

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by
Florida Power & Light Company

Docket No. 120015-EI

Filed: November 2, 2012

DIRECT TESTIMONY

OF

JAMES W. DANIEL

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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DIRECT TESTIMONY AND EXHIBITS OF

JAMES W. DANIEL

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DIRECT TESTIMONY OF JAMES W. DANIEL

On Behalf of the Office of Public Counsel

In Response to

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

1 **I. PROFESSIONAL TRAINING AND EXPERIENCE**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is James W. Daniel. My business address is 919 Congress Avenue,
4 Suite 800, Austin, Texas 78701.

5 **Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.**

6 A. I received the degree of Bachelor of Science from the Georgia Institute of
7 Technology in 1973 with a major in economics.

8 **Q. WHAT IS YOUR PRESENT POSITION?**

9 A. I am a Vice President of the firm GDS Associates, Inc. ("GDS") and Manager of
10 GDS' office in Austin, Texas.

11 **Q. WOULD YOU PLEASE DESCRIBE GDS?**

12 A. GDS is an engineering and consulting firm with offices in Marietta, Georgia;
13 Austin, Texas; Auburn, Alabama; Manchester, New Hampshire; Madison,
14 Wisconsin; and Avon, Indiana. GDS has over 170 employees with backgrounds
15 in engineering, accounting, management, economics, finance, and statistics. GDS
16 provides rate and regulatory consulting services in the electric, natural gas, water,

1 and telephone utility industries. GDS also provides a variety of other services in
2 the electric utility industry including power supply planning, generation support
3 services, financial analysis, load forecasting, energy efficiency, renewable energy,
4 and statistical services. Our clients are primarily publicly-owned utilities,
5 municipalities, customers of privately-owned utilities, groups or associations of
6 customers, and government agencies.

7 **Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.**

8 A. From July 1974 through September 1979 and from August 1983 through February
9 1986, I was employed by Southern Engineering Company. During that time, I
10 participated in the preparation of economic analyses regarding alternative power
11 supply sources and generation and transmission feasibility studies for rural
12 electric cooperatives. I participated in wholesale and retail rate and contract
13 negotiations with investor-owned and publicly-owned utilities, prepared cost of
14 service studies on investor-owned and publicly-owned utilities, and prepared and
15 submitted testimony and exhibits in utility rate and other regulatory proceedings
16 on behalf of publicly-owned utilities, industrial customers, associations and
17 government agencies. From October 1979 through July 1983, I was employed as
18 a public utility consultant by R. W. Beck and Associates. During that time, I
19 participated in rate studies for publicly-owned electric, gas, water and wastewater
20 utilities. My primary responsibility was the development of revenue
21 requirements, cost of service, and rate design studies as well as the preparation
22 and submission of testimony and exhibits in utility rate proceedings on behalf of
23 publicly-owned utilities, industrial customers and other customer groups. Since

1 February 1986, I have held the position of Manager of GDS' office in Austin,
2 Texas. In April 2000, I was elected as a Vice President of GDS. While at GDS, I
3 have provided testimony in numerous regulatory proceedings involving electric,
4 natural gas, and water utilities, I have participated in generic rulemaking
5 proceedings, I have prepared retail rate studies on behalf of publicly-owned
6 utilities, I have prepared utility valuation analyses, I have prepared economic
7 feasibility studies, and I have procured and contracted for wholesale and retail
8 energy supplies.

9 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS**
10 **AS AN EXPERT WITNESS?**

11 A. Yes. I have testified many times before regulatory commissions. I have
12 submitted testimony before the following state regulatory authorities: the State
13 Corporation Commission of Kansas, the Georgia Public Service Commission, the
14 Public Utility Commission of Texas, the Texas Commission on Environmental
15 Quality, the Texas Railroad Commission, the South Dakota Public Utilities
16 Commission, the New Mexico Public Service Commission, the Arizona
17 Corporation Commission, the Louisiana Public Service Commission, the
18 Arkansas Public Service Commission, the Oklahoma Corporation Commission,
19 and the Illinois Commerce Commission. I have also testified before the Federal
20 Energy Regulatory Commission ("FERC"), and two Condemnation Courts
21 appointed by the Supreme Court of Nebraska, and I have submitted an expert
22 opinion report before the United States Tax Court on utility issues. A list of

1 regulatory proceedings in which I have presented expert testimony is provided as
2 Exhibit JWD-1.

3 **II. INTRODUCTION**

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

5 A. I am testifying on behalf of the Florida Office of Public Counsel ("OPC").

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to review portions of the August 15, 2012
9 document captioned "Stipulation and Settlement Agreement" entered into by
10 some of the parties to this proceeding ("August 15 document"). More
11 specifically, I will address the reasonableness of allowing the Company to
12 significantly expand its current incentive mechanism regarding gains on non-
13 separated wholesale power sales in order to include in it a large number of
14 additional transactions.

15 **Q. ARE YOU SPONSORING ANY OTHER DOCUMENTS ALONG WITH**
16 **YOUR TESTIMONY?**

17 A. Yes. I am sponsoring Exhibits JWD-1 through JWD-2, which were prepared by
18 me or under my supervision and direction.

19 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

1 A. Based on my review of the August 15 document and testimony of FPL witness
2 Sam A. Forrest filed on October 12, 2012 in support of it, I recommend that the
3 Commission not approve paragraph 12 of the August 15 document, which would
4 provide FPL with significant additional margin sharing opportunities. These
5 proposed new margin sharing provisions were not included as part of FPL's
6 original rate application and have been sprung on the parties, the Commission,
7 and other utilities and potentially affected entities who are not parties to this case,
8 through the August 15 document. The procedural schedule does not provide the
9 parties, or other affected entities, the opportunity to conduct adequate discovery
10 on the significant proposed changes to the incentive rate mechanism and does not
11 provide them sufficient time to analyze fully the implications of these proposed
12 changes. In addition, if the August 15 document is approved, the types of rate
13 incentive mechanism changes proposed are likely to be sought by other utilities.
14 Therefore, these proposed modifications are better considered in a generic
15 rulemaking proceeding rather than in an expedited proceeding to consider a
16 company-specific rate case stipulation. Perhaps more significantly, in my opinion
17 the expanded incentive mechanism proposed by the signatories is unacceptably
18 vague and open-ended; encompasses areas that prudent management should
19 pursue without the necessity of incentives; and could result in unintended
20 consequences, including a potential deterioration of reliable retail service and
21 higher costs to ratepayers.

