate class are just for customers within that rate class. Residential customers are not within the general service demand rate classes GSD, GSLD-1, GSLD-2, GSLD-3 where we -- we did not make adjustments to GSLD-3. We made adjustments for GSD, GSLD-1 and GSLD-2. There are no residential customers in those classes.

Q Okay. So let me just understand. Maybe I misunderstood your testimony. But the phrases that I referred you to on lines 11 and 12 of page 8, the adjustment to per unit demand costs are made to impact -- to mitigate the impact to low load factor customers, that is not intended to have any application to residential customers?

A That's correct.

Q Okay. Now, on that same page, on line 21, you talk about your prior rate case and you talk about considerations of rate stability and rate shock, correct?

A That's correct.

Q You would agree with me, would you not, that certainly considerations of rate stability and rate shock are equally applicable to, for example, the industrial class as they are to the, for example, residential class?

A The rate shock referred to in this line is from an older order and it's --

Q Excuse me.

A -- to bill impacts. Yes.

MS. KAUFMAN: Could I ask that question again?

CHAIRMAN BRISE: Sure, please.

MS. KAUFMAN: Thank you, Mr. Chairman.

BY MS. KAUFMAN:

Q On page 8, starting at line 20, you are talking -- you say, "However, consideration of rate stability and rate shock are also important considerations in rate design," correct?

A Yes. And it also goes on to say that increases in the demand charge impact low load factor

customers to a greater extent than high load factor customers.

Q Here is my question, without just the preface: Would you agree with me that considerations of rate stability and rate shock are equally important to all customer classes, including the industrial class?

A When considered on a total bill basis, yes.

MS. KAUFMAN: Excuse me, Commissioners.

THE WITNESS: Yes, on a total bill basis only.

MS. KAUFMAN: Okay. That's all I have, Ms. Deaton, thank you.

THE WITNESS: Okay.

CHAIRMAN BRISE: Mr. Wiseman.

MR. WISEMAN: No questions.

CHAIRMAN BRISE: Okay. Ms. Christensen.

MS. CHRISTENSEN: No questions.

CHAIRMAN BRISE: Wow.

MR. WRIGHT: No questions, Mr. Chairman.

CHAIRMAN BRISE: Staff.

MR. HARRIS: We, unfortunately, do have some questions, but it will be less than for Mr. Ender, and I think we can move through them pretty quickly.

We're going to hand out some copies of MFR schedules. These have already been admitted into the record so they don't need to be marked and they're merely to help us work through some of these questions.

CROSS-EXAMINATION

BY MR. HARRIS:

Q And, Ms. Deaton, I think most of these either call for a yes or no answer or a brief explanation, and I think it will be clear which it is. And with your assistance, I think we can move through relatively quickly.

The first set of questions I'd like to ask you deal with your testimony on issue -- relating to issue 144, which is the allocation of rate increases through the various rate classes. And I believe you discussed this in your testimony starting around page 4, and this is pages 4 through 6.

And I've also, in order to help this, handed out -- and the first of these documents should be a schedule E-8, page 1 of 1.

Do you have it?

A I do.

Q Okay. I'd like to focus your attention on columns 11 and 12 of schedule E-8, page 1 of 1. And if

I'm correct, if we look at column 11 in row 18 marked "Total Retail" and come across to column 11, am I correct that the proposed total retail increase is 5.9 percent?

A That's correct.

Q Okay. And if I were to multiply 5.9 percent by 1.5, am I correct that this would give me the 8.8 that's shown in the next line, line 20?

A That's correct.

Q Okay. And so am I to understand that it is FPL's proposal that no class should receive an increase of more than 8.8 percent based on total revenue?

A That's correct.

Q Okay. Now, if we could look over to column 12, which I believe shows the increase without adjustment clauses; is that correct?

A That's right.

Q And if we go down again to row 18, I believe we see the number 11.7 percent; is that correct?

A Yes.

Q Okay. And would you agree that, subject to check, 11.7 times 1.5 is 17.6?

