

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for increase in rates by ) DOCKET NO. 120015-EI  
Florida Power & Light Company )  
\_\_\_\_\_ ) Filed: November 2, 2012

**DIRECT TESTIMONY**  
**OF**  
**DONNA RAMAS**  
**ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA**  
**IN RESPONSE TO PUBLIC SERVICE COMMISSION**  
**ORDER NO. PSC-12-0529-PCO-EI**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **DONNA RAMAS**

4 On Behalf of the Office of Public Counsel

5 In Response To

6 Order No. PSC-12-0529-PCO-EI

7  
8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Donna M. Ramas. My business address is 4654 Driftwood Drive,  
10 Commerce Twp., Michigan.

11  
12 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

13 A. Yes, I filed direct testimony on July 2, 2012 in the captioned matter on behalf of the  
14 Citizens of the State of Florida ("Citizens"). In that testimony, I presented the Office of  
15 Public Counsel's ("OPC") overall recommended revenue requirement in this case as well  
16 as several adjustments to the Company's proposed rate base and operating income.

17  
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PHASE OF THE**  
19 **PROCEEDING?**

20 A. On August 15, 2012, Florida Power & Light Company ("FPL" or "Company"), the  
21 Florida Industrial Power Users Group ("FIPUG"), the South Florida Hospital and  
22 Healthcare Association ("SFHHA"), and the Federal Executive Agencies ("FEA") filed a  
23 "Stipulation and Settlement" (herein after referred to as the "August 15 document"), as  
24 well as a Joint Motion for Approval of Settlement Agreement ("Joint Motion"). OPC  
25 vehemently opposes the offered non-unanimous August 15 document that was entered

1 into by FPL and 3 of the intervening parties in this case and has challenged the filing on  
2 legal grounds. Included as Appendix A to Order No PSC-12-0529-PCO-EI (“Third  
3 Procedural Order”), was a list of specific issues regarding aspects of the August 15<sup>th</sup>  
4 Document on which the Commission will take supplemental testimony in this phase of  
5 the case. In this testimony, I provide information for the Commission’s consideration on  
6 what have been identified as “Settlement Issues” 1 and 5. I also address several  
7 statements and issues raised in the testimonies filed by the parties that are signatories to  
8 the August 15 document on October 12, 2012.

9  
10 **Q. WHAT ARE “SETTLEMENT ISSUES” 1 AND 5?**

11 A. “Settlement Issue” 1 specifically states: “Are the generation base rate adjustments for the  
12 Canaveral Modernization Project, Riviera Beach Modernization Project, and Port  
13 Everglades Modernization Project, contained in paragraph 8 of the Stipulation and  
14 Settlement, in the public interest?” Issue 5 states: “Is the Settlement Agreement in the  
15 public interest?”

16  
17 **Q. ARE THERE ANY KEY PRINCIPLES OR REQUIREMENTS THAT SHOULD**  
18 **BE CONSIDERED IN ADDRESSING WHETHER THE GENERATION BASE**  
19 **RATE ADJUSTMENTS CONTAINED IN THE AUGUST 15 DOCUMENT ARE**  
20 **IN THE PUBLIC INTEREST, AND WHETHER THE OVERALL PROPOSAL IS**  
21 **IN THE PUBLIC INTEREST?**

22 A. Yes, it is my opinion that rates which are not fair, just, or reasonable are not in the public  
23 interest. It is also my opinion that for rates to be fair, just, and reasonable, they should be  
24 cost based. In other words, rates should be calculated based on the prudently incurred  
25 costs necessary to provide a reasonable level of service to customers.

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While not offering a legal interpretation of Chapter 366, F.S., it is my opinion, based on the experience I have in Florida and in other states, that the clear language of the statutes requires that rates be fair, just, and reasonable, and that such rates be cost based. For example, Section 366.03, F.S. – *General duties of public utility* states, in part, “All rates and charges made, demanded or received by any public utility for any service rendered, or to be rendered by it, and each rule and regulation of such public utility, shall be fair and reasonable.” (emphasis added) Section 366.06(1), F.S., states, in part, “All applications for changes in rates shall be made to the commission in writing under rules and regulations prescribed, and the commission shall have the authority to determine and fix fair, just, and reasonable rates that may be requested, demanded, charged or collected by any public utility for its service.” That section also states: “The commission shall investigate and determine the actual legitimate costs of the property of each utility company, actually used and useful in the public service, and shall keep a current record of the net investment of each public utility company in such property which value, as determined by the commission, shall be used for ratemaking purposes and shall be the money honestly and prudently invested by the public utility company in such property used and useful in serving the public, less accrued depreciation, and shall not include any goodwill or going-concern value or franchise value in excess of payment made therefor.”

Section 366.041(1), F.S., states, in part: “In fixing the just, reasonable, and compensatory rates, charges, fares, tolls or rentals to be observed and charge for service within the state by any and all public utilities under its jurisdiction, the commission is authorized to give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such

1 service and the value of such service to the public; the ability of the utility to improve  
2 such service and facilities; and energy conservation and the efficient use of alternative  
3 energy resources; provided that no public utility shall be denied a reasonable rate of  
4 return upon its rate base in any order entered pursuant to such proceedings.” (emphasis  
5 added.)  
6

7 **Q. WHAT INCREASE IN BASE RATES WOULD BE EFFECTIVE JANUARY 1,**  
8 **2013 UNDER THE AUGUST 15 DOCUMENT?**

9 A. Stipulation 3(a) of the August 15 document provides that effective in January 2013, base  
10 rates and service charges would be increased by an amount “...intended to generate an  
11 additional \$378 million of annual revenues.” Paragraph 2.b.i. of the Joint Motion  
12 indicates that the \$378 million base rate increase is a \$139 million reduction from FPL’s  
13 original request filed on March 19, 2012.  
14

15 **Q. IS A BASE RATE INCREASE OF \$378,000,000, EFFECTIVE JANUARY 1, 2013,**  
16 **FAIR, JUST, AND REASONABLE, AND BASED ON THE COSTS TO SERVE**  
17 **FPL’S CUSTOMERS DURING THE 2013 TEST YEAR?**

18 A. No, it is not. In its Post-Hearing Brief filed on September 21, 2012, OPC recommended a  
19 reduction in FPL’s current base rates of at least \$253.4 million effective January 1, 2013.  
20 The January 1 increase contemplated in the August 15 document is at least \$631.4  
21 million higher than the amount of revenues recommended by OPC in this case and  
22 supported by the experts representing the Citizens. Additionally, FPL’s own numbers  
23 contained in its original filing, coupled with the return on equity (“ROE”) provided for in  
24 the August 15 document and a change in the Commission’s rules on the interest to be

1 paid on customer deposits, clearly show that the \$378 million increase provided for in the  
2 August 15 document is above a reasonable level.