1 **III. THE SIGNATORIES' PROPOSED INCENTIVE MECHANISM**

2 **Q. WOULD YOU BRIEFLY DESCRIBE THE INCENTIVE MECHANISM**
3 **RELATED TO NON-SEPARATED WHOLESALE POWER SALES THAT**
4 **IS CURRENTLY IN EFFECT?**

5 A. Yes. FPL's current wholesale incentive mechanism, approved by Order No. PSC-
6 00-1744-PAA-EI, issued September 26, 2000, allows the Company to retain 20%
7 of the gains related to short-term power sales above a threshold amount. In Order
8 No. PSC-00-1744-PAA-EI, the Commission directed utilities to credit 100% of
9 gains associated with the amount below the threshold, and 80% above the
10 threshold from these sales to ratepayers. Order at p. 2. The threshold amount is a
11 function of a rolling three-year average of short-term power sales gains. Order at
12 pp. 13-14. Short-term "savings" derived from the *purchase* of power are not part
13 of the non-separated wholesale power sales incentive mechanism established by
14 the Commission. Order at pp. 14-15. Since 2007, due in part to increases in fuel
15 oil prices relative to natural gas prices, FPL's gains on economy *sales* have
16 declined, and opportunities for economy *purchases* have increased. FPL has not
17 shared in any gains since that time, per Exhibit SF-1 attached to the direct
18 testimony of Sam. A. Forrest.

19 **Q. PLEASE DESCRIBE THE SIGNATORIES' PROPOSED EXPANSION OF**
20 **THE CURRENT WHOLESALE INCENTIVE MECHANISM.**

21 A. The August 15 document would expand the current incentive mechanism to
22 include several other types of transactions. In addition to the currently approved

1 short-term power sales gains that comprise FPL's existing gains on non-separated
2 wholesale power sales, the August 15 document would include, but not be limited
3 to, the following additional transactions:

- 4 1. natural gas storage transactions;
- 5 2. delivered city-gate natural gas sales;
- 6 3. production (upstream) area natural gas sales;
- 7 4. capacity releases of natural gas transportation;
- 8 5. selling idle, third party electric transmission capacity; and
- 9 6. outsourcing the asset management function to a third party in the form of
10 an Asset Management Agreement ("AMA").

11 **Q. HOW DOES FPL (AND OTHER SIGNATORIES) PROPOSE TO DIVIDE**
12 **GAINS UNDER THE PROPOSED EXPANSION OF THE CURRENT**
13 **INCENTIVE MECHANISM?**

14 A. Pursuant to Paragraph 12(a)(iii), the proposed expansion of the incentive
15 mechanism's proportional sharing arrangement is composed of the following
16 elements:

- 17 1. Up to a "customer savings threshold" of \$36 million, customers would
18 receive 100% of the gain described in Paragraph 12(a)(i);
- 19 2. In addition, customers would receive 100% of the gain described in
20 Paragraph 12(a)(i) for the first \$10 million above the customer savings
21 threshold;
- 22 3. FPL would retain 70% of incremental gains between \$46 million and \$75
23 million, and customers will receive 30%;

1 4. FPL would retain 60% and customers will receive 40% of incremental
2 gains between \$75 million and \$100 million; and

3 5. FPL would retain 50% and customers will receive 50% of all incremental
4 gains in excess of \$100 million.

5 See, August 15 document at p. 14.

6 **Q. PLEASE BRIEFLY DESCRIBE THE INCREMENTAL EXPENSES**
7 **RATEPAYERS WOULD INCUR UNDER THE PROPOSED EXPANSION**
8 **OF THE EXISTING INCENTIVE MECHANISM IN THE EVENT THAT**
9 **THE AUGUST 15 DOCUMENT WERE TO BECOME EFFECTIVE.**

10 A. Pursuant to Paragraph 12(b), FPL would be entitled to recover through its fuel
11 clause incremental O&M expenses composed of the following elements:

12 (1) incremental personnel, software, and associated hardware costs
13 incurred by FPL to manage the expanded short-term wholesale
14 purchases and sales programs and the asset optimization measures; and

15 (2) variable power plant O&M expenses incurred by FPL to
16 generate additional output in order to make wholesale sales, to the
17 extent that the level of such sales exceeds 514,000 MWh, with such
18 costs determined by multiplying the sales above that threshold times
19 the monthly weighted average variable power plant O&M expenses
20 per MWh reflected in the 2013 test year monthly reports.

1 **Q. HOW WOULD GAINS ASSOCIATED WITH THE ELIGIBLE**
2 **TRANSACTIONS BE INCLUDED IN THE EXPANDED INCENTIVE**
3 **MECHANISM CONTEMPLATED BY THE AUGUST 15 DOCUMENT?**

4 A. As contemplated under the August 15 document, each year FPL would file a final
5 true-up schedule as part of its fuel cost recovery clause showing its gains in the
6 prior calendar year on short-term wholesale sales, short-term wholesale purchases
7 (including purchases that are reported on Schedule A-7), and all forms of asset
8 optimization measures that it undertook in that year. Such measures would be
9 subject to review by the Commission to determine eligibility for inclusion in the
10 expanded incentive mechanism.

11
12 **Q. WHAT ARE YOUR PRIMARY CONCERNS WITH THE EXPANSION OF**
13 **THE WHOLESALE INCENTIVE MECHANISM PROPOSED WITHIN**
14 **THE AUGUST 15 DOCUMENT?**

15 A. The proposal would dramatically expand FPL's current, limited wholesale
16 incentive mechanism in a number of presently unknowable and unquantifiable
17 areas, with little justification as to the reasonableness of the requests. These
18 concerns include the types of transactions eligible for the program, the derivations
19 of the dollar amounts projected to be collected, the proportions expected to be
20 retained by the Company, the extent to which the additional activities will affect
21 the reliability and efficiency of electric service, and the expected level of
22 incremental O&M expenses. My chief concern is that a proposal of this scope

1 could be approved based on the limited and imprecise information provided in
2 this proceeding to date.