A That's right.

Q Okay. And so if I look at the percentage increases for all rate classes shown in column 12, it

appears to me that four rate classes are over 17.6 percent? And I see those as being CILC-1T, GSLD(T)-1, GSLD(T)-2 and MET; is that correct?

A What was the last one? I'm sorry.

Q MET, Metropolitan Transit Service.

A Yes.

Q If we now look at row 3, the CILC-1T class, the percentage increase with adjustment clauses is 7.5 percent, while the percentage increase without adjustment clauses is 24 percent; is that correct?

A That's correct.

Q Can you explain why it makes such a difference, that is, 7.5 percent versus 24 percent for this rate class whether the adjustment clauses are included or not when calculating the increase?

A Because the majority of this customer's bill is the fuel charge, the base portion represents roughly about 30 percent of the customer's bill, so any increase is going to look like a really big increase for this class.

Q Thank you.

I'd like to move on to your testimony with regards to issue 169, and that's the increase in the CDR credit.

A Yes.

Q And I believe you discuss this in your testimony beginning on page 12.

A Yes, I do.

Q Okay. Ms. Deaton, is it your testimony that the CILC and CDR rates should be addressed in the DSM plan docket?

A Yes, it is.

Q Can you please explain -- briefly explain why you feel a rate case proceedings is not the proper venue for addressing conservation programs?

A Yes. Although, the Commission has addressed it in a prior base rate case for Progress Energy, I do feel like these are properly addressed through the DSM plan docket under normal circumstances.

Q Why do you feel that way?

A These are DSM programs, and the cost for those are evaluated in the DSM plan dockets.

Q Okay. So if I understand you, given that the costs are allocated through the DSM dockets, you feel that's where they should be addressed?

A Normally, yes.

Q Okay. Hypothetically, if the Commission were to increase the CDR and CILC -- I'm sorry, I skipped ahead a question.

On page 12 of your testimony -- if you could

turn to page 12 -- I believe you testify that FPL's DSM plan was recently assessed by the Commission in Docket 100155-EG.

Do you know whether FPL evaluated the CDR and CILC credits in that docket to determine whether they are still appropriate?

A I know that they did not evaluate the CILC credit level or cost level because it is a closed program and they don't evaluate closed programs where they're not adding new customers. But I do believe, if not in this year, within the plans that this order was talking about, they did address the CDR credits.

Q Okay. And, Ms. Deaton, if you know, hypothetically, if the Commission were to increase the CDR and CILC credits, do you know how FPL would recover those increased credits?

A Yes. Those credits are passed on to all customers through the conservation clause.

Q Okay. And would that be recovered from the general body of ratepayers through that clause?

A Yes. It's recovered from all customers, including non-firm load through the conservation clause, as well as the residential and business on-call credits that are paid to those customers are also recovered through the conservation clause.

Q Okay. Thank you.

For the record, would you accept, subject to check, that the CDR tariff includes a monthly credit of $4.68 per kilowatt hour -- or per kilowatt, I'm sorry?

A Per kilowatt, yes.

Q Thank you.

Ms. Deaton, would it be an accurate statement that the CILC rate does not state a per-kilowatt credit like the CDR rate, but instead reflects the credit in lower base rates?

A That's correct.

Q Okay. Can you please explain how FPL determines the revenue requirement for the CILC rate class?

A Yes. I believe Witness Ender talks about the allocation of the cost to the rate classes that costs are allocated to the CILC classes as though they are a firm load, and the credits that we collect from all customers through the conservation clause reduce the amount of revenue requirements required to be recovered from those CILC customers.

Q Thank you.

Ms. Deaton, did you hear the testimony of FIPUG's Witness Pollock?

A Did I?

Q Were you present for it or did you listen to it?

A I listened. I think I heard the summary.

Q I'm going to ask you a question I asked Mr. Pollock, and I'm interested in your answer. The question is could you explain to me what advantages you believe customers would have from taking service on the CILC rate that are not available to those same customers under the CDR rate schedule?

