

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

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

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

DIRECT TESTIMONY & EXHIBITS OF:

RENAE B. DEATON

(PROPOSED SETTLEMENT AGREEMENT)

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1 **I. INTRODUCTION**

2

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

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

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

7 A. Yes.

8 **Q. Are you sponsoring additional exhibits in this case?**

9 A. Yes. I am sponsoring five additional exhibits which are attached to my direct
10 testimony. They are as follows:

- 11 • RBD-12 FPL Bill Comparisons Under Settlement Rates – January
12 2012 to January 2013, June 2013
- 13 • RBD-13 FPL Bill Comparisons Under Settlement Rates vs. Rates
14 Proposed in March 2012 MFRs – June 2013
- 15 • RBD-14 Parity of Major Rate Classes: Current and Proposed
16 Settlement Agreement
- 17 • RBD-15 EEI Industrial Bill Comparison – January 2012
- 18 • RBD-16 Late Payment Charge Survey

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to show that the rates in the Proposed
21 Settlement Agreement are consistent with the public interest (Issue 5 in
22 Commission Order No. PSC-12-0529-PCO-EI, Docket No. 120015-EI, issued
23 on October 3, 2012).

1 **Q. Please summarize your testimony.**

2 A. My testimony shows that the rates under the Proposed Settlement Agreement
3 are in the public interest. Under the Proposed Settlement Agreement the bills
4 for residential customers will remain the lowest in the state and the bills for
5 commercial and industrial customers will be more competitive with rates of
6 other utilities in Florida and the Southeast.

7
8 For the residential customer the net impact on the typical residential bill in
9 June 2013 is \$1.54 a month or 5 cents per day, which is less than a 2%
10 increase. The net impact on bills for commercial and industrial customer
11 classes in June 2013 is expected a range from flat to a 3 percent decrease.

12
13 The Proposed Settlement Agreement also includes credits for large
14 commercial and industrial customers on the Commercial/Industrial Load
15 Control ("CILC") rates and Commercial/Industrial Demand Reduction
16 ("CDR") rider that are greater than the credits reflected in the Minimum Filing
17 Requirements ("MFRs") filed in March 2012. Additionally, the relationships
18 between the non-fuel energy and demand charges in the CILC rates were
19 revised. Under the Proposed Settlement Agreement, the increased CILC and
20 CDR credits will be recovered through the Energy Conservation Cost
21 Recovery ("ECCR") clause. These proposals combine to make rates for these
22 customers more competitive during the term of the Proposed Settlement
23 Agreement.

1 **II. RATES UNDER THE PROPOSED SETTLEMENT AGREEMENT**

2

3 **Q. What is the base rate adjustment under the Proposed Settlement**
4 **Agreement?**

5 A. The Proposed Settlement Agreement reflects a base rate adjustment of \$378
6 million effective January 1, 2013. This represents a \$139 million reduction
7 from FPL’s original request. The Proposed Settlement Agreement also
8 reflects the utilization of the Generation Base Rate Adjustment (“GBRA”) as
9 described by FPL witness Barrett to recover the costs associated with the
10 Canaveral Modernization project, the Riviera Beach Modernization project
11 and the Port Everglades Modernization project (“Modernization Projects”)
12 beginning on their respective commercial operation dates of June 2013, June
13 2014 and June 2016.

14 **Q. How do rates under the Proposed Settlement Agreement compare to**
15 **FPL’s rates filed in the March 2012 MFRs?**

16 A. As reflected in Exhibit RBD-12, page 1 of 5, the base component of the
17 typical residential (1,000 kilowatt-hours) bill would increase from \$43.26 in
18 January 2012 to \$47.36 in January 2013 and to \$49.01 in June 2013 to recover
19 the Cape Canaveral Modernization Project. Based on fuel efficiency savings,
20 current projections of fuel prices and other expected changes to clauses and
21 base rates, including the increase to the ECCR charge due to the increase in
22 the CILC and CDR credits, the net impact on the typical residential bill in

1 June 2013 is projected to be \$1.54 a month or 5 cents per day, which is less
2 than a 2 percent increase.

3

4 Exhibit RBD-12, page 2 of 5 and page 3 of 5, shows that the base increase for
5 most Commercial / Industrial (“CI”) customers’ bills, i.e., those on the
6 General Service Non-Demand (“GS-1”) and General Service Demand (“GSD-
7 1”) rates, is between 3 and 11 percent from January 2012 to June 2013. In
8 fact, customers on the GS-1 and GST-1 rate schedules will see no increase
9 over current rates in January. For a small number of larger CI customers,
10 increases range from 12 to 13 percent. However, due to fuel efficiency
11 savings, current projections of fuel prices, and other expected changes to base
12 rates and clauses in June 2013, the net impact on bills is expected to range
13 from flat to a decrease of 3 percent.

14

15 As shown in Exhibit RBD-13, pages 1 - 5, the Proposed Settlement
16 Agreement results in bills that are flat or lower than those that would result
17 from the rates proposed in the March 2012 rate request.

18 **Q. An objective of rate design is to move rate classes closer to parity. Is**
19 **parity among the rate classes improved under the Proposed Settlement**
20 **Agreement?**

21 A. Yes. The table below illustrates that all rate classes will either be within the
22 range of 90 percent to 110 percent of parity, or will be moved toward that
23 objective.

1

PARITY UNDER THE PROPOSED SETTLEMENT AGREEMENT

Rate Class	Remaining Within +/- 10% Range	Improving Toward +/- 10%Range	Moving Away from +/- 10%Range
GS(T)-1		√	
GSD(T)-1	√		
GSLD(T)*		√	
Lighting	√		
Residential	√		
CILC Classes	√		

2

* GSLD(T) includes GSLD(T)-1, GSLD(T)-2 and GSLD(T)-3 rate classes

3

4

Exhibit RBD-14 shows the parity positions of the major rate classes under the Proposed Settlement Agreement.

5

6

Q. How do the rates under the Proposed Settlement Agreement “promote economic development, job creation and stability”?

7

8

A. The rates under the Proposed Settlement Agreement should promote economic development and job creation and stability in a number of ways. The rates should contribute to making businesses and industry in FPL’s territory more competitive and help in retaining and attracting industry to Florida, and will provide long-term rate stability.

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First, the level of the increases for all commercial and industrial classes is reduced. The percentage reduction from the increase proposed in the March 2012 MFRs is greater for the larger CI customer classes than that for the

1 residential and small non-demand general service rate classes. The greater
2 reductions for the larger CI customer classes recognizes that, while FPL's
3 residential and small non-demand general service bills will remain the lowest
4 in the state as compared to the other Florida utilities current bills, the bills for
5 the larger CI customers do not compare quite as favorably, with some being
6 4th to 5th lowest currently. See RBD-3 pages 6-7 of 7 (Exhibit 219). Also,
7 because Florida competes with other states for industry, FPL's rates need to
8 be competitive on a regional and national basis to help retain and attract
9 industry in Florida. While FPL's industrial bills do compare favorably based
10 on the Edison Electric Institute ("EEI") bill survey, many utilities in the
11 Southeast offer lower bills to large industrial customers. See Exhibit RBD-15.
12 Although no changes are proposed to the underlying cost of service
13 methodology, the terms of the Proposed Settlement Agreement will provide
14 some competitive relief to these industries for a four year period.

15
16 Second, intervenors expressed concerns that increasing energy charges more
17 than demand charges impacts high load factor customers more than low load
18 factor customers, so the relationship of the CILC demand and energy rates is
19 modified such that the majority of CILC revenue is recovered through the
20 customer and demand charges rather than the energy charges, and the on and
21 off peak energy charges are not differentiated.

22

1 Third, the CILC and CDR credits are increased 56%. The CILC and CDR
 2 programs provide rate reductions for large commercial and industrial
 3 customers in exchange for the ability to interrupt customers during periods of
 4 extreme demand, capacity shortages or system emergencies. Intervenor
 5 testimony presented a cost-effective value of \$12.07 per kW. The Settlement
 6 increases the CDR credit to a lesser amount, i.e., from \$4.68 to \$7.30 per kW.
 7 Even with the increase, credits under the Proposed Settlement Agreement
 8 continue to pass the Enhanced Rate Impact Measure (“E-RIM”) cost-
 9 effectiveness screening test as shown in the table below. Thus, the general
 10 body of customers receives more benefit from FPL’s ability to interrupt
 11 service to the customers receiving those credits than the amount that they
 12 would pay to reimburse for the credit. It should be noted that the credit is less
 13 than that approved for Progress Energy in their settlement in Docket No.
 14 120022-EI of \$8.70 per kW, which other parties endorsed.