3 In order to conduct the type of comprehensive, thoughtful analysis that
4 would be required to fully evaluate the consequences and effects on ratepayers if
5 these additional margin sharing transactions are to be considered, FPL should be
6 required to file meaningful support for this proposal. The parties then would need
7 an appropriate amount of time to conduct discovery. The information provided to
8 date is vague and lacks the relevant details required to develop a thorough
9 understanding as to how the additional margin sharing transactions would be
10 implemented, and whether ratepayers will see meaningful benefits. In addition,
11 the proposal lacks necessary assurances that, if it were approved and
12 implemented, the program would not undermine the FPL's ability to fulfill its
13 obligation to serve its customers reliably and efficiently at just and reasonable
14 rates.

15 **Q. HAS THE FPL DEMONSTRATED THAT THE INCLUSION OF THE**
16 **PROPOSED ADDITIONAL MARGIN SHARING TRANSACTIONS**
17 **WOULD BE BENEFICIAL TO CUSTOMERS?**

18 **A.** No. FPL has offered an additional \$10 million in margins to the current threshold,
19 but has substantially increased the percentage of margins above the threshold that
20 it would retain. As I will demonstrate later in my testimony, these higher margin
21 retention percentages can result in less benefit to the customers in comparison to
22 the current incentive mechanism.

1 When placed in the context of the Company's \$378 million revenue
2 requirement increase, the potential \$10 million benefit to customers is a small
3 percentage of the overall agreed-upon increase. Further, no information is
4 provided as to the likelihood that these additional margin levels are reachable. In
5 addition, no information has been provided to determine the extent of possible
6 reliability issues associated with the growth of the new incentivized transactions,
7 and whether the proposed proportional sharing amounts are required at all.

8 **Q. ARE THERE OTHER CHANGES TO THE CURRENT INCENTIVE**
9 **MECHANISM THAT CAUSE YOU CONCERN?**

10 A. Yes. Under the current wholesale incentive mechanism, savings related to short-
11 term power purchases are not part of the shared "margins" that FPL retains. This
12 is reasonable, since short-term power purchase decisions should be part of a
13 utility's normal practice under its fundamental economic dispatch process and
14 objective, and the savings should be passed through to ratepayers. Under the
15 proposed expansion of the incentive mechanism, FPL would be allowed to "keep"
16 a significant portion of these savings above the threshold by charging ratepayers a
17 higher fuel factor. In my 38 years of experience in electric rate regulation, I have
18 never seen a case in which the utility had the audacity to claim that implementing
19 the concept of economic dispatch should be a source of bonuses. Purchased
20 power savings are a component of the concept of economic dispatches and should
21 inure to the benefit of customers. They should be off limits to requests for
22 incentives. In my view, this proposed sharing of the savings from short-term

1 power purchases is just a disguise for a revenue increase larger than the \$378
2 million.

3 **Q. DOES THE EXISTING REGULATORY FRAMEWORK REQUIRE**
4 **ELECTRIC UTILITIES TO PROVIDE EFFICIENT SERVICE AT FAIR**
5 **AND REASONABLE RATES?**

6 A. Yes. Florida Statutes require the following:

7 **366.03 General duties of public utility**

8 Each public utility shall furnish to each person applying therefore
9 reasonably sufficient, adequate, and *efficient* service upon terms as
10 required by the commission. No public utility shall be required to
11 furnish electricity or gas for resale except that a public utility may
12 be required to furnish gas for containerized resale. All rates and
13 charges made, demanded, or received by any public utility for any
14 service rendered, or to be rendered by it, and each rule and
15 regulation of such public utility, shall be *fair and reasonable*.
16 (Emphasis added)

17
18 Moreover, the Commission's rules impose an affirmative duty on electric utilities
19 to minimize costs and to operate efficiently and reasonably in order to reduce
20 costs for ratepayers. Specifically, Rule 26-6.0002, Application and Scope,
21 provides that the Commission's rules are intended to define and promote good
22 utility practices and procedures, and adequate and efficient service to the public at
23 reasonable costs. In addition, Rule 25-6.140, Test Year Notification; Proposed
24 Agency Action Notification, requires a statement describing the actions and
25 measures implemented by the utility for the specific purpose of avoiding a rate
26 increase.

27 **Q. DOES FPL HAVE A DUTY TO PROVIDE EFFICIENT AND RELIABLE**
28 **ELECTRIC SERVICE AT REASONABLE COSTS TO ITS CUSTOMERS?**

1 A. Absolutely. In exchange for the opportunity to be the monopoly service provider
2 in its service area, FPL has a duty to provide efficient and reliable electric service
3 at reasonable costs to its customers. Therefore, absent sufficient justification in
4 the form of benefits to customers, which is lacking in the August 15 document, as
5 a matter of policy the Commission should not approve incentives that would
6 result in unnecessary increases in profits for FPL and costs to its customers. An
7 increase in profits should result from a utility taking on *extra* responsibility or risk
8 that actually results in a corresponding increase in system efficiency and the
9 reduction of rates or fuel costs for native-load customers. This is because native-
10 load customers bear all the costs associated with implementing off-system sales.

11 **Q. PLEASE EXPLAIN HOW NATIVE LOAD CUSTOMERS BEAR ALL**
12 **EMBEDDED COSTS ASSOCIATED WITH SHORT-TERM OFF-SYSTEM**
13 **SALES.**

14 A. Native load customers pay for all resources electric utilities need to make off-
15 system sales. Customers pay for the generating units, depreciation on the
16 generating units, return on the utilities' investment in equipment, interconnections
17 and ties with other utilities, natural gas storage facilities, dispatching equipment,
18 non-fuel operations and maintenance expenses, and personnel and associated
19 expenses incurred in making off-system sales. Because customers pay for the
20 generating capacity and related facilities used in producing the electricity for
21 short-term off-system sales, the margins created by those sales should be applied
22 to reduce ratepayers' fuel costs, and the Commission has historically recognized
23 this by allowing ratepayers to be credited for 100% of the margins below the

1 threshold and for 80% of the margins above the threshold through the current,
2 limited wholesale incentive mechanism.