A Yes. I believe the CILC credit is effectively a higher credit than the CDR, and that's because the way it's applied is based on a contractual amount that the customer has agreed to curtail; whereas, the CDR credit is based on the actual load during the three-hour peak window that the customer has, so it's in a load factor adjusted credit instead of a fixed credit amount.

Q Okay. Now I would like to move on to another line of questioning, and this will relate to the MFR schedules E-5 and E-13c that I handed out as part of the packet. And this is some of your testimony beginning on page 11, lines 16 through 17.

A I'm there.

Q And I believe here you testify that CILC revenues at present rates are adjusted to reflect the

CILC incentive offset as detailed in MFR E-5, row 6; is that correct?

A Yes.

Q Okay. And am I correct that CILC refers to the commercial industrial load control class?

A Yes.

Q And can you tell me what you mean by "CILC incentives"?

A Again, those are the credits. That is the difference between the revenue that we collect under the CILC rate and the -- versus the revenue that we would have collected had the customer been charged under the rate they were on at the time they entered the CILC program.

Q Would it be fair for me to characterize that as the difference between the rates -- between the applicable rate and the lower CILC rate?

A That's correct.

Q Okay. Thank you.

Could you please explain why it is appropriate to add the CILC incentive offset amount to present base rate revenues? And I believe this is shown on lines 5 and 6 of MFR E-5.

A On line 6.

Q Line 6?

A Yes. Again, those costs are allocated to the customer classes as if they are a firm load, and the credits serve to reduce of amount of revenue requirements that we need to collect from those customer classes.

Q And so --

A Oh, I'm sorry, I didn't --

Q But to be clear, why are we adding --

A Why are we adding it back in?

Q -- the offset amount back in?

A Because it is a base revenue that's recovered through the conservation clause that's classified as base revenue.

Q Okay. Thank you.

Do you know if FPL added the CILC incentive offset amount to present base revenues in its last base rate proceeding, which is Docket 080677?

A Yes, we did in the case before that and also the case before that.

Q Okay. And if we could turn the page to MFR schedule E-13c. And this is an excerpt, this is page 10 of 44. And I believe this shows revenues under present and proposed rates for the CILC-1T class.

A Yes.

Q Is it correct that CILC-1T rate class is the

commercial industrial load control class for customers that take service at transmission level?

A That's correct.

Q Okay. Do you agree that this schedule shows present base rate revenues of $16,138,417, which I believe is reflected on row 5 of schedule E-5 that we discussed a minute ago?

A Yes.

Q And that is the amount prior to the addition of the CILC incentive offset, correct?

A Yes.

Q Okay. And do you agree that this schedule shows a 34 percent increase in base rate revenues prior to the addition of the Cape Canaveral step increase for the CILC-1T class?

A Yes.

Q That was my last question on that. I have four few questions remaining. And Ms. Deaton, I believe you can answer these.

Has FPL experienced an increase in costs associated with checks returned for insufficient funds over the past five years?

A I'm sorry, I'm not aware of the --

Q Okay. You don't know?

A I'm not sure.

Q Okay.

A Yeah, I just don't know.

Q So you would not be able to provide an estimate of those additional costs FPL may or may not have incurred?

A No. But I think maybe we provided something in discovery on this. I'm not sure.

Q And am I correct you did not -- you do not know how much FPL collected from customers in return check charges?

A How much we actually collected?

Q Yes.

A In return check charges?

Q Yes.

A No. Yes, we know the amount.

Q Do you know?

A It's shown on E-5, I believe, the other operating revenues of line 11 that has the field "Collection and Late Payment Charges."

Q Great. My last question -- and I thank you for your help -- is do you know why FPL believes that Section 68.065, Florida Statutes, is the appropriate statute for applying charges for returned checks?

MS. CLARK: Mr. Chairman, I'm going to object. This is not part of her rebuttal

testimony.

MR. HARRIS: I'll withdraw the question.

Thank you so much for your time. I appreciate your patience and your willingness to work through this with me. We have no further questions.