15 **Rate Impact Measures for CDR and CILC Programs**

Commercial/Industrial Demand Reduction (CDR)	E-RIM
2012 MFR Rate Filing	4.12
Proposed Settlement Agreement	2.69
Commercial/Industrial Load Control (CILC)	E-RIM
2012 MFR Rate Filing	3.07
Proposed Settlement Agreement	2.00

16
 17 Finally, the Proposed Settlement Agreement provides long-term rate stability.
 18 After January 2013, base rates would not increase except to recover the
 19 revenue requirements for two categories of large generation projects: (1) the
 20 Modernization Projects recovered through the GBRA provided in Paragraph 8

1 of the Proposed Settlement Agreement; and (2) nuclear projects eligible for
2 base rate recovery under Section 366.93, Florida Statutes, as reflected in
3 Paragraph 4 of the Proposed Settlement Agreement.

4 **Q. Is the increase from \$5 to \$6 in the minimum charge for late payments in**
5 **the public interest?**

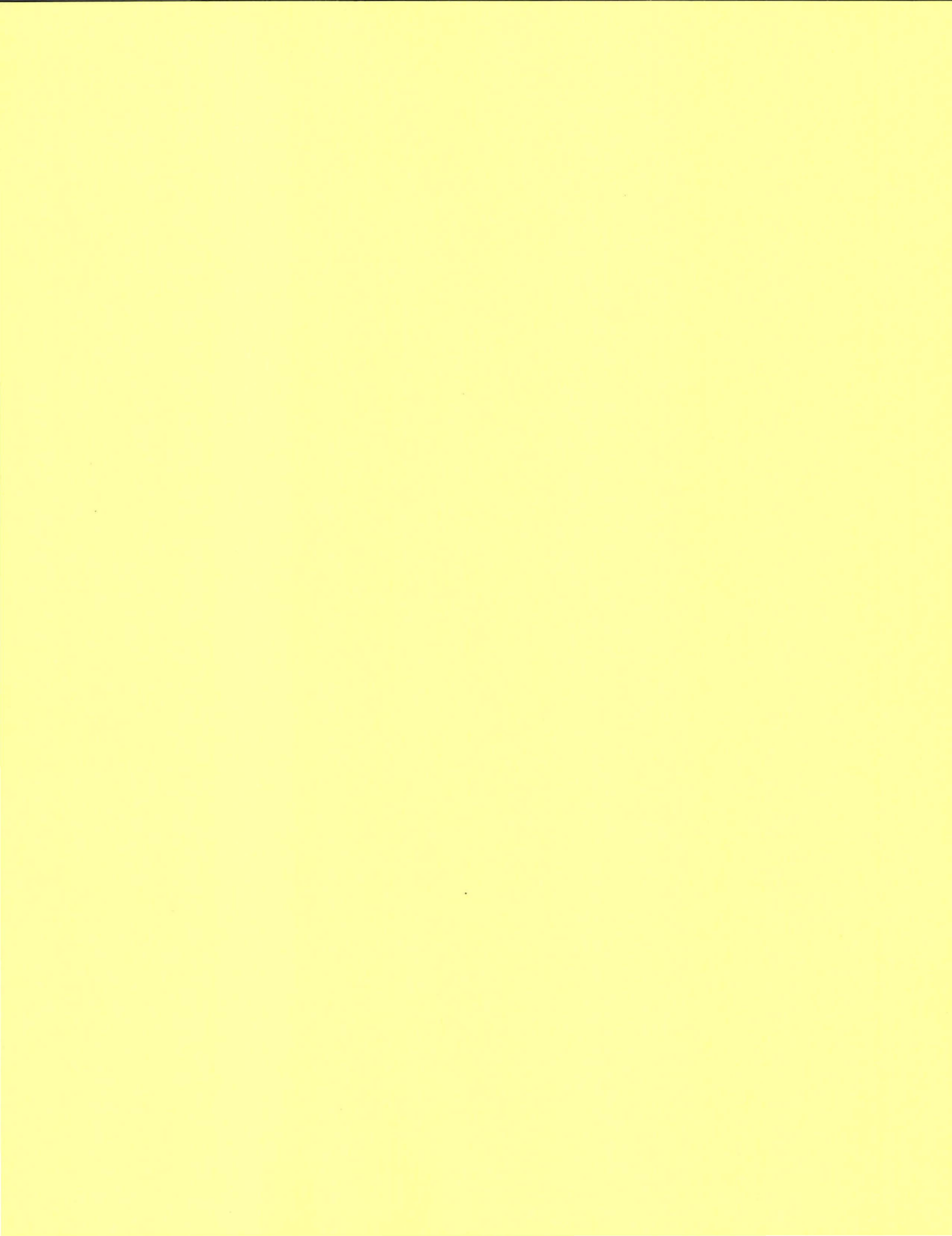
6 A. Yes, the \$6 minimum Late Payment Charge is \$1 higher than the minimum
7 proposed in the March 2012 MFRs, which was not opposed by any party in
8 the case. The additional \$1 minimum Late Payment Charge reduces by \$10
9 million the amount of revenues to be recovered from all other customers,
10 resulting in lower bills for customers who pay timely. The level of the charge
11 is comparable to many other Florida utilities, as can be seen in Exhibit RBD-
12 16. For example, the city of Miramar and Lee County Electric Cooperative
13 minimum late payment charges are \$15 and \$10 respectively. As a result, this
14 change is in the public interest when taken in context with the entirety of the
15 settlement.

16 **Q. Are the Proposed Settlement Agreement rates in the public interest?**

17 A. Yes. All customers will benefit from the rates in the Proposed Settlement
18 Agreement, which result in bills that are flat or lower than those that would
19 result from the rates proposed in the March 2012 MFRs, provide long-term
20 rate stability and predictability through 2016, and help promote economic
21 development. Customers will continue to enjoy superior service and
22 reliability at rates that are expected to remain the lowest or among the lowest
23 in the state.

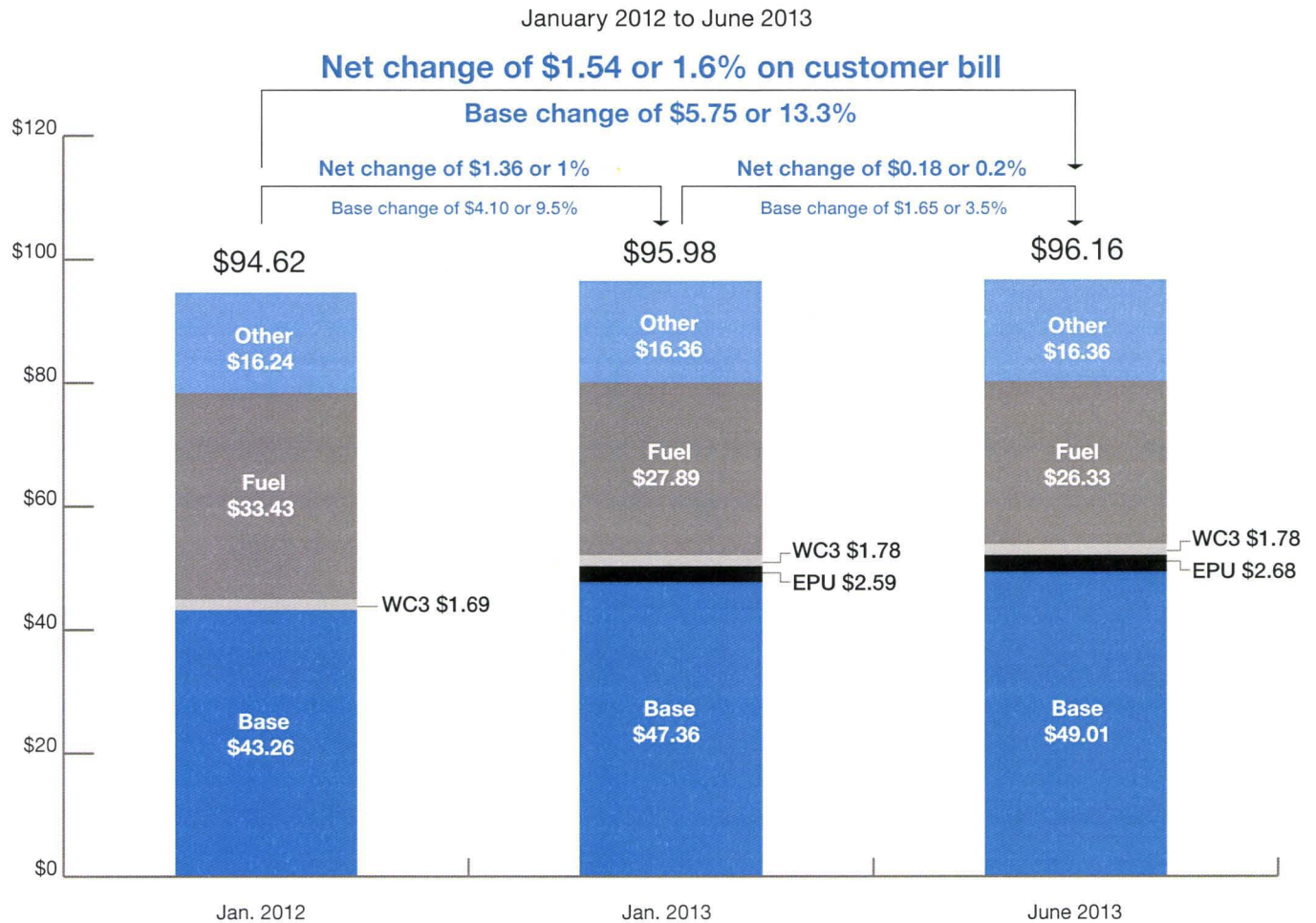
1 Q. **Does this conclude your direct testimony?**