3 **Q. DO SHAREHOLDERS BEAR ANY COSTS OR RISKS IN FPL'S OFF-**
4 **SYSTEM SALES?**

5 A. No. In fact, as the August 15 document proposes, any incremental costs
6 associated with new transactions will be passed on to FPL's customers.
7 Shareholders also bear no regulatory recovery risk as long as FPL demonstrates
8 that a transaction resulted in margins above costs, so Commission disallowances
9 are very remote. Therefore, there is no reason for allowing FPL to share in off-
10 system sales margins over and above what the Commission has previously
11 authorized. In fact, FPL should already be pursuing these potential additional
12 margins pursuant to the Company's responsibility to provide efficient and low-
13 cost electric service.

14 **Q. COULD THE PROPOSED EXPANSION OF THE WHOLESALE SALES**
15 **INCENTIVE MECHANISM CREATE INCENTIVES THAT WOULD BE**
16 **DETRIMENTAL TO CUSTOMERS' INTERESTS?**

17 A. Yes, I believe it could. Expanding the sharing of margins resulting from the
18 additional proposed transactions would encourage FPL to engage in market
19 transactions that could be more costly and could undermine reliability. The
20 expanded sharing mechanism would create an incentive for FPL to deprive native
21 load customers of less expensive power or capacity resources, which would be
22 diverted to wholesale markets on which FPL could earn expanded profits through

1 the expanded incentive margins. The proposed expansion could also provide a
2 disincentive for FPL to obtain the lowest cost fuel supplies for its power plants.
3 These kinds of practices would actually turn the sharing of margins into a
4 perverse incentive, and native load would be deprived of the lowest reasonable
5 cost of energy.

6 **Q. IF THE PROPOSED EXPANSION OF THE INCENTIVE MECHANISM**
7 **HAD BEEN IN PLACE SINCE THE COMMISSION'S APPROVAL OF**
8 **FPL'S CURRENT INCENTIVE MECHANISM, HOW MUCH OF THE**
9 **CUSTOMER SAVINGS WOULD INSTEAD HAVE BEEN GIVEN TO**
10 **FPL'S SHAREHOLDERS?**

11 A. Based on my analysis, by including short-term purchased power in the
12 determination of the shared margins, FPL's shareholders would have received
13 more than \$47.65 million of the savings that the customers have received under
14 the current incentive mechanism since 2001. My Exhibit JWD-2 determines the
15 total gains from short-term sales, and savings from short-term purchased power.
16 It then compares the customers' and stockholders' shares of the benefits based on
17 the current incentive mechanism to those based on the proposed expansion of the
18 incentive mechanism. As Exhibit JWD-2 clearly demonstrates, had FPL's
19 proposed expanded incentive mechanism been in effect during this period, fuel
20 costs for ratepayers would have been \$47.65 million more than the amount they
21 actually incurred because that amount would have been given to FPL's
22 stockholders. For this reason alone, the Commission should deny the proposal

1 because it increases costs to customers and provides FPL an unnecessary
2 incentive to provide reliable electric service at reasonable rates.

3 **Q. WOULD THE COMMISSION, THROUGH REGULATORY OVERSIGHT**
4 **MECHANISMS SUCH AS RECONCILIATION REQUIREMENTS,**
5 **POSITION ITSELF TO PROTECT CUSTOMERS FROM SUCH AN**
6 **UNINTENDED CONSEQUENCE?**

7 A. Unfortunately, no. In an “after-the-fact” fuel reconciliation proceeding, I believe
8 it could be very difficult for interveners or Commission Staff to determine
9 whether those utilized resources should have otherwise been dispatched for the
10 benefit of native-load customers.

11 IV. LACK OF SUFFICIENT INFORMATION

12 **Q. IN GENERAL, WHAT ARE YOUR CONCERNS WITH THE LACK OF**
13 **INFORMATION SUPPORTING THE EXPANSION OF FPL’S EXISTING**
14 **WHOLESALE INCENTIVE MECHANISM?**

15 A. The new proposal in the August 15 document is a far-reaching and open-ended
16 expansion of FPL’s current, limited incentive mechanism. Currently, FPL is
17 obligated to conduct off-system sales as long as those sales do not jeopardize
18 service reliability, and the margins associated with the sales are used to offset
19 reasonable and necessary fuel costs. However, pricing for off-system transactions
20 which reflect market conditions are not the same as the embedded costs of
21 providing electric service that are used in the setting of rates for native load

1 customers. See, FPL's Response to Staff's First Data Request No. 01-09(d). If
2 the incentives to enter into off-system contracts are large enough, FPL could
3 implement the transactions to the detriment of native load customers,
4 undermining reliability. In addition, I have questions about specific parameters
5 that comprise the expansion of FPL's current incentive mechanism.

6 **Q. ARE YOU CONCERNED ABOUT THE UNDERLYING MARKET**
7 **CONDITIONS ASSOCIATED WITH FPL'S PROPOSED INCENTIVE**
8 **MECHANISM?**

9 A. Yes. Uncertainty abounds with respect to the underlying market conditions that
10 support FPL's proposed incentive mechanism. FPL has limited experience in
11 contracting for the proposed asset optimization transactions, because the market
12 conditions needed for its pursuits have not developed. Moreover, in its search to
13 procure the necessary expertise, FPL has not been successful. Therefore, the
14 potential to implement the proposed transactions remains untested for the most
15 part. See, direct testimony of Sam. A. Forrest at page 15. FPL may at some point
16 in the future be in an operational position to execute its asset optimization
17 strategy; however, based on the information that it has provided to date, it would
18 be premature to implement the program at this time without sufficiently
19 considering the economic and reliability consequences for FPL's retail customers.