CHAIRMAN BRISE: Thank you, Mr. Harris.

Commissioners.

(No response.)

CHAIRMAN BRISE: Okay. Seeing no question.

Redirect.

MS. CLARK: No redirect.

CHAIRMAN BRISE: All right. Exhibits.

MS. CLARK: I will move 468 to 470.

CHAIRMAN BRISE: Okay. We will move 468 through 470, seeing no objections.

(Exhibit Nos. 468 through 470 received in evidence.)

MS. CLARK: I don't think there were any others.

CHAIRMAN BRISE: I don't think there were any others.

Mr. Harris, you didn't have any exhibits?

MR. HARRIS: No, we did not. Thank you.

CHAIRMAN BRISE: All right.

MS. CLARK: Mr. Chairman, may this witness be excused?

CHAIRMAN BRISE: Ms. Deaton, you may be excused.

THE WITNESS: Thank you so much.

CHAIRMAN BRISE: All right. I think there are -- there is at least one issue that we need to address, Mr. Young.

MR. YOUNG: Yes, sir.

CHAIRMAN BRISE: Or set of issues that we need to address.

MR. YOUNG: Mr. Chairman, for clarity of the record, earlier and during the prehearing conference we noted that South Florida Hospital had filed a motion to compel, which they subsequently filed -- against FPL. They subsequently filed a motion to suspend. I think just for clarity of the record, if South Florida Hospital would withdraw its motion, we can clear the record up.

CHAIRMAN BRISE: Okay.

MR. WISEMAN: That's fine, we'll withdraw it.

CHAIRMAN BRISE: Thank you very much.

MR. YOUNG: Mr. Chairman, also, last night staff distributed what it deems as proposed

stipulation of issues. It's titled "Proposed Stipulations" that staff has reached with the parties. The parties have reached a stipulation on several issues. The stipulation falls within one of two categories listed -- as listed.

Category 1, the stipulation reflects the agreement between FPL, staff, and at least one of the intervenors in the docket. The intervenors, who have not affirmatively agreed with a particular category of stipulation, but otherwise take no position on the issues identified in the proposed stipulations.

Category 2 stipulations reflect the agreement between FPL and staff with no other party taking a position on the issue.

For Category 1 stipulations, they are issues 48, 50, 72, 192 -- and 192. And as you can see, the issue and the stipulated language is reflected in the document.

CHAIRMAN BRISE: All right. Thank you.

Commissioners. Commissioner Graham, I'm sorry, go ahead. Mine is off.

COMMISSIONER GRAHAM: I move approval of stipulations as presented.

CHAIRMAN BRISE: Okay. It's been moved.

Commissioner Edgar.

COMMISSIONER EDGAR: Mr. Chairman, I would suggest that we maybe mark this as an exhibit for the record, the document that is before us, at whatever would be the next appropriate number.

CHAIRMAN BRISE: 648.

(Exhibit No. 648 was marked for identification.)

COMMISSIONER EDGAR: And then I have had the opportunity this morning to review the stipulations and I am supportive of us approving them today.

CHAIRMAN BRISE: Okay. So it's been moved and seconded.

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you. I just have one question for staff on issue 16, which is a category 2 stipulation concerning West County Energy Center. I just want to confirm that it's going to be removed from the clause, the revenue requirements will be removed from clause and put into base rates?

MR. YOUNG: Yes, sir. I have spoken with counsel for the Florida Power & Light, and they have no disagreement if we want to add after the

word "rates" and remove from the capacity cost recovery clause.

MR. BUTLER: I was actually going to suggest that. I think that would make it clearer. That's consistent with what we did.

COMMISSIONER BALBIS: Okay. Thank you. With that, I can support the motion.

CHAIRMAN BRISE: All right. It's been moved and seconded. All in favor say aye.

(Chorus of ayes.)

CHAIRMAN BRISE: All right. So we have voted these proposed stipulations. And we are moving 648 into the record.