2 A. Yes.





Typical 1,000-kWh Residential Customer Bill Comparison

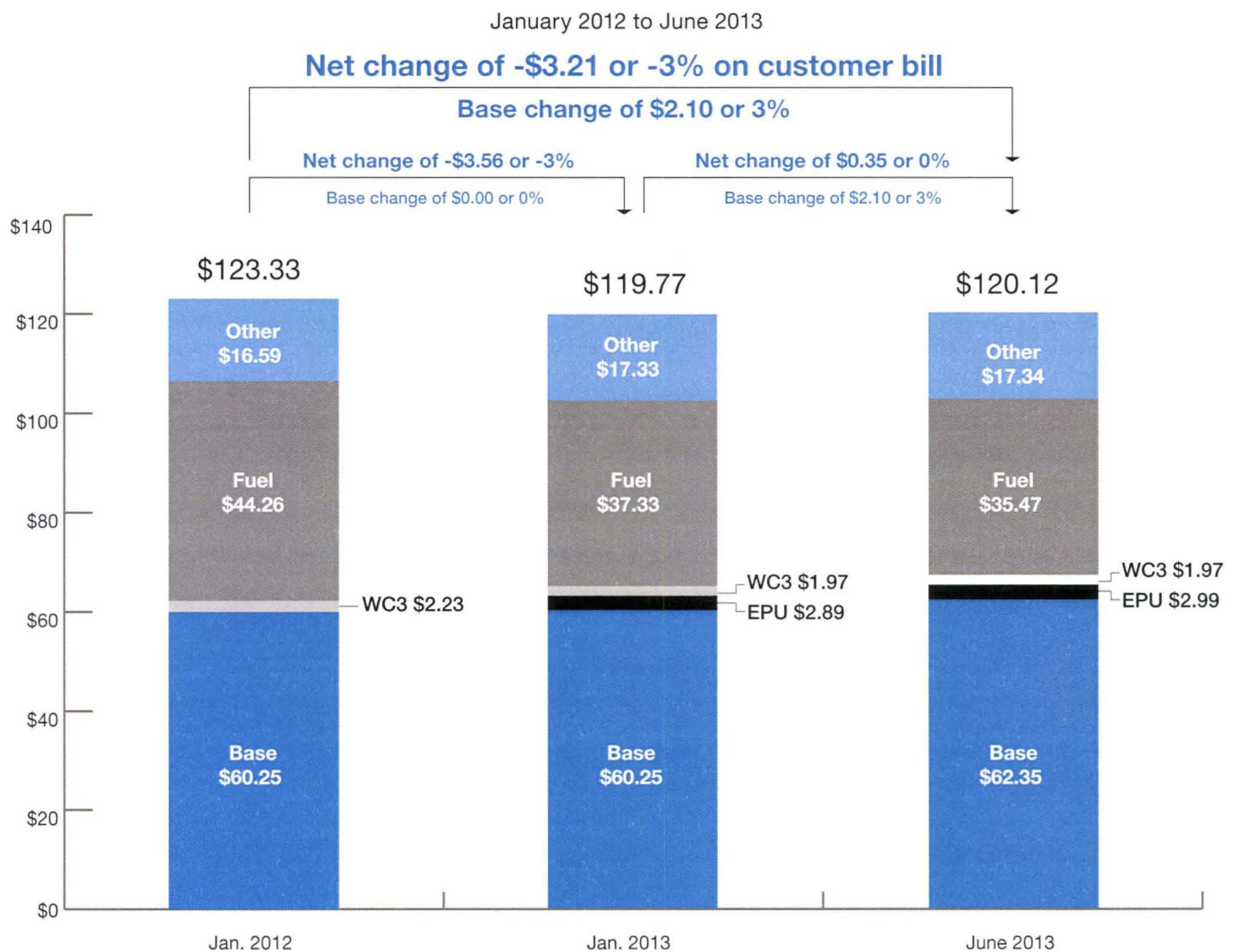


For 2013, Fuel and Other clause projections as filed in their respective dockets. "EPU" is the base increase for the Extended Power Uprate (filed in a separate docket on October 1, 2012). "WC3" are West County 3 costs, which shall continue to be recovered through the capacity clause. Other includes 21 cents for CILC and CDR increases that will not be recovered in 2013 but will be deferred to 2014 if the Proposed Settlement Agreement is approved.



1,200-kWh Commercial Customer Bill Comparison (non-demand)

The General Service Non-Demand ("GS-1") rate class comprises more than 391,000 customer accounts, or approximately 77% of FPL's business customer accounts. These customers are typically small businesses.