20
21 **Q. HOW MANY OF THE PROPOSED INCENTIVE TRANSACTIONS DOES**
22 **FPL CURRENTLY UTILIZE?**

1 A. Currently, FPL contracts for the sale of idle electric transmission capacity, as well
2 as for the sale of natural gas in production areas. See, FPL's Response to Staff's
3 First Data Request No. 01-10. In addressing its historical lack of involvement in
4 the proposed asset optimization transactions, FPL states that absent an approved
5 program to be implemented via the expanded incentive mechanism, it would bear
6 the risk for the outcome of each transaction, with no prospect for sharing in the
7 gain. See, FPL's Response to Staff's Second Data Request No. 02-01. Therefore,
8 considering FPL's dearth of expertise in the implementation of these transactions
9 coupled with its inability to locate third-party expertise, Commission approval at
10 this point would be untimely. Also, in responses to interrogatories, FPL has not
11 addressed the specific components of the risks it faces, or explained how not
12 entering into such transactions is consistent with its general duties as a public
13 utility as required under Section 366.03, Florida Statutes.

14 **Q. HAS FPL DEMONSTRATED THAT AN ADDITIONAL SHARING**
15 **INCENTIVE ABOVE THE COMMISSION'S CURRENT 20% LEVEL IS**
16 **WARRANTED?**

17 A. No. FPL has not provided sufficient evidence for the Commission to conclude
18 that sharing margins from its asset optimization transactions above the current
19 level of 20% for its shareholders will actually increase the volume, or value, of
20 off-system sales. The sharing mechanism may in fact encourage counter-
21 productive behavior by FPL. Moreover, the Company has not provided sufficient
22 evidence for the Commission to conclude that the proposed incentives are
23 required for FPL to implement the wholesale market transactions. If wholesale

1 markets do not exist for FPL's proposed transactions, the costs related to
2 incentivizing FPL to "create" them would trump any benefits. Given the potential
3 scarcity of markets in place to support the execution of FPL's additional asset
4 optimization transactions, combined with the lack of information FPL provided in
5 supporting its proportional margin sharing agreement, another major concern is
6 that the sharing arrangement does not appropriately recognize FPL's obligation to
7 serve at just and reasonable rates.

8 **Q. PLEASE STATE YOUR CONCERN WITH RELIABILITY ISSUES**
9 **ASSOCIATED WITH THE PROPOSED EXPANSION.**

10 A. I am concerned that the higher incentives in the proposed expansion would
11 encourage FPL to pursue such margins at the expense of undermining electric
12 service for its native load customers. To the extent the Commission believes that
13 incentives are necessary to motivate conduct, the incentives should be designed to
14 enhance or improve the service received by FPL's retail customers as FPL
15 pursues the rewards of the incentive mechanism. In my opinion, the proposed
16 expansion is not structured in this fashion. Instead, as structured, the proposal
17 incentivizes FPL to enter into high dollar value transactions. As the dollar
18 amounts of transactions rise, more of the resources whose costs FPL collects
19 through native load rates would be dedicated to off-system purposes. This, in
20 turn, would reduce FPL's reliability margin of error. While the Company has
21 stated its commitment to reliability (See, direct testimony of Sam. A. Forrest at
22 page16), to date it has not provided a sufficient amount of information related to
23 the proposal to substantiate its claims. I believe that the Commission should be

1 cautious not to establish a system of incentives that it cannot police effectively to
2 guard against abuse. As I mentioned earlier, I believe that any after-the-fact
3 reconstruction whether FPL failed to give appropriate priority to the interests of
4 the retail customers who are paying for the assets when it pursued opportunities
5 for the high margins in its proposed expansion of the current incentive
6 mechanism.

7 **Q. PLEASE OUTLINE YOUR CONCERNS WITH THE INCREASED COSTS**
8 **RETAIL CUSTOMERS WOULD BE REQUIRED TO PAY.**

9 A. FPL estimates that for 2013, ratepayers would incur incremental O&M expenses
10 of at least \$500,000 regardless of the amount of gains, if any, resulting from the
11 asset optimization program. FPL also estimates that as long as wholesale sales
12 volume does not exceed a threshold of 514,000 MWh in 2013, the incremental
13 variable generation-related O&M costs will be \$0. See, FPL's Response to
14 Staff's Second Data Request Nos. 02-02, and 02-03. The August 15 document
15 requires that variable generation-related O&M costs be determined by multiplying
16 the sales above the threshold times the monthly weighted average variable power
17 plant O&M cost per MWh. As I state above, FPL, via the proportionate margin-
18 sharing arrangement, is induced to pursue as many off-system transactions as
19 possible. Yet, because costs are flowed through to customers in full, FPL has no
20 inherent incentive to reduce costs in its implementation of higher-margin sharing
21 transactions. That is because FPL can collect the costs associated with its
22 proposed expansion of margin-sharing transactions dollar-for-dollar, and receive

1 the benefit of piecemeal ratemaking, while side-stepping any of the costs
2 associated with the proposed expansion.

3 **Q. WHAT IS PIECEMEAL RATEMAKING, AND WHY IS IT A CONCERN?**

4 A. Piecemeal ratemaking occurs when a utility is allowed to adjust rates for changes
5 in a specific cost category outside of a traditional base rate proceeding. Typically,
6 it is only allowed in rare situations, e.g., for large, volatile expenses. The problem
7 with piecemeal ratemaking is that it does not take into account the utility's total or
8 overall costs. It is possible that other costs could be decreasing, thereby offsetting
9 the specific cost increase the utility is proposing to recover. For example, if FPL
10 is replacing old, deteriorated plant with new plant, then it is possible that
11 maintenance expenses would be decreasing. Another example of this mismatch
12 problem would be the costs eliminated or reduced by more efficient operations
13 and maintenance procedures, while the Company collects new costs associated
14 with its far-reaching proposed expansion of margin-sharing transactions. In
15 effect, if the August 15 document is approved, the Commission will be issuing a
16 blank check to FPL for the associated costs of its expanded asset optimization
17 program. Moreover, as I stated above, an after-the-fact Commission review in
18 which it could be very difficult for interveners or Commission staff to determine
19 whether the utilized resources should have otherwise been used for the benefit of
20 native load customers does not ameliorate my concerns.