3  
4 **Q. PLEASE EXPLAIN.**

5 A. In the original filing in which FPL requested a \$516.5 million increase in base rates, FPL  
6 incorporated an ROE of 11.50% and a cost rate for customer deposits of 5.99%.  
7 Stipulation 2 of the August 15 document provides that FPL's authorized rate of return on  
8 common equity shall be a range of 9.70% - 11.70%, with a mid-point of 10.70% and that  
9 the "...mid-point shall be used for all purposes during the Term." The Joint Motion, at  
10 paragraph 2(c), also indicates that "FPL's return on common equity ("ROE") would be  
11 10.70% for all purposes (range of 9.70% - 11.70%)." Additionally, in Order No. PSC-  
12 12-0358-FOF-PU, the Commission changed its rules to lower the interest rate to be  
13 applied to customer deposits. In its Post-Hearing Brief filed on September 21, 2012, FPL  
14 indicated that the revised cost rate for customer deposits decreased to an effective rate of  
15 1.99%, which it used in determining its weighted cost of capital. As shown on Exhibit  
16 DR-7, if one merely takes the amounts presented in FPL's original filing in this case,  
17 reduces the rate of return on equity to the August 15 document amount of 10.70%, and  
18 reduces the customer deposit cost rate to the effective rate of 1.99%, the result would be a  
19 rate increase of \$362,456,000. The January 2013 increase contemplated in the August 15  
20 document exceeds this amount by over \$15.5 million. Thus, even if one assumes that  
21 every single one of the numerous recommendations offered by the experts representing  
22 OPC and the experts who provided testimony on behalf of other parties in this case would  
23 be rejected – something that I am not aware has ever happened, the increase  
24 contemplated in the August 15 document would still exceed the amount that would  
25 correspond to the changes in ROE and the customer deposit interest rate.

1

2 **Q. FPL REVISED ITS REVENUE REQUIREMENT CALCULATIONS FROM THE**  
3 **AMOUNT INCLUDED IN ITS INITIAL FILING. HOW DOES THE \$378**  
4 **MILLION INCREASE COMPARE TO THE REVISED AMOUNTS PRESENTED**  
5 **BY FPL?**

6 A. In its Post-Hearing Brief filed on September 21, 2012, FPL presented a revised revenue  
7 requirement for the 2013 test year of \$525.1 million. This increase factored in numerous  
8 changes to FPL's original filing in the case. As shown on Exhibit DR-8, if one were to  
9 accept every modification FPL made to its filing that was identified in its Post-Hearing  
10 Brief and simply change the ROE from the requested amount of 11.50% to the amount  
11 identified in the August 15 document of 10.70%, the result would be a revenue  
12 requirement of \$397,554,000, which is within \$20 million of the increase proposed in the  
13 August 15 document. Thus, to achieve an increase of \$378 million, one would have to  
14 conclude that most, if not all, of FPL's requested modifications to its original position are  
15 reasonable and appropriate, and one would also have to assume that almost none of the  
16 recommendations sponsored by OPC and other parties in the case are reasonable or  
17 appropriate. Given the vast range between OPC's recommended rate reduction and  
18 FPL's proposed increase, such a conclusion is not reasonable.

19  
20 **Q. BASED ON THE ABOVE ANALYSIS, AND THE AMOUNTS PRESENTED IN**  
21 **EXHIBITS DR-7 AND DR-8, IS THE \$378 MILLION INCREASE PROPOSED IN**  
22 **THE AUGUST 15 DOCUMENT FAIR, JUST, REASONABLE, OR BASED ON**  
23 **THE COSTS INCURRED TO PROVIDE SERVICE TO FPL'S CUSTOMERS?**

24 A. No. While it is possible that the Commission may not ultimately adopt every single one  
25 of the adjustments sponsored by OPC and other parties in this case, it is also not

1 reasonable to assume that the Commission would reject every one of those  
2 recommendations. Additionally, OPC witness Kevin O'Donnell is addressing the  
3 reasonableness of the 10.70% return on equity provided for in the August 15 document  
4 and testifies that such a high ROE is not fair, reasonable, or justified for FPL in this case.  
5

6 **Q. IN HIS SUPPLEMENTAL DIRECT TESTIMONY, AT PAGES 5 AND 6, FIPUG**  
7 **WITNESS JEFFRY POLLOCK INDICATES THAT THE \$378 MILLION BASE**  
8 **RATE INCREASE WOULD ALLOW FPL TO RECOVER INFRASTRUCTURE**  
9 **COSTS INCURRED SINCE FPL'S LAST RATE CASE. WOULD YOU PLEASE**  
10 **ADDRESS MR. POLLOCK'S ASSERTION?**

11 A. Yes. Mr. Pollock states that "The 2013 increase will provide FPL an opportunity to  
12 recover new infrastructure costs incurred since FPL's last rate case (Docket No 080677-  
13 EI)..." Mr. Pollock also provides Exhibit JP-1, which he claims at page 6 of his  
14 supplemental testimony "...demonstrates that the \$378 million base revenue increase as  
15 authorized under the Settlement Agreement would provide FPL an opportunity to recover  
16 its incremental infrastructure costs only." Under Mr. Pollock's approach, all other  
17 changes that impact the revenue requirements of FPL would be ignored and the  
18 "infrastructure costs" would only be considered in deriving a reasonable change in rates.  
19 Many other items beyond the addition of infrastructure or new plant additions impact the  
20 return earned by FPL. As will be discussed more extensively later in this testimony,  
21 additions to plant or "infrastructure" are not made in isolation. For example, the added  
22 plant is used to serve an increasing level of customers and sales load. Mr. Pollock has  
23 not demonstrated that his analysis, which he claims shows only the impacts of  
24 "incremental infrastructure," would result in fair and reasonable rates that are based on  
25 the overall costs incurred to serve FPL's customers. This piecemeal approach to



1 justifying a \$378 million increase in base rates is not reasonable and has not been  
2 demonstrated to result in fair and reasonable rates to be charged to FPL's customers.

3  
4 **Q. BEYOND YOUR DISAGREEMENT REGARDING THE APPROACH TAKEN**  
5 **BY MR. POLLOCK IN HIS TESTIMONY AND IN HIS EXHIBIT JP-1 IN**  
6 **ATTEMPTING TO SUPPORT THE \$378 MILLION BASE REVENUE**  
7 **INCREASE, DO YOU HAVE ANY ADDITIONAL CONCERNS WITH HIS**  
8 **EXHIBIT?**

9 A. Yes. While Exhibit JP-1 does not identify the source of the numbers used in his exhibit  
10 or how most of the inputs were derived, page 5 of his testimony indicates that Exhibit JP-  
11 1 "...is a comparison of the infrastructure related costs between FPL's proposal in this  
12 rate case and the corresponding costs approved in the Commission's Final Order in  
13 Docket No. 08-0677-EI." Unfortunately, Mr. Pollock did not provide the sources of the  
14 data used in this exhibit, so I am unable to confirm that the amounts are accurate, or even  
15 if they include only incremental infrastructure-related costs, as he claims. While Exhibit  
16 JP-1 indicates that it is "Revenue Requirement Associated With Additional  
17 Infrastructure-Related Costs Since FPL's Last Rate Case," on its surface the exhibit  
18 appears to include much more.