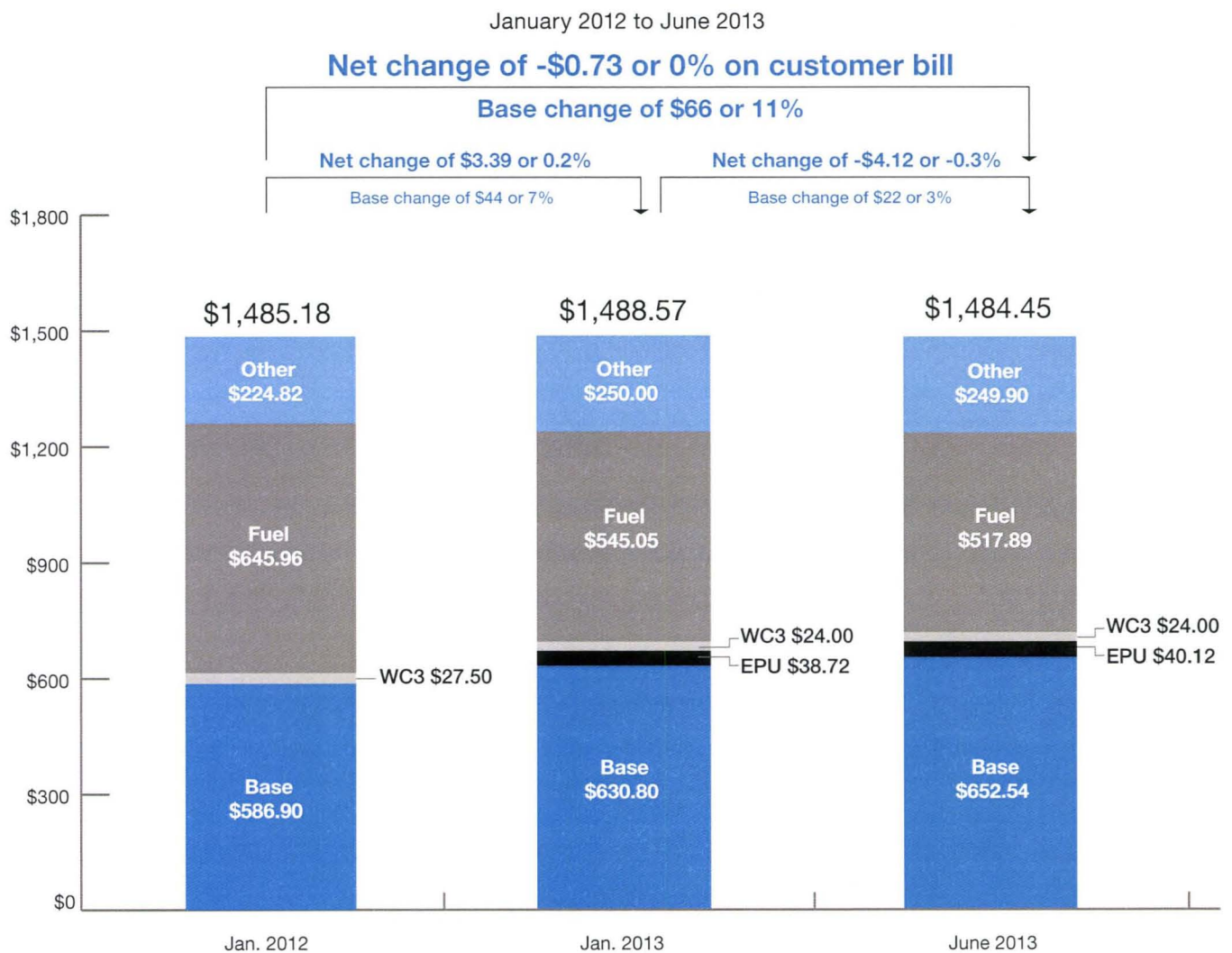


For 2013, Fuel and Other clause projections as filed in their respective dockets. "EPU" is the base increase for the Extended Power Uprate (filed in a separate docket on October 1, 2012). "WC3" are West County 3 costs, which shall continue to be recovered through the capacity clause. Other includes 22 cents for CILC and CDR increases that will not be recovered in 2013 but will be deferred to 2014 if the Proposed Settlement Agreement is approved.



17,520-kWh Commercial Customer Bill Comparison

GSD-1 Rate 50 kW, 48% load factor



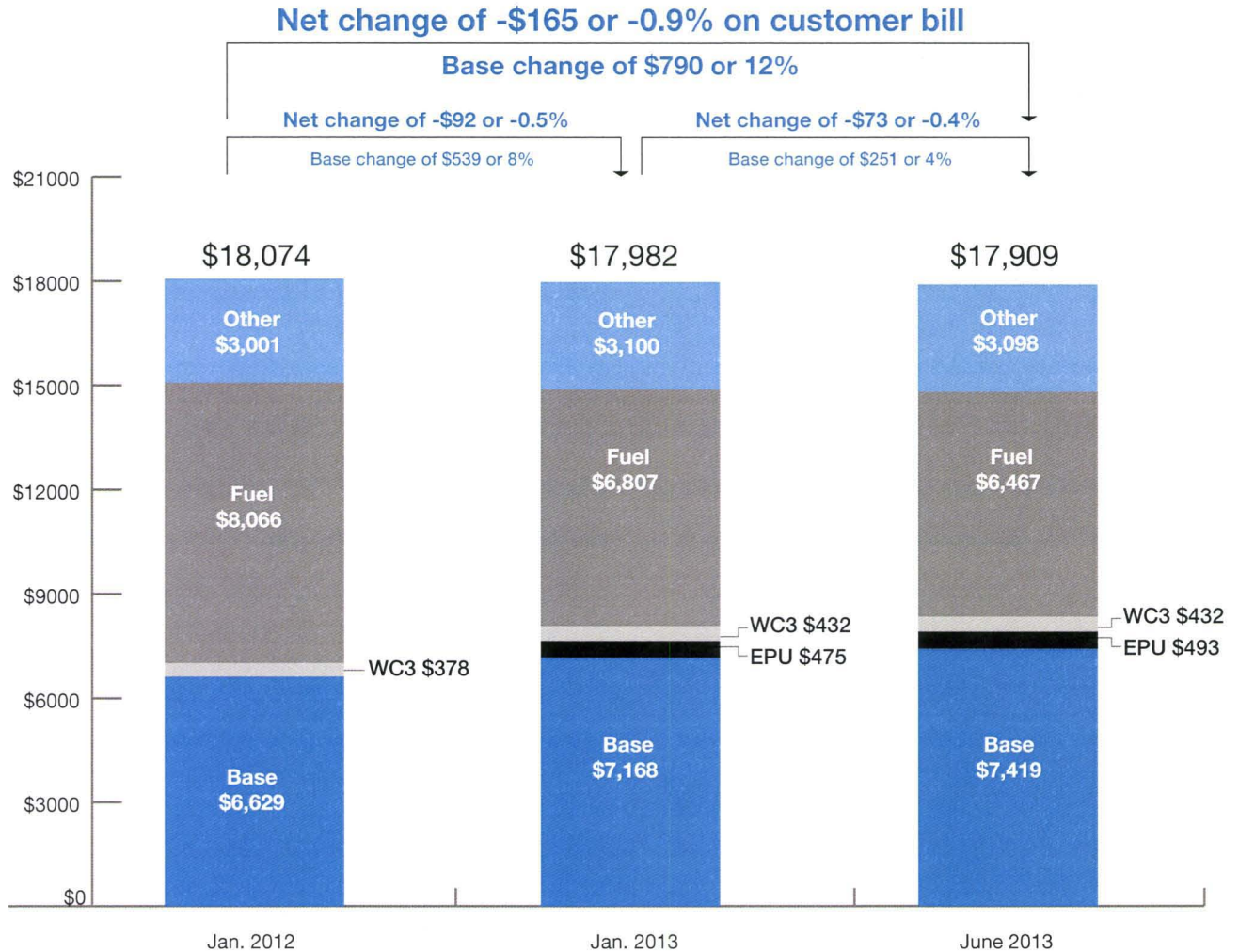
For 2013, Fuel and Other clause projections as filed in their respective dockets. "EPU" is the base increase for the Extended Power Uprate (filed in a separate docket on October 1, 2012). "WC3" are West County 3 costs, which shall continue to be recovered through the capacity clause. Other includes \$3.50 for CILC and CDR increases that will not be recovered in 2013 but will be deferred to 2014 if the Proposed Settlement Agreement is approved.