1 Q. PLEASE OUTLINE YOUR CONCERN ABOUT THE NATURE AND
2 SCOPE OF THE ANNUAL REVIEW FOR THE PROPOSED EXPANSION
3 OF THE INCENTIVE MECHANISM.

4 A. Very little information has been provided that addresses the nature and scope of
5 the annual review of the proposed expansion, except that FPL would file a final
6 true-up schedule FPL would file each year as part of its fuel cost recovery clause
7 a final true-up schedule showing its gains in the prior calendar year on short-term
8 wholesale sales, short-term wholesale purchases (including purchases that are
9 reported on Schedule A-7), and all forms of asset optimization transactions that it
10 undertook for the year. The August 15 document makes reference to FPL's final
11 true-up having a description of each measure for which a gain is included in a
12 total gains schedule, but nothing further. By this approach, the Commission
13 would be placed in the undesirable position of reconstructing and verifying
14 transactions with limited information on whether these were the most prudent use
15 of ratepayer-funded resources.

16 Q. ARE YOU ALSO CONCERNED THAT IN FUTURE REVIEWS FPL
17 WILL BE ALLOWED OPPORTUNITIES TO NOMINATE NEW
18 TRANSACTIONS WITH LIMITED DOCUMENTATION SUPPORTING
19 THE OPERATIONAL, EXPENSE, AND FINANCIAL TRADEOFFS TO
20 RATEPAYERS?

21 A. Yes. As I stated above, reconstructing and verifying the complex dispatching and
22 market operations associated with current wholesale transactions is resource
23 intensive. Compounding the verification process with new and unique

1 transactions that would have to be dissected during a review with limited time
2 parameters would further reduce the required oversight for such a mechanism.

3 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH FPL'S PROPOSAL?**

4 A. Yes. In addition to the concerns I discussed above, the types of rate incentive
5 mechanism changes that FPL has proposed are likely to be sought by other
6 utilities. In addition, the mechanism could affect the transactions that other
7 utilities engage in and thus the sharing of gains by those utilities with their
8 customers. Therefore, these proposed modifications are better considered in a
9 generic rulemaking proceeding rather than in an expedited proceeding to consider
10 a company-specific rate case stipulation. This approach would allow the
11 Company and other utilities to provide one or more technical workshops so that
12 the costs, risks, and other public interest concerns could be sufficiently addressed
13 before moving forward with utilities implementing any approved transactions
14 statewide.

15 **V. SUMMARY AND CONCLUSIONS**

16 **Q. WOULD YOU PLEASE SUMMARIZE YOUR FINDINGS AND**
17 **RECOMMENDATION?**

18 A. Yes. Based on my review of the August 15 document and testimony filed in
19 support of it, I believe that FPL has not demonstrated that paragraph 12 of the
20 August 15 document, which would provide FPL with significant additional
21 margin-sharing opportunities, is fair and reasonable, or would produce benefits to

1 customers. To the contrary, in my opinion the proposed expansion and
2 reformulation of the current incentive mechanism is vague, unsupported,
3 unreasonably one-sided in favor of FPL, and would create counterproductive
4 incentives and unintended consequences that would be detrimental to customers
5 and difficult for the Commission to guard against. In addition, if the August 15
6 document is approved, the types of rate incentive mechanism changes proposed
7 are likely to be sought by other utilities. Therefore, these proposed modifications
8 are better considered in a generic rulemaking proceeding rather than in an
9 expedited proceeding to consider a company-specific rate case stipulation.

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 **A.** Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and foregoing **Direct Testimony of James W. Daniel** has been furnished by electronic mail on this 2nd day of November, 2012, to the following:

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Keino Young
Florida Public Service Commission
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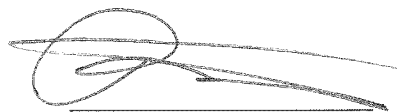
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**LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED
IN REGULATORY AND COURT PROCEEDINGS BY
JAMES W. DANIEL**