(Exhibit No. 648 received in evidence.)

COMMISSIONER EDGAR: As amended.

CHAIRMAN BRISE: As amended. Thank you.

Okay. Are there any other things that we need to address.

MR. YOUNG: Yes, sir. Briefings. The briefs are due on -- critical dates, briefs are due on 9/21/2012 with the recommendation on the revenue requirements and the rate issues to be filed on 10/26 of 2012 with the post-hearing agenda as stated yesterday. Then the recommendation on the rates will be on November the 13th, 2012 with the

post-hearing agenda 11/27/2012.

CHAIRMAN BRISE: Okay. So at this time, we will recess this portion of the hearing and we will re-adjourn -- I mean, reconvene on the 27th.

There was a flight issue. I went online and I saw that there were flights in the morning.

MR. WISEMAN: I looked into that, Mr. Chairman. And there's a 6:10 a.m. flight that, I believe, arrives here at 10:15 a.m., or around that time, through Atlanta. So I could -- you know, getting from the airport to here, I assume I could get here by 11:30 a.m.

CHAIRMAN BRISE: You fly out of Miami or Fort Lauderdale?

MR. WISEMAN: No, I fly out of Washington, D.C.

CHAIRMAN BRISE: Washington, D.C. All right.

MR. WISEMAN: It's a little farther.

CHAIRMAN BRISE: Understood. Okay. So with that in mind, we will convene at 1:00 p.m.

MR. WISEMAN: Thank you.

MR. YOUNG: Mr. Chairman, also, I think you are going to decide on Mr. Saporito's participation via telephonically. That doesn't have to be done today.

CHAIRMAN BRISE: Right. And that's why I didn't mention it.

MR. YOUNG: I'm sorry.

CHAIRMAN BRISE: Mr. Wright, it looks like you wanted to say something.

MR. WRIGHT: No.

CHAIRMAN BRISE: Okay. With that, we stand in recess.

(Whereupon, proceedings were adjourned at 11:30 a.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, MICHELLE SUBIA, Registered Professional Reporter, certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages, numbered 4900 through 5043, are a true and correct record of the aforesaid 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 5th day of September, 2012.

Michelle Subia

MICHELLE SUBIA
NOTARY PUBLIC
COMMISSION #DD987077
EXPIRES JUNE 7, 2014

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historic test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. Provide total number of bills, mWh's, and billing kWh for each rate schedule (including standard and time of use customers) and transfer group.

Type of Data Shown:
X Projected Test Year Ended 12/31/13
___ Prior Year Ended __/__/__
___ Historical Test Year Ended __/__/__
Witness: Renae B. Deaton

RATE SCHEDULE CILC-1T

55

LINE NO.	(1) TYPE OF CHARGES	(2) PRESENT REVENUE CALCULATION UNITS	(3) CHARGE/UNIT	(4) $ REVENUE	(5)	(6) PROPOSED REVENUE CALCULATION UNITS	(7) CHARGE/UNIT	(8) $ REVENUE	(9) PERCENT INCREASE
1									
2									
3	Customer	216	$ 1,866.00	$ 403,056		216	$ 1,975.00	$ 426,600	
4									
5	Non-Fuel Energy								
6	On Peak	334,274,651	$ 0.00599	$ 2,002,305		334,274,651	$ 0.02337	$ 7,811,999	
7	Off Peak	1,007,203,091	$ 0.00599	$ 6,033,147		1,007,203,091	$ 0.00680	$ 6,848,981	
8									
9	Demand								
10	Max Demand	512,384	$ -	$ -		512,384	$ -	$ -	
11									
12	Load Control On-Peak	1,880,654	$ 2.04	$ 3,836,534		1,880,654	$ 1.30	$ 2,444,850	
13									
14	Firm On-Peak	512,384	$ 7.54	$ 3,863,375		512,384	$ 8.00	$ 4,099,072	
15									
16	Total			$ 16,138,417				$ 21,631,502	34.0%
17									
18									
19									
20									
21									
22									
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31									
32									
33									
34									
35	The present rates shown above are current approved rates adjusted for West County 3 capacity clause factors,								
36	which revenue is classified as base revenue for surveillance reporting purposes consistent with FPL's 2010 rate settlement approved in Commission								
37	Order No. PSC-11-0089-EI.								