19  
20 For example, Line 1 is titled "Jurisdictional Adjusted Rate Base" and includes an amount  
21 of \$4,282,845,000. If the title of that line is accurate, then his analysis would include all  
22 changes to rate base reflected in FPL's filing in this case as compared to the  
23 Commission's order in Docket No. 080677-EI. Other items are included in rate base  
24 beyond investment in plant and infrastructure, such as cash working capital, which  
25 increased substantially in FPL's filing as compared to the prior case. If one takes the

1 difference between FPL's entire as-filed jurisdictional rate base contained in MFR B-1 of  
2 \$21,036,823,000 and the amount of jurisdictional rate base authorized in FPL's last rate  
3 case in Order No. PSC-10-0153-FOF-EI, Schedule 1, of \$16,787,430,000, the difference  
4 is \$4,249,393,000, which is \$33.5 million less than the jurisdictional adjusted rate base  
5 change of \$4,282,845,000 identified in Exhibit JP-1. If one were to use the updated  
6 jurisdictional rate base of \$21,220,083,000 presented in FPL's Post-Hearing Brief in this  
7 case and compare that to the Commission's order, the difference or increase in rate base  
8 requested by FPL in this case is \$4,432,653,000.

9  
10 However, if one were to instead focus on the change in the jurisdictional net plant in  
11 service included in rate base, the difference between FPL's filing in this case on its MFR  
12 B-1 of \$18,552,516,000 and the amount authorized in the Commission's prior order of  
13 \$15,547,230,000, the increase in jurisdictional net plant in service is \$3,005,286,000.  
14 Similarly, if one were to focus on the change in plant in service and ignore the  
15 accumulated depreciation offset, the difference between FPL's filing in this case on MFR  
16 B-1 of \$30,424,227,000 and the amount authorized in the Commission's prior order of  
17 \$27,036,863,000, the increase in jurisdictional plant in service is \$3,205,364,000. The  
18 increases in each of these amounts (i.e., net plant in service and plant in service) since the  
19 last rate case are far less than the \$4,282,845 shown in Mr. Pollock's Exhibit JP-1.

20  
21 Additionally, on his Exhibit JP-1, Mr. Pollock also amortizes the projected remaining  
22 surplus depreciation as of January 1, 2013 contained in FPL's filing of \$191 million over  
23 18 months. It is my understanding that the Commission's order in FPL's last rate case  
24 required the Company to amortize the Depreciation Reserve Surplus over the four-year  
25 period ending on December 31, 2013. While the settlement in that case allowed FPL

1 some flexibility regarding the level of amortization each year, the order approving the  
2 settlement, Order No. PSC-11-0089-S-EI states as follows on page 6: "To the extent  
3 there exists any remaining unamortized reserve surplus at the end of the 3-year settlement  
4 period, FPL would amortize it in 2013 in accord with the 4-year amortization period  
5 approved in the Final Order unless we require a different result pursuant to a final rate  
6 order effective on or after January 1, 2013." Given the fact that the four-year  
7 amortization period expires on December 31, 2013, Mr. Pollock's 18-month amortization  
8 of FPL's projected remaining balance in the 2013 test year on his exhibit is perplexing.  
9 If FPL's projected full remaining balance of \$191 million is used in the test year, the  
10 result of Mr. Pollock's analysis would be an "Adjusted Revenue Deficiency" of  
11 \$309,788,000 instead of \$385,988,000. If the "Jurisdictional Adjusted Rate Base" of  
12 \$4,282,845,000 in his analysis were to be replaced with the change in either jurisdictional  
13 net plant in service of \$3,005,286,000 or jurisdictional plant in service of \$3,205,364,000,  
14 the "Adjusted Revenue Deficiency" shown in his analysis would be reduced by an  
15 additional \$124.9 million and \$105.4 million, respectively.

16  
17 **Q. FPL'S ORIGINAL FILING INCLUDED A REQUESTED STEP INCREASE OF**  
18 **\$173.9 MILLION FOR THE CANAVERAL MODERNIZATION PROJECT**  
19 **EFFECTIVE WITH THE IN-SERVICE DATE OF THE UNIT, WHICH WAS**  
20 **PROJECTED TO BE JUNE 2013. HOW, AND AT WHAT AMOUNT, IS THE**  
21 **CANAVERAL MODERNIZATION PROJECT TREATED IN THE AUGUST 15**  
22 **DOCUMENT?**

23 A. Under the August 15 document, Stipulation 8, the Canaveral Modernization Project is  
24 considered a Generation Base Rate Adjustment ("GBRA"). The August 15 document  
25 specifically states "For the Canaveral Modernization Project, the Annualized Base

1 Revenue Requirement shall be as reflected in the 2012 Rate Petition and accompanying  
2 MFRs...”

3  
4 **Q. IS THE ALLOWANCE FOR AN INCREASE IN BASE RATES FOR THE**  
5 **CANAVERAL MODERNIZATION PROJECT AT THE AMOUNT REFLECTED**  
6 **IN FPL’S ORIGINAL FILING REASONABLE, JUSTIFIED, OR LIKELY TO**  
7 **RESULT IN COST-BASED RATES?**

8 A. Absolutely not. First, the revenue requirement amount presented by FPL in its original  
9 filing, or “2012 Rate Petition,” for the Canaveral Modernization Project exceeded the  
10 amounts FPL requested in its Post-Hearing Brief for the project. During the course of the  
11 review of FPL’s original filing, FPL reduced the projected costs associated with the  
12 Canaveral Modernization Project such that the final revenue requirements presented in its  
13 Post-Hearing Brief on September 21, 2012 declined from the \$173.9 million presented in  
14 its original filing to \$171.9 million.

15  
16 Second, the revenue requirements associated with the Canaveral Modernization Project in  
17 both FPL’s original filing and in its Post-Hearing brief incorporated an ROE of 11.50%  
18 and a capital structure consisting of long-term debt and equity components only. The  
19 11.50% ROE exceeds the 10.70% ROE provided for in the August 15 document. In my  
20 earlier testimony, I stated that the revenue requirements associated with the Canaveral  
21 Modernization Project should be based on FPL’s overall capital structure, including  
22 deferred taxes and customer deposits.

23  
24 Third, Exhibit DR-3 presented with my original testimony filed in July 2012 in this case  
25 showed that a revenue requirement of no more than \$121.5 million associated with the

1 Canaveral Modernization Project was justified or reasonable. If OPC's recommended  
2 revisions to FPL's equity ratio were to be rejected by the Commission, then Exhibit DR-5  
3 demonstrated that an increase of no more than \$122.5 million would be justified and  
4 reasonable based on OPC's recommended adjustments and recommended rate of return  
5 for the project. The August 15 document, as worded, would allow for an increase in base  
6 rates for the Canaveral Modernization Project of \$173.9 million, which (1) exceeds FPL's  
7 updated request presented in its Post-Hearing Brief by \$2 million; (2) would allow for an  
8 excessive ROE; (3) is based on an inappropriate, incomplete capital structure; and (4)  
9 exceeds OPC's recommended amount by over \$52 million. Such a result clearly is not  
10 fair, reasonable, or justified in this case.