219,000-kWh Commercial Customer Bill Comparison

GSLD-1 Rate 600 kW, 50% load factor

January 2012 to June 2013

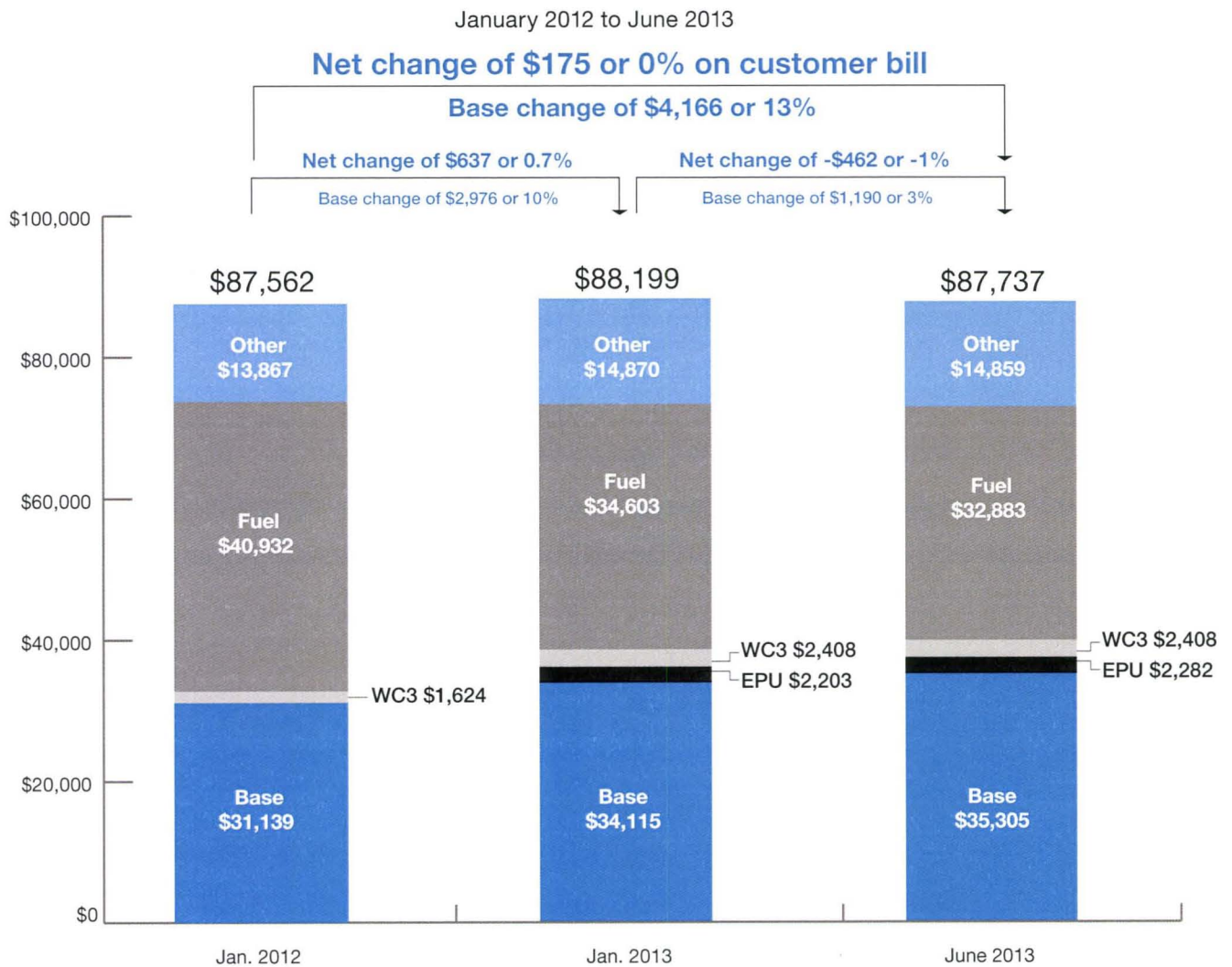


For 2013, Fuel and Other clause projections as filed in their respective dockets. "EPU" is the base increase for the Extended Power Uprate (filed in a separate docket on October 1, 2012). "WC3" are West County 3 costs, which shall continue to be recovered through the capacity clause. Other includes \$40 for CILC and CDR increases that will not be recovered in 2013 but will be deferred to 2014 if the Proposed Settlement Agreement is approved.



1,124,200-kWh Commercial Customer Bill Comparison

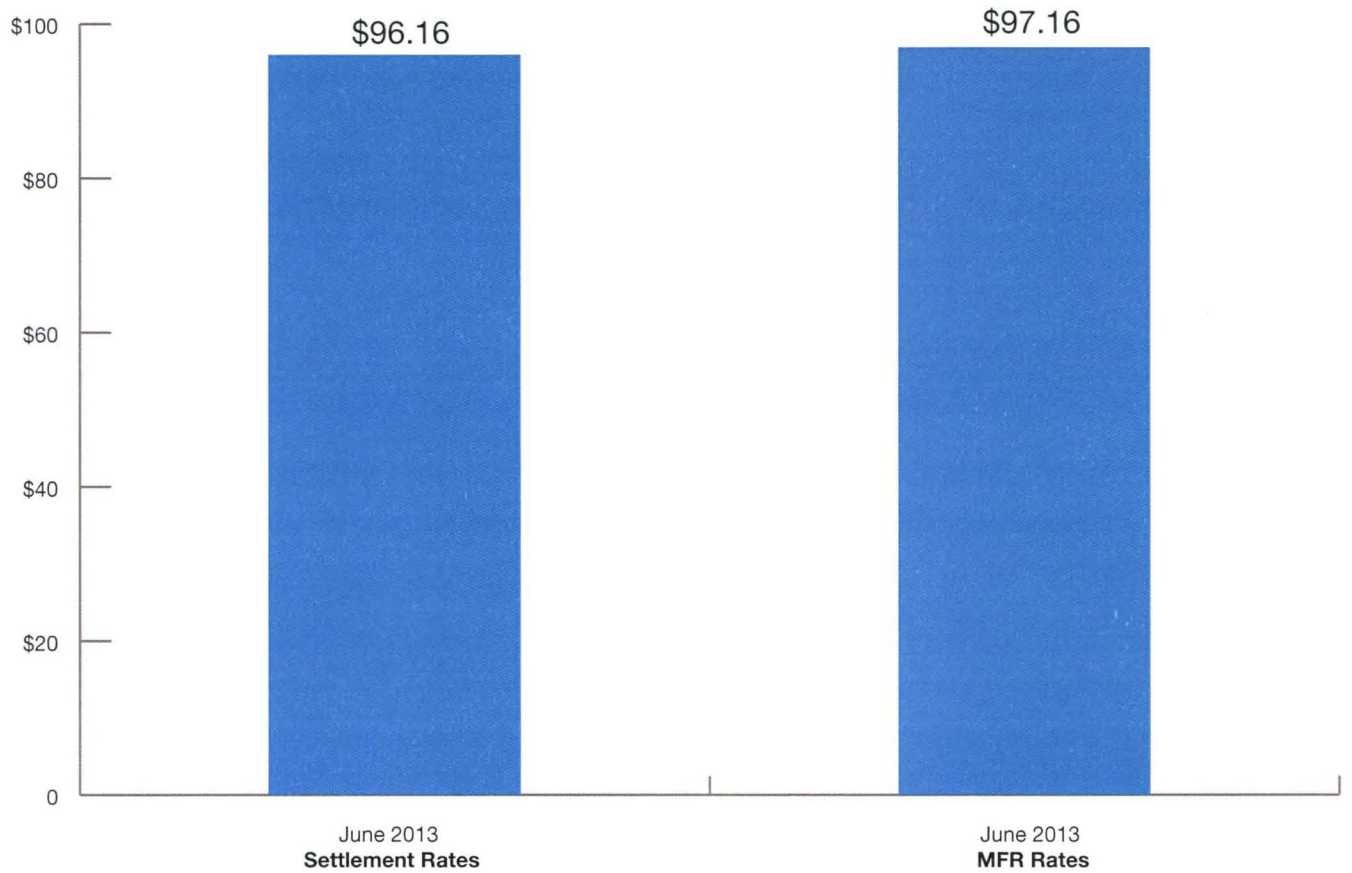
GSLD-2 Rate 2,800 kW, 55% load factor



For 2013, Fuel and Other clause projections as filed in their respective dockets. "EPU" is the base increase for the Extended Power Uprate (filed in a separate docket on October 1, 2012). "WC3" are West County 3 costs, which shall continue to be recovered through the capacity clause. Other includes \$196 for CILC and CDR increases that will not be recovered in 2013 but will be deferred to 2014 if the Proposed Settlement Agreement is approved.