GCL ✓ ✓
Parties/Staff Handout
event date 8/31/12
Docket No. 120015

FLORIDA PUBLIC SERVICE COMMISSION

Company: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

Docket No.: 120015-EI

EXPLANATION: Provide a schedule which shows the company-proposed increase in revenue by rate schedule and the present and company-proposed class rates of return under the proposed cost of service study. Provide justification for every class not left at the system rate of return. If the increase from service charges by rate class does not equal that shown on Schedule E-13b or if the increase from sales of electricity does not equal that shown on Schedule E-13a, provide an explanation.

Type of Data Shown:
X Projected Test Year Ended: 12/31/13
_ Prior Year Ended: __/__/__
_ Historical Test Year Ended: __/__/__
Witness: Renae B. Deaton

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	MFR E-8	Present ROR	Present Index	Present Class Operating Revenue	Increase from Service Charges	Increase from Sales of Electricity	Increase from Unbilled	Total Increase	Company Proposed ROR	Company Proposed Index	% Increase With Adjustment Clauses	% Increase Without Adjustment Clauses
						($000 WHERE APPLICABLE)						
1	CILC-1D	5.01%	91%	74,615	106	12,549	378	13,033	7.10%	101%	7.0%	17.5%
2	CILC-1G	6.28%	114%	5,583	5	308	23	337	7.08%	101%	2.7%	6.1%
3	CILC-1T	4.35%	79%	23,669	9	5,493	177	5,679	7.25%	103%	7.5%	24.0%
4	GS(T)-1	7.39%	134%	313,434	2,406	294	771	3,471	7.56%	108%	0.6%	1.1%
5	GSCU-1	6.64%	121%	1,690	1	33	5	39	7.03%	100%	1.1%	2.3%
6	GSD(T)-1	5.78%	105%	880,590	4,517	89,351	3,310	97,178	7.18%	103%	5.2%	11.0%
7	GSLD(T)-1	3.91%	71%	319,253	819	63,753	1,493	66,065	6.09%	87%	8.8%	20.7%
8	GSLD(T)-2	3.73%	68%	58,716	123	12,609	323	13,055	6.07%	87%	8.8%	22.2%
9	GSLD(T)-3	5.30%	96%	4,086	3	565	26	594	7.18%	103%	4.7%	14.5%
10	MET	4.49%	82%	2,947	0	541	12	553	6.58%	94%	8.8%	18.8%
11	OL-1	5.30%	96%	11,684	74	1,216	13	1,303	6.75%	96%	8.4%	11.2%
12	OS-2	3.99%	73%	890	0	122	2	123	5.40%	77%	8.8%	13.9%
13	RS(T)-1	5.52%	100%	2,632,543	26,696	272,825	6,998	306,519	7.04%	101%	6.0%	11.6%
14	SL-1	5.25%	96%	71,559	158	7,762	70	7,990	6.64%	95%	8.6%	11.2%
15	SL-2	11.33%	206%	1,335	70	(300)	4	(226)	8.07%	115%	-8.1%	-16.9%
16	SST-DST	6.25%	114%	380	0	57	1	58	8.15%	116%	8.8%	15.3%
17	SST-TST	16.30%	296%	4,297	13	723	13	750	20.54%	293%	8.8%	17.4%
18	TOTAL RETAIL	5.50%	100%	4,407,254	34,999	467,901	13,621	516,521	7.00%	100%	5.9%	11.7%
19												
20										1.5 X	8.8%	
21										Max	8.8%	
22												