11  
12 **Q. HAS FPL ADDRESSED THE DISCREPANCY IN THE AUGUST 15 DOCUMENT**  
13 **WITH REGARD TO THE INCREASE PROVIDED FOR THE CANAVERAL**  
14 **MODERNIZATION PROJECT, THE REVISIONS MADE BY FPL DURING THE**  
15 **COURSE OF THE CASE, AND THE 10.70% ROE PROVIDED FOR IN THE**  
16 **AUGUST 15 DOCUMENT?**

17 A. At page 13 of his direct testimony on the August 15 document, filed on October 12, 2012,  
18 FPL witness Robert E. Barrett, Jr., describes the calculation of the Annualized Base  
19 Revenue requirement for the Canaveral Modernization Project as follows: "The first year  
20 annualized base revenue requirement is based on the following assumptions: the revised  
21 Cape Canaveral Modernization Project costs and expenses included in the Appendix to  
22 FPL's post hearing brief filed on September 21, 2012, the as-filed, incremental capital  
23 structure, the revised long term debt cost rate as described by FPL in its post hearing  
24 brief, and the settlement ROE of 10.7%." Exhibit REB-10 provided with Mr. Barrett's  
25 testimony presents the revised amounts for the Canaveral Modernization Project,

1 resulting in a base rate increase for the project of \$165,289,000. Apparently, it is FPL's  
2 intent that the updated projection of the Canaveral Modernization Project costs and the  
3 updated long-term debt rate identified in the Post Hearing Brief be considered, as well as  
4 the 10.70% ROE contemplated in the August 15 document. However, this is not  
5 consistent with the written language of the August 15 document.

6  
7 **Q. IF THE CALCULATION OF THE CANAVERAL MODERNIZATION PROJECT**  
8 **BASE RATE INCREASE IS CALCULATED BASED ON THE METHODOLOGY**  
9 **AND AMOUNTS PRESENTED BY MR. BARRETT INSTEAD OF THE**  
10 **METHODOLOGY SPECIFIED IN THE AUGUST 15 DOCUMENT LANGUAGE**  
11 **AT STIPULATION 8(A), WOULD THE AMOUNT OF BASE RATE INCREASE**  
12 **FOR THE PROJECT BE FAIR OR REASONABLE?**

13 A. No, it would not. As mentioned previously in this testimony, and as presented in the  
14 direct testimony that I filed in this docket in July 2012, OPC's recommendations and  
15 calculations show that if any base rate step increase is allowed at the time the project is  
16 placed into service, the amount should be no more than \$121.5 million. The revised  
17 amount presented in Mr. Barrett's Exhibit REB-10 of \$165.3 million is \$43.8 million  
18 higher than the amount recommended by OPC and reflects the unjustifiably high ROE of  
19 10.70%. The 10.70% ROE rate is addressed in OPC witness O'Donnell's testimony in  
20 this phase of the proceeding.

21  
22 **Q. IF THE COMMISSION DECIDES TO ALLOW A BASE RATE STEP INCREASE**  
23 **AT THE TIME THE CANAVERAL MODERNIZATION PROJECT IS PLACED**  
24 **INTO SERVICE, ARE THE ADDITIONAL BASE RATE STEP INCREASES, OR**

1           **“GENERATION BASE RATE ADJUSTMENTS” CONTEMPLATED IN THE**  
2           **AUGUST 15 DOCUMENT FAIR, REASONABLE, OR JUSTIFIED?**

3    A.    No. The Canaveral Modernization Project base rate step increase that is being considered  
4           as part of FPL’s original rate case filing, or the 2012 Rate Petition and accompanying  
5           MFRs, is projected to be placed into service within the first 6 months of the 2013 test  
6           year that was considered in the rate case. The project clearly falls within the test year.  
7           The additional base rate step increases provided for in Stipulation 8 of the August 15  
8           document fall well beyond the test year in this rate case, with the Riviera Modernization  
9           Project projected to go into service in June 2014 and the Port Everglades Modernization  
10          Project projected to be placed into service in June 2016. There are many reasons why the  
11          additional base rate step increases, which the August 15 document identifies as  
12          “Generation Base Rate Adjustments” or “GBRA,” are not fair or reasonable.

13  
14    **Q.    BY WHAT AMOUNT WOULD BASE RATES INCREASE UNDER THE**  
15          **AUGUST 15 DOCUMENT WHEN THE GENERATION BASE RATE**  
16          **ADJUSTMENTS ARE CONSIDERED?**

17    A.    The August 15 document first allows for an existing base rate increase of \$378 million on  
18           January 1, 2013. Using the timelines currently contemplated for the modernization  
19           project in-service dates and the revision to the Canaveral Modernization Project base rate  
20           increase identified in Mr. Barrett’s Exhibit REB-10, the following additional increases  
21           would occur: (1) \$165,289,000 in June 2013; (2) \$236,043,000 in June 2014; and (3)  
22           \$217,862,000 in June 2016. Thus, the base rate step increases would add an additional  
23           \$619,194,000 increase in base rates to the \$378 million increase specifically identified in  
24           the August 15 document. The result is that base rates would be guaranteed to be at least  
25           \$997,194,000 higher than the current level by June 2016.

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**Q. HAS FPL DEMONSTRATED THAT BASE RATE INCREASES OF ALMOST \$1 BILLION BETWEEN NOW AND JUNE 2016 ARE NEEDED AND WOULD RESULT IN RATES THAT ARE JUST AND REASONABLE?**

A. No, it has not. The increases contemplated for the Riviera and Port Everglades Modernization projects are based on the amounts presented in the need determination filings for the projects, revised to reflect the capital structure contained in FPL's MFRs for the Canaveral Modernization Project (39.031% long-term debt and 60.696% common equity) and an ROE of 10.70%. No evidence has been provided by the parties with regard to FPL's overall operating and capital budgets for 2014, 2015, or 2016, or for FPL's projected revenue requirements for that period. Even if such information had been provided, such budgets and estimates would be too far out in time to be reliable in evaluating the potential returns that will be experienced by FPL in those years. What has been provided are projected plant, rate base and operating cost increases associated with the 3 projects that will fall under the proposed additional base step increases. Any other potential changes in FPL's revenue requirement components and needs in 2014, 2015, and 2016 have not been reviewed or vetted by the parties in this case.

**Q. OVER THE FOUR-YEAR PERIOD COVERED BY THE CONTEMPLATED AUGUST 15 DOCUMENT, IS IT APPROPRIATE TO PROVIDE FOR BASE RATE STEP INCREASES THROUGH THE GBRA WHILE IGNORING OTHER CHANGES THAT WILL OCCUR TO THE REVENUE REQUIREMENTS THAT WILL BE EXPERIENCED BY FPL?**

A. No. Generation plants are not added to the system in a vacuum with all other components of the base revenue requirements calculation remaining unchanged. The



1 additional energy that will be realized as a result of the modernizations would be used to  
2 serve customers on FPL's system at the time those modernization projects are placed into  
3 service. Between the 2013 test year that was considered in the base rate case and the  
4 dates the modernization projects will be placed into service, other aspects of FPL's  
5 operations and cost structure will change. Customers will be added, and presumably the  
6 number of customers served by FPL will increase, and the level of sales will increase.  
7 The existing plant that is factored into the 2013 test year will continue to be depreciated,  
8 reducing the net rate base impact of the existing plant in service. In addition, it is  
9 probable that some costs will increase and others may be offset by cost savings,  
10 productivities, and efficiencies. As an example of known cost savings or reductions, my  
11 direct testimony filed in this docket in July 2012 indicated that FPL's adjusted 2013 test  
12 year incorporated \$3,743,000 of net operation and maintenance ("O&M") expenses  
13 associated with the smart meter project, yet FPL projects net annual cost savings  
14 associated with the smart meter implementation of \$12.9 million in 2014 and \$27.6  
15 million by 2015, with savings continuing thereafter. Moreover, plant will be added and  
16 plant retirements will occur.