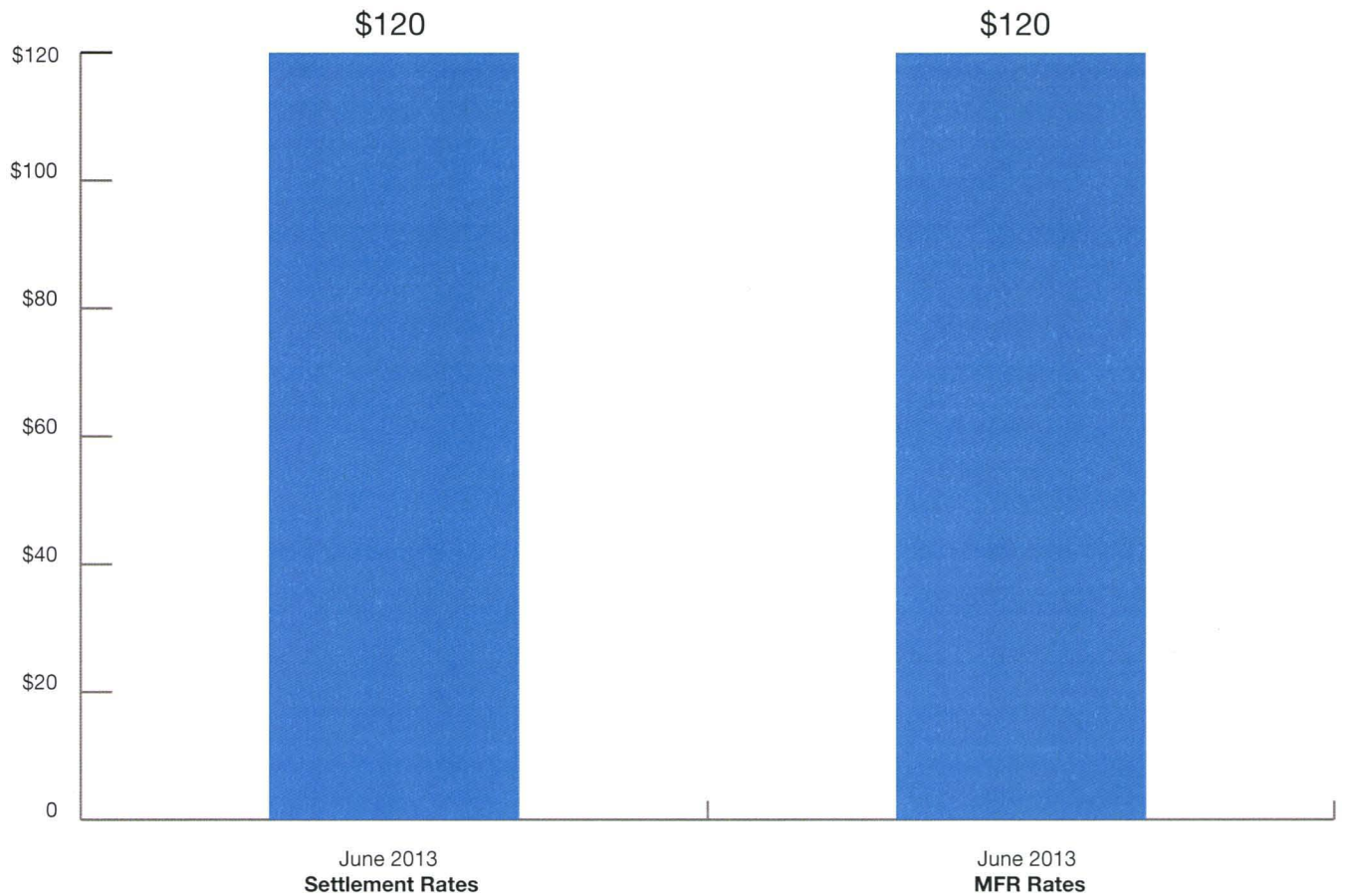
Typical 1,000-kWh Residential Customer Bill Comparison





1,200-kWh Commercial Customer Bill Comparison (non-demand)

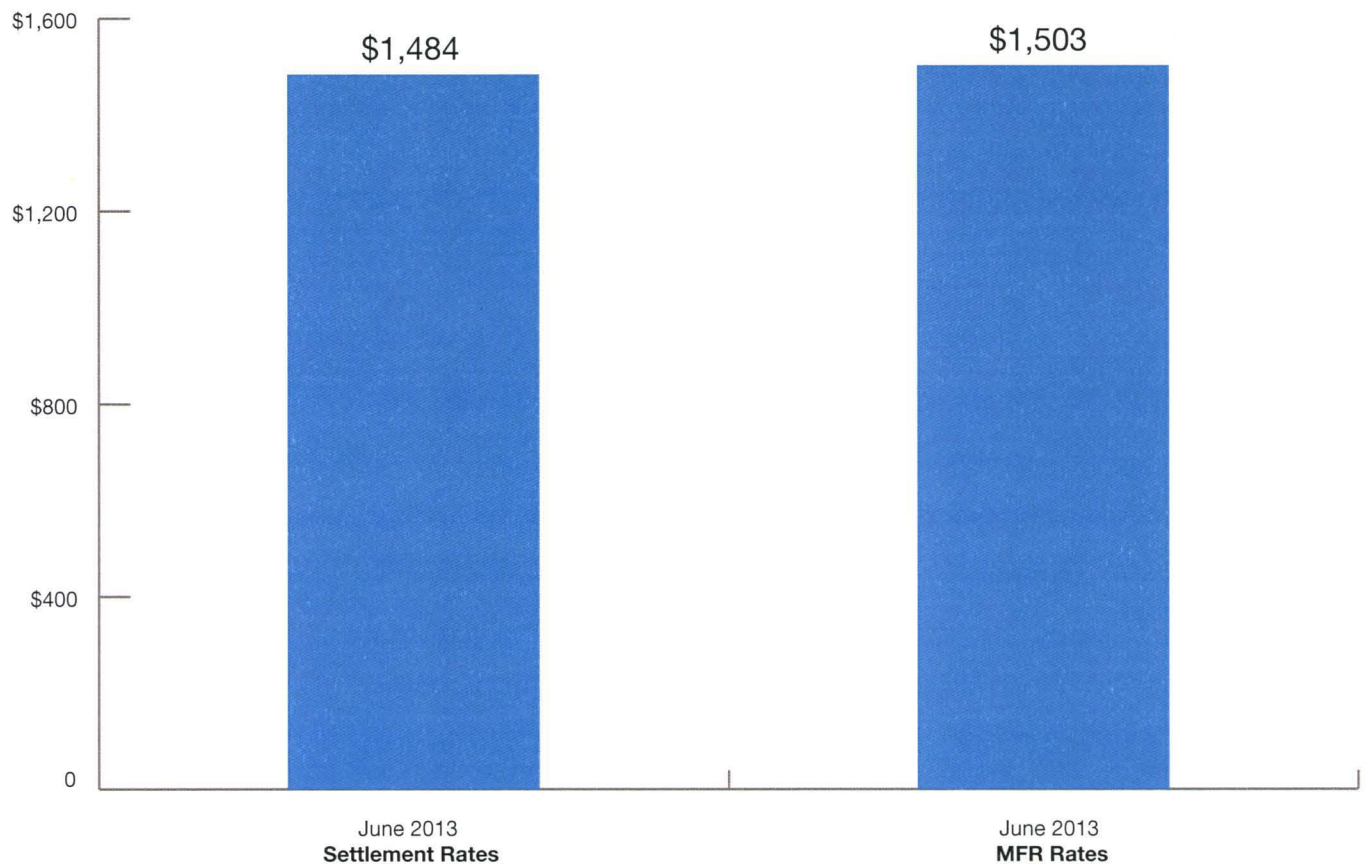
The General Service Non-Demand (“GS-1”) rate class comprises more than 391,000 customer accounts, or approximately 77% of FPL’s business customer accounts. These customers are typically small businesses.