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/1/1976	Federal Power Commission	ER76-530	Arizona Public Service Company
2/76	South Dakota Public Utility Commission	F-3055	Northwestern Public Service Company
5/79	Federal Energy Regulatory Commission	ER78-379,ER78-380 ER78-381,ER78-382 ER78-383	Indiana & Michigan Electric Company
11/80	New Mexico Public Service Commission	1627	Kit Carson Electric Cooperative (Direct Testimony)
6/81	Arizona Corporation Commission	9962-E-1032	Citizens Utilities Company
9/81	Federal Energy Regulatory Commission	ER81-179	Arizona Public Service Commission (Direct Testimony)
3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company
4/2/1984	Public Utility Commission of Texas	5560	Gulf States Utility Company (Direct Testimony)
7/3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company (Direct Testimony)
11/15/1984	Texas Public Utility Commission	5709	Texas Utilities Electric Company (Direct Testimony)
1/85	Federal Energy Regulatory Commission	ER84-568-000	Gulf States Utilities Company (Direct Testimony)
11/20/1985	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company (Direct Testimony)
1/7/86	Louisiana Public Service Commission	U-16510	Central Louisiana Electric Company (Direct Testimony)
3/10/86	Texas Public Utility Commission	6677	Texas Utilities Electric Company
3/14/86	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company (Rebuttal and Surrebuttal Testimony)
6/20/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Direct Testimony)
7/15/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Supplemental Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
3/7/90	Texas Public Utility Commission	9165	El Paso Electric Company (Direct Testimony)
4/12/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Revenue Requirements Phase)
5/1/1990	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Phase II - Rate Design)
7/6/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Supplemental Testimony - Revenue Requirements)
7/10/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Direct Testimony - Rate Design)
7/30/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony - Rate Design)
8/23/90	Texas Public Utility Commission	9561	Central Power & Light Company (Direct Testimony - Rate Design)
1/11/91	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony)
9/24/91	Texas Public Utility Commission	10404	Guadalupe Valley Electric Cooperative (Direct Testimony)
12/91	Rate Area 2&3 Nebraska Municipalities	N/A	Peoples Natural Gas Company
7/31/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
8/7/92	State Corporation Commission of Kansas	180,416-U	Peoples Natural Gas Company (Direct Testimony)
9/8/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
9/92	Texas Public Utility Commission	10894	Gulf States Utilities Company (Direct Testimony)
5/93	Texas Public Utility Commission	11735	Texas Utilities Electric Company (Rebuttal Testimony)
6/93	Texas Public Utility Commission	11892	Generic Proceeding Regarding Purchased Power (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
09/08/93	State Corporation Commission of Kansas	186,363-U	KN Energy (Direct Testimony)
09/94	State Corporation Commission of Kansas	190,362-U	Kansas Natural Pipeline and Kansas Natural Partnership (Direct Testimony)
10/17/94	Texas Public Utility Commission	12820	Central Power and Light Company (Direct Testimony)
11/15/1994	City of Houston	NA	Houston Lighting and Power Company (Direct Testimony)
11/15/1994	Texas Public Utility Commission	12065	Houston Lighting and Power Company (Direct Testimony - Revenue Requirements Phase)
12/12/1994	Texas Public Utility Commission	12820	Central Power & Light Company (Supplemental Testimony)
1/10/1995	Texas Public Utility Commission	12065	Houston Lighting & Power Company (Direct Testimony - Rate Design Phase)
5/23/95	Federal Energy Regulatory Commission	TX94-4-000	Texas Utilities Electric Company and Southwestern Electric Service (Affidavit)
8/7/95	Texas Public Utility Commission	13369	West Texas Utilities Company (Rebuttal Testimony - Rate Design Phase)
10/31/95	Texas Public Utility Commission	14435	Southwestern Electric Power Company (Direct Testimony)
11/95	Rate Area 3 Nebraska Municipalities	N/A	Peoples Natural Gas Company (Municipal Report)
02/07/96	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Affidavit)
5/15/96	Texas Public Utility Commission	14965	Central Power & Light Company (Direct Testimony)
5/29/1996	Texas Public Utility Commission	14965	Central Power & Light Company (Rebuttal Testimony)
07/19/96	Texas Public Utility Commission	15766	City of Bryan, Texas (Direct Testimony)
8/29/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Direct Testimony)
08/07/96	State of Illinois Commerce Commission	96-0245 & 96-0248	Commonwealth Edison Company (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
09/06/96	Texas Public Utility Commission	15643	Central Power & Light Company and West Texas Utilities Company (Direct Testimony)
9/17/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Rebuttal Testimony)
09/18/96	Texas Public Utility Commission	15638	Texas Utilities Electric Company (Direct Testimony)
10/22/96	Texas Natural Resource Conservation Commission	96-0652-UCR	Longbranch Associates, L.P. (Direct Testimony)
08/05/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company (Direct Testimony)
08/06/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony)
08/25/97	Texas Public Utility Commission	16705	Entergy Texas (Rebuttal Testimony - Rate Design Phase)
09/23/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company (Surrebuttal Testimony)
09/30/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony - Competitive Issues Phase)
12/97	United States Tax Court	7685-96 and 4979-97	Lykes Energy, Inc. (Report)
12/97	Condemnation Court Appointed by the Supreme Court of Nebraska	13880	Peoples Natural Gas
12/1/1997	Condemnation Court Appointed by the Supreme Court of Nebraska	NA	Peoples Natural Gas Company (Report to City of Wahoo, Nebraska)
8/1/1998	Condemnation Court Appointed by the Supreme Court of Nebraska	101	Peoples Natural Gas (Report to City of Scribner, Nebraska)
10/98	Federal Energy Regulatory Commission	EL-99-6-000	Entergy Gulf States, Inc. (Affidavit)
10/19/1998	Federal Energy Regulatory Commission	TX98-	Gulf States Utilities Company (Affidavit)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/31/1998	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Direct Testimony)
3/11/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Supplemental Testimony)
4/30/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Rebuttal Testimony)
7/16/1999	Texas Public Utility Commission	19265	Central and South West Corporation and American Electric Power Company, Inc. (Direct Testimony)
11/11/1999	Texas Public Utility Commission	21591	Sharyland Utilities, L.P. (Direct Testimony)
11/24/1999	Texas Public Utility Commission	21528	Central Power and Light Company (Direct Testimony)
1/27/2000	Texas Railroad Commission	8976	Texas Utilities Company Lone Star Pipeline (Direct Testimony)
3/31/2000	Texas Public Utility Commission	22348	Sharyland Utilities, L.P. (Direct Testimony)
08/2000	Texas Public Utility Commission	20624	Reliant Energy HL&P (Direct Testimony)
10/16/2000	Texas Public Utility Commission	22344	Generic Issues Associated with Unbundled Cost of Service Rate (Direct Testimony)
10/23/2000	Texas Public Utility Commission	21956	Reliant Energy, Inc. (Direct Testimony)
11/14/2000	Texas Public Utility Commission	22350	TXU Electric Company (Direct Testimony)
11/17/2000	Texas Public Utility Commission	22352	Central Power and Light Company (Direct Testimony)
12/12/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct - Final Phase) (Direct Testimony)
12/21/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct Testimony - Rate Case Expense Phase)
12/29/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Supplemental & Rebuttal Testimonies)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
7/5/2001	Texas Public Utility Commission	23950	Reliant Energy (Direct Testimony)
9/6/2001	Texas Public Utility Commission	24239	Mutual Energy CPL, LP (Direct Testimony)
4/22/2002	State Corporation Commission of Kansas	02-WSRE-301-RTS	Western Resources, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/19/2002	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Direct Testimony)
8/5/2002	Corporation Commission of the State of Oklahoma	200100455	Oklahoma Corporation Commission (Direct Testimony)
12/31/2002	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
4/24/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Rebuttal Testimony)
6/9/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Supplemental Direct Testimony)
7/11/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Direct Testimony)
8/11/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Second Supplemental Direct Testimony)
8/18/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Supplemental Testimony)
10/29/2003	Federal Energy Regulatory Commission	ER04-35-000	Entergy Services, Inc. (Affidavit)
11/5/2003	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Supplemental Direct Testimony)
2/9/2004	Texas Public Utility Commission	28840	AEP Texas Central Company (Direct Testimony)
6/1/2004	Texas Public Utility Commission	29526	CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC, and Texas Genco, LP (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/30/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Direct Testimony)
1/7/2005	Texas Public Utility Commission	30485	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
3/16/2005	Texas Public Utility Commission	30706	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
6/9/2005	Texas Public Utility Commission	29801	Southwestern Public Service Company (Direct Testimony)
9/2/2005	Texas Public Utility Commission	31056	AEP Texas Central Company and CPL Retail Energy, LP (Direct Testimony)
9/9/2005	State Corporation Commission of Kansas	05-WSEE-981-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
9/29/2005	Georgia Public Service Commission	20298-U	Atmos Energy Corporation (Direct Testimony)
4/24/2006	Texas Public Utility Commission	32475	AEP Texas Central Company (Cross Answering Testimony)
8/11/2006	Texas Public Utility Commission	32093	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
8/23/2006	Texas Public Utility Commission	32795	Reallocation of Stranded Costs Pursuant to PURA §139.253(f) (Direct Testimony)
8/24/2006	Texas Public Utility Commission	32758	AEP Texas Central Company (Direct Testimony)
12/22/2006	Texas Public Utility Commission	32766	Southwestern Public Service Company (Direct Testimony)
3/13/2007	Texas Public Utility Commission	33309	AEP Texas Central Company (Direct Testimony)
3/19/2007	State Corporation Commission of Kansas	07-AQLG-431-RTS	Aquila Networks-KGO (Direct Testimony)
4/27/2007	Texas Public Utility Commission	33687	Entergy Gulf States, Inc. (Direct Testimony)
7/11/2007	Texas Public Utility Commission	33823	CenterPoint Energy Houston Electric, LLC (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
7/13/2007	Texas Public Utility Commission	33687	East Texas Cooperatives (Supplemental Testimony)
1/11/2008	Texas Public Utility Commission	35219	Guadalupe Valley Electric Cooperative, Inc (Direct Testimony)
1/29/2008	Texas Public Utility Commission	35287	Sharyland Utilities, L.P. (Direct Testimony)
7/1/2008	Georgia Public Service Commission	27163	Atmos Energy Corporation (Direct Testimony)
9/16/2008	Texas Public Utility Commission	34442	JD Wind (Direct Testimony)
9/29/2008	State Corporation Commission of the State of Kansas	08-WSEE-1041-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
10/13/2008	Texas Public Utility Commission	35763	Southwestern Public Services Company (Direct Testimony)
11/26/2008	Texas Public Utility Commission	35717	Oncor Electric Delivery Company (Direct Testimony)
6/26/2009	State Corporation Commission of the State of Kansas	09-WSEE-641-GIE	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/29/2009	Texas Public Utility Commission	36918	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/30/2009	State Corporation Commission of the State of Kansas	09-WSEE-925-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
7/10/2010	Pennsylvania Public Utility Commission	R-2010-2161575, et. al.	PECO Energy Company (Direct Testimony)
9/3/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Direct Testimony)
9/10/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/24/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Cross-Rebuttal Testimony)
9/27/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Cross-Rebuttal Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/5/2010	Texas Public Utility Commission	38577	Modification of CREZ Transmission Plan (Direct Testimony)
2/4/2011	Texas Railroad Commission	GUD 10038	CenterPoint Energy Texas Gas (Direct Testimony)
3/1/2011	Texas Public Utility Commission	39070	Sharyland Utilities, L.P. (Direct Testimony)
10/19/2011	Texas Public Utility Commission	39856	Guadalupe Valley Electric Cooperative (Direct Testimony)
5/1/2012	Texas Public Utility Commission	40364	Sharyland Utilities, L.P. (Direct Testimony)
5/15/2012	Delaware Public Service Commission	11-528	Delmarva Power & Light Company (Direct Testimony)