17  
18  
19 FPL has not in any way demonstrated that the revenues it will collect during 2014, 2015,  
20 and 2016 will not be sufficient to partially or fully offset the costs of the modernization  
21 projects without the application of a GBRA. Again, these modernization projects are not  
22 being added in a vacuum without any other changes in FPL's costs and cost structures  
23 occurring after the 2013 test year contemplated by the parties in this rate case. The  
24 GBRA's are tantamount to single-issue ratemaking, resulting in additional base rate

1 increases of \$619 million between June 2013 and June 2016 that would ignore the other  
2 components of the revenue requirement calculations and FPL's overall cost structure.

3  
4 **Q. IF THE AUGUST 15 DOCUMENT IS REJECTED, WOULD FPL STILL HAVE**  
5 **AN OPPORTUNITY TO RECOVER THE COSTS ASSOCIATED WITH THE**  
6 **MODERNIZATION PROJECTS IN RATES?**

7 A. Absolutely. First, in this case the parties contemplated a base rate step increase for the  
8 Canaveral Modernization Project as that project is anticipated to be placed into service  
9 during the 2013 test year considered in the rate case. Typically, OPC does not favor such  
10 a step increase outside of a negotiated settlement agreement. However, in light of a  
11 recent decision involving Gulf Power that allowed for a step increase associated with  
12 several turbine upgrade projects that were placed into service during the test year in that  
13 case, coupled with the fact that the Canaveral Modernization project is projected to be  
14 placed into service during the 2013 test year, OPC elected not to object to the Canaveral  
15 Modernization step increase in this docket. Thus, if the Commission appropriately rejects  
16 the August 15 document, it would still have the opportunity to consider allowing a base  
17 rate step increase for the Canaveral Modernization project. The record in this docket has  
18 fully addressed the Canaveral Modernization Project costs and associated revenue  
19 requirements, and the project completion date falls within the test year being considered  
20 in the case.

21  
22 Second, if FPL determines that it may have a revenue deficiency when the projects are  
23 closer to being placed into service, the Company would have the opportunity to file a  
24 base rate increase request. This would be based on a full rate case proceeding that would  
25 factor in all of the components of the base rate calculations and not be limited to impacts

1 associated with the modernization projects. This would provide a full matching of the  
2 revenue requirement calculations, and all the changes impacting FPL's revenue  
3 requirements could be considered. This would ensure that the resulting rates are cost  
4 based and supported by analysis and evidence presented to the Commission for  
5 consideration.

6  
7 **Q. STIPULATION 8(C) OF THE AUGUST 15 DOCUMENT INDICATES THAT**  
8 **EACH GBRA WILL BE CALCULATED "...USING THE CAPITAL**  
9 **STRUCTURE REFLECTED IN THE CANAVERAL STEP INCREASE MFRS**  
10 **ACCOMPANYING THE 2012 RATE PETITION." IS THAT CAPITAL**  
11 **STRUCTURE APPROPRIATE IF A GBRA IS CONSIDERED?**

12 **A.** No. The capital structure contained in FPL's MFRs for the Canaveral Step Increase  
13 consisted of 39.03% long-term debt and 60.97% common equity, and ignored any other  
14 components of the capital structure. As indicated in my direct testimony filed in July  
15 2012, if any step increase for the Canaveral Modernization Project is allowed, the ROE  
16 should be based on the overall ROE approved by the Commission for the base rate  
17 increase, and should not be limited to long-term debt and equity. Project financing does  
18 not occur in a vacuum. During the term contemplated in the August 15 document, other  
19 factors will impact the capital structure, the amount of short-term and long-term debt, and  
20 the amount of common equity beyond the modernization projects. In my July 2012  
21 testimony, I identified 2 recent orders involving Gulf Power and Tampa Electric  
22 Company in which the Commission allowed for step increases that factored in the overall  
23 rate of return found appropriate in those decisions. They were not limited to long-term  
24 debt and equity components.

25

1           Additionally, OPC witnesses Kevin O'Donnell and Dr. Randall Woolridge both filed  
2           testimony in July 2012 regarding the high equity ratio proposed by FPL and  
3           recommended a modification of the debt and equity ratios for ratemaking purposes which  
4           will not be repeated herein. Their testimonies establish that the 10.70% ROE and the  
5           equity ratio contemplated in the agreement are not fair or reasonable to FPL's customers  
6           and would result in excessive rates. This will be further addressed by OPC witness Kevin  
7           O'Donnell in his testimony,  
8

9   **Q.   STIPULATION 8(A) PROVIDES THAT THE RIVIERA MODERNIZATION**  
10 **PROJECT GBRA AND THE PORT EVERGLADES MODERNIZATION**  
11 **PROJECT GBRA WOULD BE CALCULATED TO REFLECT THE COSTS**  
12 **CONTAINED WITH THE NEED DETERMINATION GRANTED BY THE**  
13 **COMMISSION FOR EACH OF THOSE PROJECTS. DO YOU WISH TO**  
14 **COMMENT ON THIS PROVISION?**

15 **A.**   Yes. It is my understanding that the proceedings which result in a need determination are  
16 conducted in a more condensed time frame as compared to a full revenue requirement  
17 proceeding, and do not entail as robust of a review of the projected plant costs and  
18 operating costs as would occur in a base rate case. Additionally, the original needs  
19 determination request for the Riviera Modernization Project was filed in April 2008 and  
20 approved by the Commission in PSC-08-0591-FOF-EI on September 21, 2008. Thus, the  
21 project cost estimates upon which the need determination was based were projected more  
22 than 6 years prior to the project going into service in June 2014. Given the staleness of  
23 the projections contemplated in the need determination, the accuracy of the projected  
24 amounts are unknown at this time. Similarly, FPL's request for the Port Everglades need  
25 determination was filed in June 2011, which is almost 5 years prior to the projected in-

1 service date. Thus, the costs considered for each of the need determinations may not be  
2 reliable for purposes of determining the revenue requirements to be included in base rates  
3 for the projects, and would not have undergone as rigorous of a review as may occur in a  
4 base rate case closer in time to the projects being completed and placed in service.  
5

6 **Q. DOESN'T THE AUGUST 15 DOCUMENT PROVIDE FOR A TRUE-UP OF THE**  
7 **MODERNIZATION PROJECT CAPITAL EXPENDITURES IN STIPULATIONS**  
8 **8(D) AND 8(E)?**