23 **Rate classes GSLD(T)-1, GSLD(T)-2, and OS-2 were left below the system rate of return due to application of FPSC practice of limiting class rate**
24 **increases to 1.5 times the system average increase.**
25 **The percent increase in column 11 is based on 2013 forecast revenue with clauses.**
26 **Lighting class SL-2 is allowed a rate decrease to the unit energy cost to be consistent with the reductions in unit energy costs for SL-1 and OL-1**
27 **Rate classes SST-TST and SST-DST are left above system rate of return due to rate design proscribed in Order No. 17159, Docket No. 850673-EU.**
28 **TOTALS MAY NOT ADD DUE TO ROUNDING.**

GCL ✓ Parties/Staff ✓ Handout
event date 8/31/12
Docket No. 120015

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: Provide a schedule by rate class which identifies the source and amount of ALL revenue INCLUDED IN THE COST OF SERVICE STUDY. The base rate revenue from retail sales of electricity must equal that shown on MFR Schedule E-13a. The revenue from service charges must equal that shown on MFR Schedule E-13b. The total revenue for the retail system must equal that shown on MFR Schedule C-1.

Type of Data Shown:
X Projected Test Year Ended: 12/31/13
_ Prior Year Ended: __/__/__
_ Historical Test Year Ended: __/__/__
Witness: Renae B. Deaton

Line No.	(1) Description of Source	(2) Total	(3) CILC-1D	(4) CILC-1G	(5) CILC-1T	(6) GS(T)-1	(7) GSCU-1	(8) GSD(T)-1	(9) GSLD(T)-1	(10) GSLD(T)-2	(11) GSLD(T)-3
1											
2	**PRESENT REVENUES -**					($000 WHERE APPLICABLE)					
3											
4	**ELECTRICITY SALES:**										
5	RETAIL SALES - BASE REVENUES	4,239,490	58,580	4,455	18,138	305,129	1,668	859,613	306,794	56,514	4,060
6	CILC INCENTIVES OFFSET	35,499	16,797	1,026	7,374			3,270	5,959	1,072	
7	UNBILLED REVENUES - FPSC	(8,372)	(232)	(14)	(109)	(474)	(3)	(2,034)	(918)	(199)	(16)
8	*TOTAL ELECTRICITY SALES*	4,266,617	73,145	5,467	23,403	304,655	1,665	860,849	311,835	57,388	4,043
9											
10	**OTHER OPERATING REVENUE:**										
11	FIELD COLLECTION & LATE PAYMENT CHARGES	33,046	103	5	9	2,369	1	4,330	788	119	2
12	MISC SERVICE REVS - INITIAL CONNECT NEW PREMISE	613				233	0	33	1		
13	MISC SERVICE REVS - RECONNECT AFTER NON PAYMENT	8,655				333		30			
14	MISC SERVICE REVS - CONNECT / DISCONNECT EXIST. PREMISE	15,612	0			917		119	1	0	
15	MISC SERVICE REVS - RETURNED CUSTOMER CHECKS	4,687				212		187	13		
16	MISC SERVICE REVS - CURRENT DIVERSION PENALTY	2,333				42		34			
17	MISC SERVICE REVS - OTHER BILLINGS	2,591	0	0	0	232	2	59	2	0	0
18	MISC SERVICE REVS - REIMBURSEMENTS - OTHER	(283)	(0)	(0)		(40)	(0)	(10)	(0)	(0)	
19	ELECTRIC PROP RENT - GENERAL	12,303	224	15	49	716	3	2,502	1,104	200	8
20	ELECTRIC PROP RENT - FUT USE & PLT IN SERVICE & STRG TANKS	3,396	60	4	18	198	1	678	296	54	3
21	ELECTRIC PROP RENT - POLE ATTACHMENTS	29,733	578	39		1,737	7	6,337	2,866	506	
22	OTH ELECTRIC REVENUES - TRANSMISSION	5,452	109	7	47	311	1	1,188	530	99	8
23	OTH ELECTRIC REVENUES - MISC	22,500	397	26	143	1,520	11	4,253	1,816	351	22
24	*TOTAL OTHER OPERATING REVENUE*	140,637	1,470	96	265	8,780	25	19,742	7,417	1,329	43
25											
26	*TOTAL PRESENT REVENUES*	4,407,254	74,615	5,563	23,669	313,434	1,690	880,590	319,253	58,716	4,086
27											
28	**PROPOSED REVENUES -**										
29											
30	**ELECTRICITY SALES:**										
31	RETAIL SALES - BASE REVENUES	467,901	12,549	308	5,493	294	33	89,351	63,753	12,609	565
32	UNBILLED REVENUES - FPSC	13,621	378	23	177	771	5	3,310	1,493	323	26
33	*ELECTRICITY SALES PROPOSED INCREASE*	481,522	12,927	331	5,670	1,065	38	92,661	65,246	12,932	591
34											
35	**OTHER OPERATING REVENUE:**										
36	FIELD COLLECTION & LATE PAYMENT CHARGES	32,975	106	5	9	2,309	1	4,438	813	123	3
37	MISC SERVICE REVS - INITIAL CONNECT NEW PREMISE										
38	MISC SERVICE REVS - RECONNECT AFTER NON PAYMENT	0	0								
39	MISC SERVICE REVS - CONNECT / DISCONNECT EXIST. PREMISE	0	0								
40	MISC SERVICE REVS - RETURNED CUSTOMER CHECKS	1,907	0			86		76	5		
41	MISC SERVICE REVS - OTHER BILLINGS	117	0	0	0	10	0	3	0	0	0
42	OTH ELECTRIC REVENUES - MISC	0	0								
43	*OTHER OPERATING REVENUE PROPOSED INCREASE*	34,999	106	5	9	2,406	1	4,517	819	123	3
44											
45	*TOTAL PROPOSED INCREASE*	516,521	13,033	337	5,679	3,471	39	97,178	66,065	13,055	594
46											
47	*TOTAL REVENUES WITH PROPOSED INCREASE*	4,923,775	87,649	5,900	29,348	316,905	1,729	977,768	385,317	71,771	4,680