17,520-kWh Commercial Customer Bill Comparison

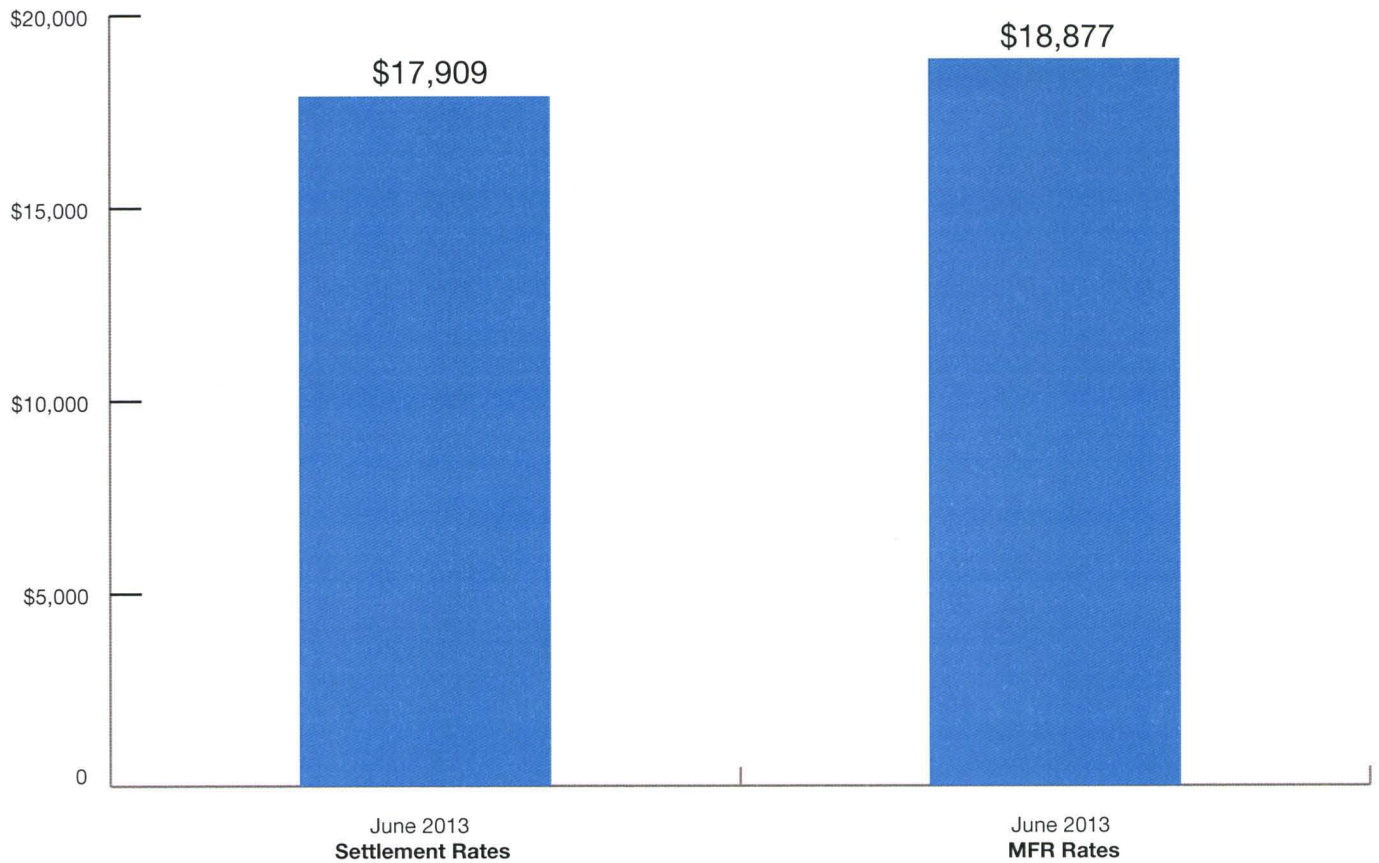
GSD-1 Rate 50 kW, 48% load factor





219,000-kWh Commercial Customer Bill Comparison

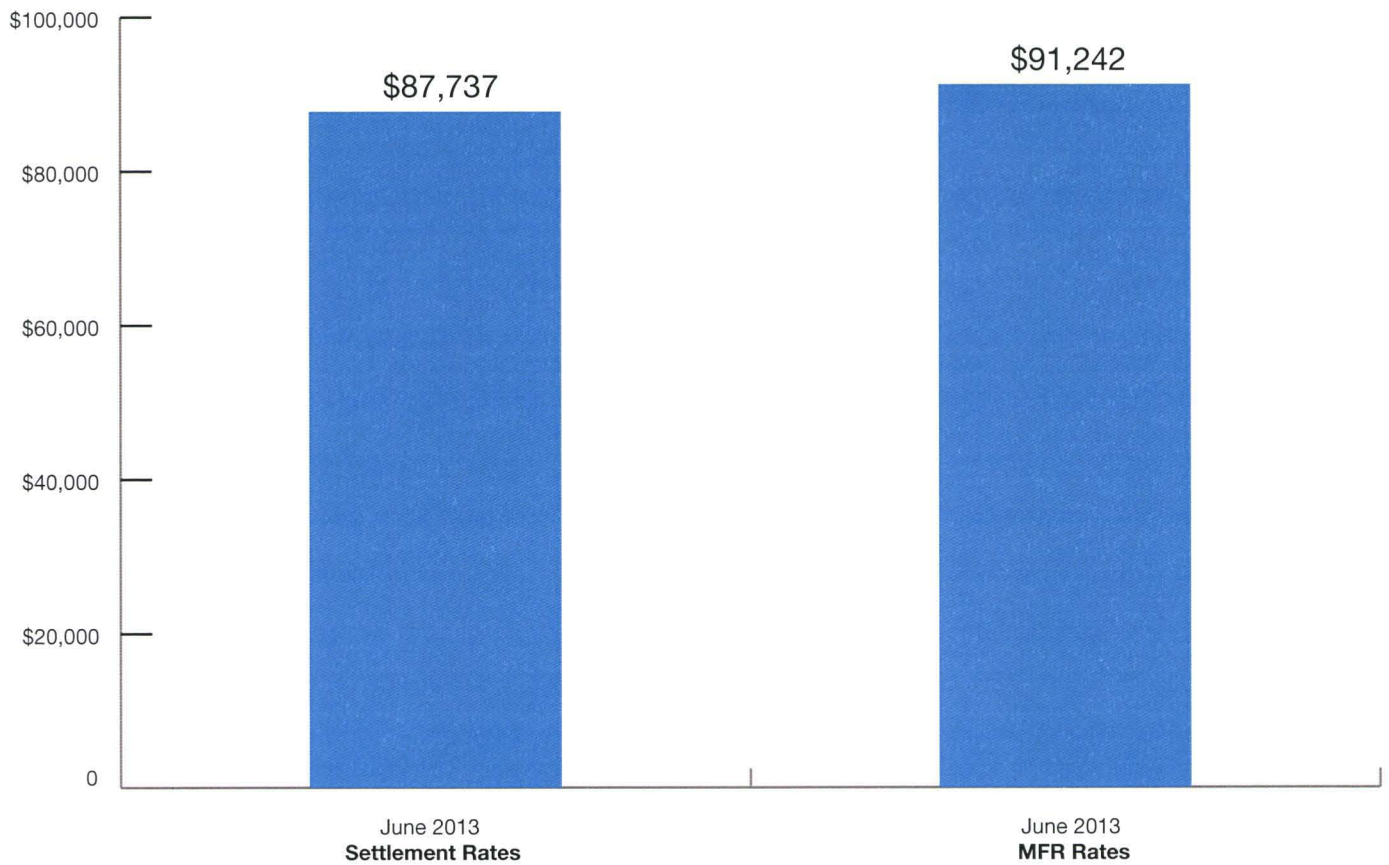
GSLD-1 Rate 600 kW, 50% load factor





1,124,200-kWh Commercial Customer Bill Comparison

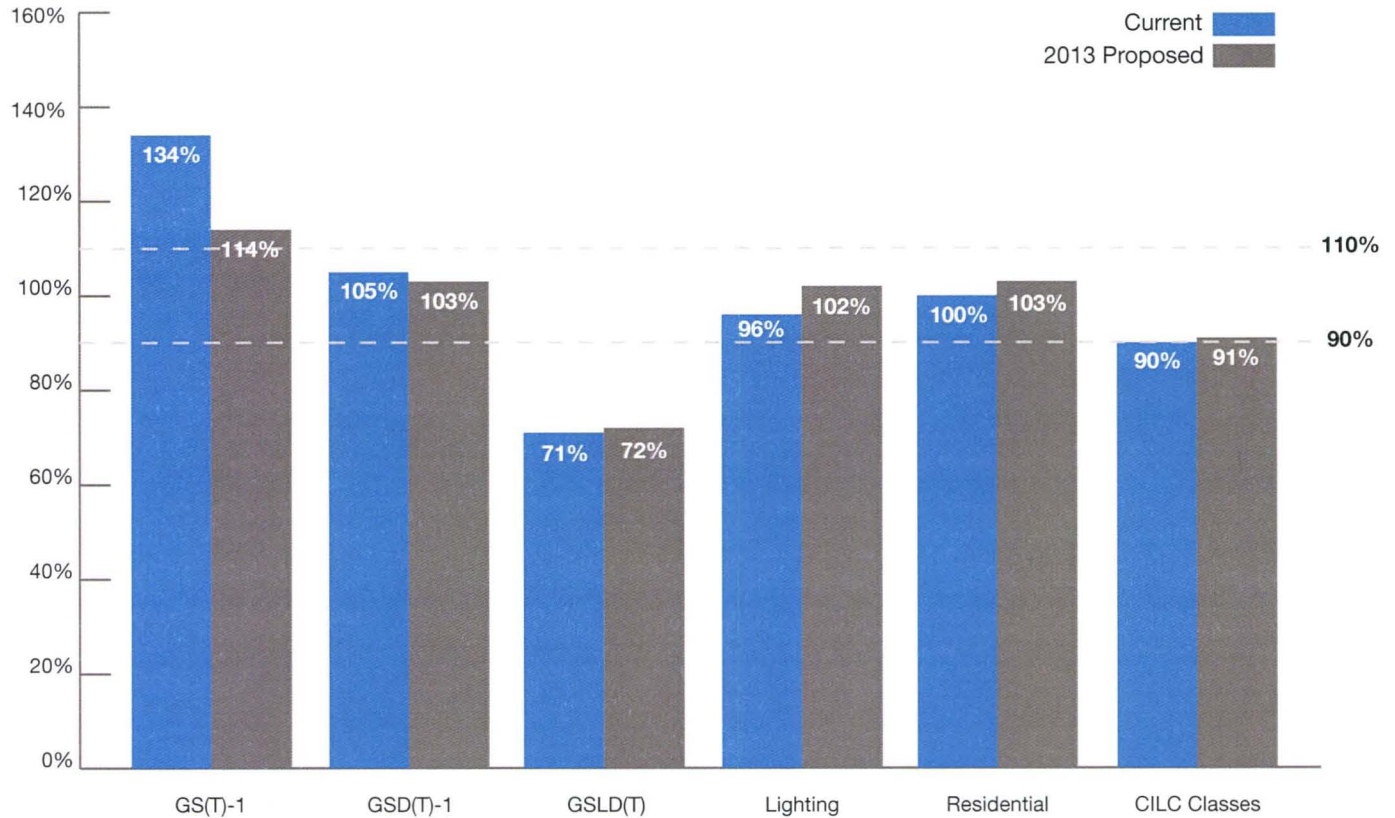
GSLD-2 Rate 2,800 kW, 55% load factor





Parity of Major Rate Classes

Current and Proposed Settlement Agreement



GSLD(T) includes GSLD(T)-1, GSLD(T)-2 and GSLD(T)-3

The parity of all classes that are outside the range of 90% to 110% is improved under the Proposed Settlement Agreement.

EEI Industrial Bill Comparison -January 2012
 Southeastern Utilities

Company	State	50 MW		50 MW 25000		50 MW	
		15000 MWh	Rank	MWh	Rank	32500 MWh	Rank
Alabama Power Company	Alabama	1,132,674	9	1,607,676	10	1,963,928	13
Florida Power & Light Company	Florida	938,468	6	1,373,778	7	1,700,260	8
Progress Energy Florida	Florida	1,521,305	21	2,232,366	21	2,833,209	22
Gulf Power Company	Florida	1,621,075	22	2,375,858	22	2,748,632	21
Old Dominion Power Company	Virginia	1,161,775	11	1,610,575	11	1,947,175	10
Southwestern Electric Power Company	Arkansas	686,410	1	982,713	1	1,204,941	1
Tampa Electric Company	Florida	1,487,905	19	2,126,981	20	2,606,289	20
AEP (Appalachian Power Rate Area)	Virginia	960,520	7	1,251,920	5	1,470,470	3
Entergy Arkansas, Inc.	Arkansas	1,024,575	8	1,403,052	8	1,637,257	7
Progress Energy Carolinas, Inc.	North Carolina	1,331,496	17	1,853,796	17	2,094,246	15
Duke Energy Carolinas	North Carolina	911,051	4	1,246,611	4	1,514,401	5
Entergy Mississippi, Inc.	Mississippi	928,877	5	1,317,989	6	1,609,823	6
Dominion Virginia Power	Virginia	1,314,225	16	1,678,845	13	1,952,310	11
Empire District Electric Company	Arkansas	1,158,333	10	1,529,673	9	1,799,666	9
Mississippi Power Company	Mississippi	1,235,612	13	1,804,448	16	2,184,503	17
South Carolina Electric & Gas Company	South Carolina	1,411,450	18	1,888,550	18	2,246,375	18
Georgia Power Company	Georgia	1,520,265	20	2,048,826	19	2,425,047	19
Dominion North Carolina Power	North Carolina	1,309,072	15	1,773,072	14	2,121,072	16
OG&E Electric Services	Arkansas	881,470	3	1,227,300	3	1,486,673	4
Progress Energy Carolinas, Inc.	South Carolina	1,301,825	14	1,803,425	15	2,066,875	14
Duke Energy Carolinas	South Carolina	881,069	2	1,168,201	2	1,412,564	2
SE Average		1,177,117		1,633,603		1,953,606	

Late Payment Charge Survey

Business / Entity	Type	Late Payment Fee Structure	Minimum Late Payment Charge
FPL (Current)	Electric service	1.5%	N/A
FPL (2013 Proposed Rate Settlement)	Electric service	Greater of \$6 or 1.5%	\$6.00
Progress Energy Florida	Electric service	Greater of \$5 or 1.5%	\$5.00
Tampa Electric Company	Electric service	Greater of \$5 or 1.5%	\$5.00
Florida Public Utilities Company	Electric service	Greater of \$5 or 1.5%	\$5.00
OUC (Orlando)	Electric service	Greater of \$3 or 1.5%	\$3.00
JEA (Jacksonville)	Electric service	1.5%	N/A
Lake Worth Utilities	Electric service	Residential: \$11; Commercial: \$25	\$11.00