9 A. The Stipulations do provide for some "after the fact" true-ups should the actual capital  
10 expenditures differ from the projected amounts; however, the amounts initially going into  
11 effect would be based on the original need determination amounts with a potential future  
12 credit if FPL over-projected the costs and a potential future increase in the rates if FPL  
13 under-projected the costs. These potential true-up provisions do not justify the GBRA  
14 increases, because these would still not consider a full revenue requirement review of all  
15 components of the revenue requirement calculations and consideration of overall base  
16 rates at the time of implementation.  
17

18 **Q. HAS THE COMMISSION PREVIOUSLY REJECTED A GBRA MECHANISM**  
19 **FOR FPL?**

20 A. Yes. In Order No. PSC-10-0153-FOF-EI, issued on March 17, 2010, the Commission  
21 rejected the GBRA mechanism requested by FPL in Docket No. 080677-EI. The reasons  
22 that led the Commission to reject the GBRA are consistent with the concerns raised in  
23 this testimony.  
24

25 **Q. PLEASE ELABORATE.**

1 A. At page 13 of Order No. PSC-10-0153-FOF-EI, the Commission indicated in the very  
2 first paragraph addressing the GBRA as follows:

3 For the reasons explained below, we do not approve FPL's request for a  
4 Generation Base Rate Adjustment (GBRA) mechanism that would authorize FPL  
5 to increase base rates for revenue requirements associated with new generation  
6 additions approved under the Power Plant Siting Act at the time they enter  
7 commercial service. The existing ratemaking procedure provided by Florida  
8 Statutes and our rules provides for a more rigorous and thorough review of the  
9 costs and earnings associated with new generating units. Section 366.06(2), F.S.,  
10 provides that when approved rates charged by a utility do not provide reasonable  
11 compensation for electrical service, the utility may request that we hold a public  
12 hearing and determine reasonable rates to be charged by the utility. Section  
13 366.071, F.S., provides expedited approval of interim rates until issuance of a  
14 final order for a rate change. Rule 25-0243, F.A.C., establishes the minimum  
15 filing requirements for utilities in a rate case. These procedures have been  
16 sufficient in the past for FPL and other regulated utilities wishing to recover  
17 capital expenditures when a new generating facility begins commercial service.  
18 We find that the GBRA shall expire as scheduled when new rates are established  
19 as delineated in this Order.

20  
21  
22 At page 14 of that decision, the Commission stated that "The record indicates that FPL  
23 built several generating units since 1985 without seeking a rate increase." In the same  
24 paragraph, the Commission states that FPL acknowledged that if economic conditions or  
25 other factors changed, it was possible that FPL could earn enough through base rates to  
26 cover the costs of a new generating unit in whole, or in part, without the need for a  
27 GBRA and that other factors, such as "...the addition of new customers and increased  
28 electricity sales tend to offset the additional costs of new power plants."

29  
30 The very next paragraph on page 14 of the order indicates that a rate case proceeding  
31 "...provides more of an opportunity to rigorously review costs and earnings as a whole."  
32 It also states that a traditional base rate proceeding could be timed to coincide with the in-  
33 service date of a new generation plant and that a matching of the fuel costs savings with  
34 the new generation plant costs could be achieved through a traditional rate case.

1 That decision, at page 15, further asserted that “It is not possible for us or interested  
2 parties to examine projected costs at the same level of detail during a need determination  
3 proceeding as we would be able to do in a traditional rate case proceeding” and that “A  
4 need determination examines costs only in comparison to alternative sources of  
5 generation.” The same paragraph acknowledged that a need determination “...does not  
6 allow for a review of the full scope of costs and earnings, as a rate case does.”

7  
8 In rejecting the GBRA mechanism for FPL, in the final paragraph addressing the subject  
9 at page 16 of the order, the Commission stated, in part, “It is not possible for us to  
10 exercise as adequate a level of economic oversight within the context of a GBRA  
11 mechanism as we can exercise within the context of a traditional rate case proceeding.”

12  
13 The GBRA deficiencies identified by the Commission in Order No. PSC-10-0153-FOF-  
14 EI hold true today. For the same reasons, the August 15 document and the GBRA  
15 provisions contained therein should be rejected.

16  
17 **Q. IN HIS TESTIMONY ON THE SIGNATORIES’ AUGUST 15 DOCUMENT AT**  
18 **PAGE 7, MR. BARRETT IDENTIFIES FOUR-YEAR RATE CERTAINTY AS**  
19 **ONE OF THE PURPORTED REASONS THAT THE GBRA MECHANISM FOR**  
20 **THE MODERNIZATION PROJECTS IS APPROPRIATE. DO YOU WISH TO**  
21 **COMMENT ON THE RATE CERTAINTY ALLUDED TO IN HIS TESTIMONY?**

22 **A.** Yes. Mr. Barrett indicates that the GBRA mechanism is required “...in order to facilitate  
23 4 years of base rate certainty” to FPL’s customers. Similarly, at page 11 of his testimony,  
24 FPL witness Moray P. Dewhurst states that one of the reasons he contends that the  
25 August 15 document is in the public interest is that it “Offers reduced uncertainty to all

1 parties, including customers and investors.” However, the certainty offered by the  
2 August 15 document is that, during its four-year term, FPL’s customers would experience  
3 base rate increases of almost \$1 billion, consisting of a \$378 million increase in January  
4 2013, a \$165.3 million increase in June 2013, a \$236 million increase in June 2014, and  
5 another \$217.9 million base rate increase in June 2016.

6  
7 While guaranteeing base rate increases in the magnitude of almost \$1 billion by the end  
8 of the four-year term, there is nothing that would bar FPL from earning above the ROE  
9 range provided for in the August 15 document. Thus, if other changes in revenue  
10 requirements experienced by FPL would allow the Company to recover the costs it incurs  
11 to serve customers and to earn a fair and reasonable return on its investment without a  
12 base rate step increase for the modernization projects, FPL would still be able to  
13 implement the GBRA increases. There is no earnings cap provided for in the terms of the  
14 August 15 document that would limit the earnings or the ROE that could be realized by  
15 FPL at the same time that base rate increases in base rates of almost \$1 billion are  
16 allowed. While Stipulation 9(b) of the August 15 document does indicate that, if FPL  
17 earns above an 11.70% return on common equity during the term of the agreement on a  
18 monthly earnings surveillance report, “any other Party” will be entitled to petition the  
19 Commission for a review of FPL’s base rates, such a process takes time and the GBRA  
20 increases would still go into effect during the review period. Such an approach would  
21 also shift the burden of proving that FPL’s rates are just and reasonable. Under the  
22 GBRA approach, instead of the Company having the burden to prove that an increase in  
23 its base rates is required to provide an opportunity to earn a fair return (as would occur in  
24 a traditional rate case setting), the increases would automatically go into effect. If FPL  
25 exceeds the 11.70% ROE during the term outlined in the August 15 document, the burden



1 would be on the customers or the Commission to initiate a proceeding and show that FPL  
2 is overearning. There is nothing to prevent FPL from potentially earning excessive  
3 returns above the range provided for in the August 15 document for a potentially  
4 extended amount of time. The loss of a thorough review of FPL's revenue requirements  
5 through a base rate proceeding that would result in just, fair, and reasonable rates that are  
6 cost based is hardly a fair trade-off for the dubious "benefit" of known base rate increases  
7 totaling almost \$1 billion.