**Florida Public Service Commission
 Docket No. 120015-E1**

**Increase in FPL Profits
 If Proposed Incentive Mechanism
 Had Been In Effect Since 2001**

Line No.	Year	Proposed Incentive Mechanism: Total Claimed Benefits*	Proposed Claimed Benefits less Threshold of \$46,000,000	Customer's Share of Claimed Benefits				FPL's Share of Claimed Benefits			
				Current Incentive Mechanism		Proposed Incentive Mechanism		Current Incentive Mechanism		Proposed Incentive Mechanism	
				Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	2003	\$47,939,149	\$1,939,149	\$47,939,149	100.00%	\$46,581,745	97.17%	\$0	0.00%	\$1,357,404	2.83%
2	2005	\$49,612,011	\$2,481,777	\$48,481,777	97.72%	\$46,744,533	94.22%	\$1,130,234	2.28%	\$1,737,244	3.50%
3	2009	\$50,452,089	\$4,452,089	\$50,452,089	100.00%	\$47,335,627	93.82%	\$0	0.00%	\$3,116,462	6.18%
4	2010	\$82,738,350	\$36,738,350	\$82,738,350	100.00%	\$57,795,340	69.85%	\$0	0.00%	\$24,943,010	30.15%
5	2011	\$69,563,423	\$23,563,423	\$69,563,423	100.00%	\$53,069,027	76.29%	\$0	0.00%	\$16,494,396	23.71%
6	Total	\$300,305,022	\$69,174,788	\$299,174,788	99.62%	\$251,526,271	83.76%	\$1,130,234	0.38%	\$47,648,517	15.87%

* From FPL's Exhibit SF-2, page 1 of 1