Lee County Electric Coop	Electric service	Residential: \$10; Commercial: 8%	\$10.00
Peace River Electric Coop	Electric service	Greater of \$10 or 3%	\$10.00
City of Ocala Utility Service	Electric service	5%	N/A
Clay Electric Coop	Electric service	Greater of \$5 or 5%	\$5.00
Lakeland Electric	Electric service	\$3.50 or 1.5%	\$3.50
City of Alachua	Electric Service	10% on the balance of current charges	N/A
City of Blountstown	Electric Service	10% on the balance of current charges	N/A
City of Bushnell	Electric Service	5% on the balance of current charges	N/A
City of Chattahoochee	Electric Service	10% on the balance of current charges	N/A
City of Fort Meade	Electric Service	\$10 every billing cycle until paid in full	\$10.00
City of Fort Pierce	Electric Service	1.5% if not paid by due date an additional \$15.00 if not paid within 10 days	\$15 after 10 days
City of Gainesville	Electric Service	Greater of \$1 or 1.5%	\$1.00
City of Green Cove Spring	Electric Service	5% on the balance of current charges (minimum of \$5 and maximum of \$500)	\$5.00
Town of Havana	Electric Service	\$10 dollars first 10 days, \$10 dollars next 10 days and \$30 after 20 days	\$10.00
City of Homestead	Electric Service	1.50%	N/A
Kissimmee Utility Authority	Electric Service	5% on the balance of current charges	N/A
City of Leesburg	Electric Service	5% on the balance of current charges	N/A
Moore Haven Municipal Light	Electric Service	10% on the balance of current charges	N/A
City of New Smyrna Beach	Electric Service	Greater of \$5 or 1.5%	\$5.00
City of Quincy	Electric Service	5% on the balance of current charges	N/A
City of St. Cloud	Electric Service	Greater of \$3 or 1.5%	\$3.00
City of Vero Beach	Electric Service	\$5	\$5.00
City of Wauchula	Electric Service	\$15	\$15.00
Talquin Electric Cooperative	Electric Service	1.5% maximum of \$10	N/A
West Florida Electric Cooperative	Electric Service	1.5% maximum of \$10	N/A
Central Florida Cooperative	Electric Service	Greater of 5% or \$10	\$10.00
Choctawhatchee Cooperative	Electric Service	10% of first \$25 and 2% thereafter	N/A
Clay Cooperative	Electric Service	Greater of \$5.00 or 5%	\$5.00
Escambia River Cooperative	Electric Service	\$10	\$10.00
Peace River Cooperative	Electric Service	Greater of \$10 or 3%	\$10.00
Sumter Cooperative	Electric Service	1.5% of balance but not less than \$5.00	\$5.00
Suwannee Valley Cooperative	Electric Service	Greater of \$5.00 or 5%	\$5.00
Tri-County Cooperative	Electric Service	2% of unpaid balance	NA
Withlacoochee River Cooperative	Electric Service	1.5% of balance but not less than \$5.00	\$5.00
City of Deland	Water service	\$10	\$10.00
Polk County Utilities	Water service	Greater of \$6 or 5%	\$6.00
City of Winter Haven	Water service	Greater of \$5.38 or 5%	\$5.38
City of Longwood	Water service	Greater of \$5 or 10%	\$5.00
Pinellas County Utilities	Water service	10% (\$1 min)	\$1.00
City of Miramar Utilities	Water service	\$15	\$15.00
City of Palm Bay	Water service	Greater of \$5 or 5%	\$5.00
City of Tarpon Springs	Water service	10%	N/A
Bay County Utility	Water service	10%	N/A