8  
9 Additionally, the terms of the August 15 document would allow FPL to potentially  
10 manipulate its reported earnings through the amortization of a fossil dismantlement  
11 reserve over the term and outside of a dismantlement study, to the future detriment to  
12 customers. An amortization of the fossil dismantlement reserve of this type was not  
13 addressed or contemplated in the original rate case proceeding and was not factored into  
14 the revenue requirements presented by FPL in its 2012 Petition. This issue is addressed  
15 further in the testimony of OPC witness Jacob Pous.

16  
17 **Q. AT PAGES 11 AND 12 OF HIS TESTIMONY, MR. BARRETT CLAIMS THAT**  
18 **GBRA IS "MID-POINT SEEKING" AND THAT "THE GBRA MECHANISM IS**  
19 **MATHEMATICALLY INCAPABLE OF INCREASING THE SETTLEMENT**  
20 **ROE ABOVE THE MID-POINT OF THE AUTHORIZED RANGE." IS THIS**  
21 **TESTIMONY RELEVANT TO THE GBRA ISSUE?**

22 **A.** No. It is important for the Commission to recognize that Mr. Barrett's argument flies in  
23 the face of a fundamental tenet of base rate regulation. In addition to an inappropriate  
24 piecemeal approach to ratemaking, FPL hopes to discard the concept of a range of  
25 reasonableness in which the utility's earnings and earned ROE may vary with its

1 fluctuating mix of investment, revenues, and expenses, and to supplant it with a new  
2 paradigm that requires rates to increase so that its earnings remain “whole” as it places a  
3 new generating unit into service.

4  
5 **Q. PLEASE CONTRAST THE FUNDAMENTAL TENET TO WHICH YOU REFER**  
6 **TO THE GBRA PROVISIONS IN THE AUGUST 15 DOCUMENT.**

7 A. Base rates are set after the Commission evaluates a representative test year. It is  
8 understood that assumptions regarding the levels of investment, expenses, and revenues  
9 will vary from those assumed once the rates are placed into effect. It is my understanding  
10 that is why the Commission establishes a range, within which any point is, by definition,  
11 fair and reasonable. If the utility incurs a net increase or decrease in cost, its earnings  
12 may decrease or increase; however, if the earned ROE remains within the established  
13 range, this would not warrant a change in the rates that customers pay. It has been  
14 established that, over time, FPL has placed several power plants into service without  
15 increasing rates, because its earnings were sufficient to absorb the additional costs.

16  
17 The proposed paradigm shift is this: instead of a situation in which earnings fluctuate  
18 within a range while rates remain unchanged, FPL proposes that rates should go up to  
19 absorb a specific cost. Mr. Barrett’s description of the GBRA as “mid-point seeking” is  
20 clever, but it misses the point, which is that customers’ rates should be increased only if  
21 and to the extent necessary to provide FPL the opportunity to earn a fair return on the  
22 basis of its overall operations. FPL’s GBRA proposal conflicts with this fundamental  
23 premise by seeking a guarantee that a specific increment to its investment in plant will  
24 not cause its earnings to decline.

25

1 Q. AT PAGE 11 OF HIS TESTIMONY, MR. DEWHURST INDICATES THAT THE  
2 PROPOSED SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST, IN  
3 PART, BECAUSE IT “PROMOTES ADMINISTRATIVE EFFICIENCY,  
4 OBTAINING WHAT WOULD OTHERWISE BE THE NEED FOR MULTIPLE,  
5 EXPENSIVE RATE CASES.” IS THE AVOIDANCE OF POTENTIAL RATE  
6 CASES IN THE PUBLIC INTEREST?

7 A. No, it is not. First, as addressed previously in this testimony, there is the potential that  
8 other changes in FPL’s cost structure and revenue requirement components could offset  
9 (either partially or fully) the need to increase rates at the time the modernization projects  
10 are placed into service, and still allow FPL to earn a fair and reasonable ROE on the  
11 prudent investment used to provide service to its customers.

12  
13 Second, the costs incurred to process a traditional rate case pale in comparison to rate  
14 increases provided for in the August 15 document. The rate case costs would be well  
15 spent if these insure that the resulting rates are fair, just, and reasonable and based on the  
16 overall costs incurred to provide service to customers. The assurance provided in the  
17 context of traditional rate case setting that a robust review of the costs has occurred and  
18 that the resulting rates are fair, reasonable, and justified is worth the additional  
19 administrative tasks and incurred costs.

20  
21 The goal should not be administrative ease or to reduce the burden on FPL, the  
22 intervenors representing the customers served by FPL, Commission staff, or the  
23 Commissioners themselves; rather, the goal should be to ensure that rates are fair,  
24 reasonable, and justified. If rates are not fair, reasonable, or justified, then they are not in  
25 the public interest. Ensuring that rates meet these requirements is an important obligation

1 that the Commission has the responsibility to bear. Such considerations should not be  
2 tossed aside for a dangled carrot of “administrative efficiency,” “administrative ease,” or  
3 a potential lower workload over the settlement term.

4  
5 **Q. AT PAGE 12 OF HIS TESTIMONY, MR. DEWHURST INDICATES THAT THE**  
6 **COMMISSION CAN “SATISFY ITSELF” THAT THE JANUARY 2013 BASE**  
7 **RATE INCREASE IS REASONABLE, IN PART BECAUSE IT IS ROUGHLY**  
8 **25% LOWER THAN FPL’S ORIGINAL REQUEST. DO YOU VIEW THE**  
9 **REDUCTION IN THE JANUARY 2013 BASE RATE INCREASE FROM \$516.5**  
10 **MILLION TO \$378 MILLION SUFFICIENT TO “SATISFY” THE**  
11 **COMMISSION THAT THE \$378 MILLION INCREASE IS REASONABLE?**

12 **A.** No. As indicated previously in this testimony, the \$378 million increase exceeds the  
13 revenue requirement recommended by OPC in this case by at least \$631.4 million.  
14 Additionally, if one merely replaces the ROE incorporated in the 2012 Rate Petition and  
15 MFRs with the 10.70% ROE and revises the customer deposit rate to reflect the rate  
16 implemented by the Commission, the resulting rate increase would be lower than the  
17 \$378 million contained in the August 15 document. Thus, the Commission would need  
18 to reject every one of the recommendations made by the intervening parties in this case to  
19 determine that a \$378 million increase effective January 2013 is “reasonable.” Even if  
20 every one of the modifications and revisions made by FPL between the time its original  
21 filing was made and the time it filed its Post-Hearing Brief were found to be appropriate  
22 by the Commission, the Commission would still need to reject the vast majority of the  
23 recommendations made by the intervening parties in this case to justify an increase of  
24 \$378 million.