GCL ✓ ✓
Parties/Staff Handou
event date 8/31/12
Docket No. 120015

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historic test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. Provide total number of bills, mWh's, and billing kWh for each rate schedule (including standard and time of use customers) and transfer group.

Type of Data Shown:
X Projected Test Year Ended 12/31/13
___ Prior Year Ended __/__/__
___ Historical Test Year Ended __/__/__
Witness: Renae B. Deaton

RATE SCHEDULE CILC-1T

55

LINE NO.	(1) TYPE OF CHARGES	(2) PRESENT REVENUE CALCULATION UNITS	(3) CHARGE/UNIT	(4) $ REVENUE	(5)	(6) PROPOSED REVENUE CALCULATION UNITS	(7) CHARGE/UNIT	(8) $ REVENUE	(9) PERCENT INCREASE
1									
2									
3	Customer	216	$ 1,866.00	$ 403,056		216	$ 1,975.00	$ 426,600	
4									
5	Non-Fuel Energy								
6	On Peak	334,274,651	$ 0.00599	$ 2,002,305		334,274,651	$ 0.02337	$ 7,811,999	
7	Off Peak	1,007,203,091	$ 0.00599	$ 6,033,147		1,007,203,091	$ 0.00680	$ 6,848,981	
8									
9	Demand								
10	Max Demand	512,384	$ -	$ -		512,384	$ -	$ -	
11									
12	Load Control On-Peak	1,880,654	$ 2.04	$ 3,836,534		1,880,654	$ 1.30	$ 2,444,850	
13									
14	Firm On-Peak	512,384	$ 7.54	$ 3,863,375		512,384	$ 8.00	$ 4,099,072	
15									
16	Total			$ 16,138,417				$ 21,631,502	34.0%
17									
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35 The present rates shown above are current approved rates adjusted for West County 3 capacity clause factors,
36 which revenue is classified as base revenue for surveillance reporting purposes consistent with FPL's 2010 rate settlement approved in Commission
37 Order No. PSC-11-0089-EI.