25 **Q. PLEASE SUMMARIZE YOUR TESTIMONY**

1 A. The \$378 million rate increase proposed in the August 15<sup>th</sup> Document is unreasonably  
2 high, both because (for the reasons stated by OPC witnesses O'Donnell and Woolridge)  
3 the 10.7% ROE is excessive and the proposal unreasonably assumes the Commission  
4 would reject 100% of the significant adjustments to test year rate base and expenses  
5 supported by OPC witnesses and others. FPL's proposed treatment of the Canaveral Step  
6 increase is based on an ROE of either 10.7% or 11.5% (either of which is excessive), an  
7 incomplete capital structure, and other excessive costs. The GBRA step rate increases in  
8 2014 and 2016 are inconsistent with sound regulatory principles established by this  
9 Commission and ignore other cost offsets. In his testimony, OPC witness Jack Pous  
10 demonstrates that the proposed amortization of fossil dismantlement reserve surplus is  
11 one-sided and unreasonable. OPC witness James Daniel makes similar points about the  
12 proposed "asset optimization" program. Individually and collectively, these components  
13 of the August 15<sup>th</sup> Document are skewed to serve FPL's interests to the disadvantage of  
14 the customers. The resulting rates would not be fair, just or reasonable and, accordingly,  
15 the FPL proposal is not in the public interest.

16  
17 **Q. DOES THIS COMPLETE YOUR PREFILED TESTIMONY RELATED TO THE**  
18 **AUGUST 15 DOCUMENT?**

19 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Donna Ramas has been furnished by electronic mail and/or U.S. Mail on this 2<sup>nd</sup> day of November, 2012, to the following:

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Amounts in Thousands

Line No.	Description	Per FPL Original Filing (A)	Per FPL With Revised ROR (B)	Source/Reference
1	Jurisdictional Adjusted Rate Base	\$ 21,036,823	\$ 21,036,823	MFR Sch. A-1
2	Required Rate of Return	<u>7.00%</u>	<u>6.55%</u>	See Page 2 of 2
3	Jurisdictional Income Required	1,472,878	1,378,470	Line 1 x Line 2
4	Jurisdictional Adj. Net Operating Income	<u>1,156,359</u>	<u>1,156,359</u>	MFR Sch. A-1
5	Income Deficiency (Sufficiency)	316,519	222,111	Line 3 - Line 4
6	Earned Rate of Return	5.50%	5.50%	Line 5 / Line 1
7	Net Operating Income Multiplier	<u>1.63188</u>	<u>1.63188</u>	
8	Revenue Deficiency (Sufficiency)	<u>\$ 516,520</u>	<u>\$ 362,456</u>	Line 5 x line 7

<u>FPL Original Filing Request</u>	Jurisdictional Capital Structure Per Company	Capital Ratio Per FPL	Per FPL Cost Rate	Per FPL Weighted Cost Rate
	(A)	(B)	(C)	(D)
1 Long Term Debt	6,199,550	29.47%	5.26%	1.55%
2 Short Term Debt	360,542	1.71%	2.11%	0.04%
3 Preferred Stock	-	0.00%	0.00%	0.00%
4 Common Equity	9,684,101	46.03%	11.50%	5.29%
5 Customer Deposits	426,531	2.03%	5.99%	0.12%
6 Deferred Taxes	4,365,176	20.75%	0.00%	0.00%
7 Investment Tax Credits	923	0.00%	9.06%	0.00%
8 Total	<u>21,036,823</u>	<u>100.00%</u>		<u>7.00%</u>
<u>Modified Amounts</u>	Jurisdictional Capital Structure Per Company	Capital Ratio Per FPL	Per FPL Cost Rate	Per FPL Weighted Cost Rate
	(A)	(B)	(C)	(D)
9 Long Term Debt	6,199,550	29.47%	5.26%	1.55%
10 Short Term Debt	360,542	1.71%	2.11%	0.04%
11 Preferred Stock	-	0.00%	0.00%	0.00%
12 Common Equity (1)	9,684,101	46.03%	10.70%	4.93%
13 Customer Deposits (2)	426,531	2.03%	1.99%	0.04%
14 Deferred Taxes	4,365,176	20.75%	0.00%	0.00%
15 Investment Tax Credits	923	0.00%	8.58%	0.00%
16 Total	<u>21,036,823</u>	<u>100.00%</u>		<u>6.55%</u>

Source:  
FPL MFR. Sch. D-1a, other than as noted below.

- (1) Common Equity Rate modified to Settlement Agreement Rate of 10.70%
- (2) Interest applied to customer deposits was reduced in Order No. PSC-12-0358-FOF-PU



Amounts in Thousands

Line No.	Description	Per FPL Post-Hrg Brief Amts (A)	Per FPL With Revised ROR (B)	Source/Reference
1	Jurisdictional Adjusted Rate Base	\$ 21,220,083	\$ 21,220,083	(1)
2	Required Rate of Return	<u>6.9009%</u>	<u>6.5326%</u>	See Page 2 of 2
3	Jurisdictional Income Required	1,464,382	1,386,223	Line 1 x Line 2
4	Jurisdictional Adj. Net Operating Income	<u>1,142,605</u>	<u>1,142,605</u>	(1)
5	Income Deficiency (Sufficiency)	321,777	243,618	Line 3 - Line 4
6	Earned Rate of Return	.538%	5.38%	Line 5 / Line 1
7	Net Operating Income Multiplier	<u>1.63188</u>	<u>1.63188</u>	
8	Revenue Deficiency (Sufficiency)	<u>\$ 525,100</u>	<u>\$ 397,554</u>	Line 5 x line 7

(1) Amounts from FPL's Post-Hearing Brief, Appendix I

<u>FPL Amounts per Post-Hrg. Brief</u>	Jurisdictional Capital Structure Per Company	Capital Ratio Per FPL	Per FPL Cost Rate	Per FPL Weighted Cost Rate
	(A)	(B)	(C)	(D)
1 Long Term Debt	6,253,557	29.47%	5.192%	1.53%
2 Short Term Debt	363,683	1.71%	2.107%	0.04%
3 Preferred Stock	-	0.00%	0.000%	0.00%
4 Common Equity	9,768,463	46.03%	11.500%	5.29%
5 Customer Deposits	430,247	2.03%	1.992%	0.04%
6 Deferred Taxes	4,403,203	20.75%	0.000%	0.00%
7 Investment Tax Credits	931	0.00%	9.038%	0.00%
8 Total	<u>21,220,084</u>	<u>100.00%</u>		<u>6.9009%</u>
<u>Modified Amounts</u>	Jurisdictional Capital Structure Per Company	Capital Ratio Per FPL	Per FPL Cost Rate	Per FPL Weighted Cost Rate
	(A)	(B)	(C)	(D)
9 Long Term Debt	6,253,557	29.47%	5.192%	1.53%
10 Short Term Debt	363,683	1.71%	2.107%	0.04%
11 Preferred Stock	-	0.00%	0.000%	0.00%
12 Common Equity (1)	9,768,463	46.03%	10.700%	4.93%
13 Customer Deposits	430,247	2.03%	1.992%	0.04%
14 Deferred Taxes	4,403,203	20.75%	0.000%	0.00%
15 Investment Tax Credits	931	0.00%	8.550%	0.00%
16 Total	<u>21,220,084</u>	<u>100.00%</u>		<u>6.5326%</u>

Source:  
FPL's Post-Hearing Brief, Appendix I

(1) Common Equity Rate modified to Settlement Agreement Rate of 10.70%