BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 130223-EI

PETITION FOR APPROVAL OF OPTIONAL NON-STANDARD METER RIDER, BY FLORIDA POWER & LIGHT COMPANY.
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VOLUME 1

Pages 1 through 167

PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

TIME: Commenced at 9:34 a.m.
Concluded at 12:35 p.m.

DATE: Tuesday, September 30, 2014

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
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APPEARANCES:

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NATHAN A. SKOP, ESQUIRE, 420 N.W. 50th Boulevard, Gainesville, Florida 32607, appearing on behalf of Daniel and Alexandria Larson.

ENNIS LEON JACOBS, JR., ESQUIRE, Post Office Box 1101, Tallahassee, Florida 32302, appearing on behalf of Marilynne Martin, et al.

J.R. KELLY, PUBLIC COUNSEL, and CHARLES REHWINKEL, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32393-1400, appearing on behalf of the Citizens of the State of Florida.

SUZANNE BROWNLESS, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Florida Public Service Commission Staff.

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I N D E X

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P R O C E E D I N G S

CHAIRMAN GRAHAM: Okay. Let the record show this is the Florida Power & Light smart meter docket, Docket Number 130223-EI. It is September 30th, and it's about 9:30 a.m.

Staff, if I can get you to read the notice, please.

MS. BROWNLESS: Yes, sir. The purpose of this hearing is to permit the parties to present testimony and exhibits relative to the application by Florida Power & Light Company for approval of an optional non-standard meter rider and for such other purposes as the Commission may deem appropriate.

CHAIRMAN GRAHAM: All right. Let's take appearances.

MR. RUBIN: Thank you. Good morning, Chairman. Ken Rubin and Maria Moncada for FPL.

MR. REHWINKEL: Charles Rehwinkel and J. R. Kelly with the Office of Public Counsel.

MR. JACOBS: Good morning, Commissioners. I'm Ennis Leon Jacobs, and I'm here representing a group of Intervenors, Ms. Shari Anker, Alexandra Ansell, Stephanie and Peter Austin, and others that I won't -- and Ms. Marilynne Martin.

MR. SKOP: Good morning, Commissioners.

Nathan Skop appearing on behalf of Daniel and Alexandria Larson.

CHAIRMAN GRAHAM: Mr. Skop, welcome back.

MR. SKOP: Thank you.

CHAIRMAN GRAHAM: I have a Rachel Wynnberry -- is she here -- as pro se?

(No response.)

Okay. Staff?

MS. BROWNLESS: Suzanne Brownless on behalf of Commission staff.

MS. HELTON: And Mary Anne Helton, advisor to the Commission. I'd also like to make an appearance for our General Counsel, Curt Kiser.

CHAIRMAN GRAHAM: Mary Anne, so what do we do with the no-show?

MS. HELTON: Well, I guess you can do a couple of things. One, you can go ahead and say that since she has not made it at the beginning of the hearing, that she will not be acknowledged or recognized when she gets here. You can give her a few minutes and see if she will show up. We can proceed and see if she'll show up later.

CHAIRMAN GRAHAM: All right. We'll give her a couple of minutes and see if she shows up. We'll continue though. Let's do preliminary matters.

MS. BROWNLESS: Thank you. At this time we would -- we have distributed to the parties the comprehensive exhibit list, and we have -- would like at this time to offer the staff exhibits identified on that list, staff Exhibits Number 11 to 18, as well as the comprehensive exhibit list itself into the record. My understanding is there is no objection from the parties.

CHAIRMAN GRAHAM: So we'll enter the comprehensive list and staff's Exhibits 11 through 18 into the record.

MS. BROWNLESS: Yes, sir.

(Exhibits 1 through 18 marked for identification.)

(Exhibits 1 and 11 through 18 admitted into the record.)

CHAIRMAN GRAHAM: Okay. This is supposed to be a two-day hearing is my understanding.

MS. BROWNLESS: Yes, sir.

CHAIRMAN GRAHAM: We're going to start both today and tomorrow at 9:30. We're going to have to end a little early today, so we'll be ending -- we'll probably take a lunch break today around 12:30/1:00, and we'll be ending about 5:00 today. And tomorrow we'll start at 9:30 and end whenever we get done. So I guess that depends on all of you guys.

Okay. Time for opening statements?

MS. BROWNLESS: Yes, sir.

CHAIRMAN GRAHAM: Okay. Let's do opening statements.

MR. RUBIN: Thank you very much, Mr. Chairman. Good morning, again, Mr. Chairman and Commissioners.

FPL is very proud of its industry leading smart meter deployment and smart grid initiative and strongly supports the use of this technology. Smart meters, now FPL's standard service, and all of the related and integrated technology help improve service to our customers in many ways. The Commission's approval of this program in FPL's 2009 rate case was a critical part of this process, but that is not what this hearing is about.

We are not here to re-litigate the propriety of or the costs and benefits related to smart meters. Much as the petitioners would like to make this a debate about the wisdom and economics of FPL's smart meter program, we are before the Commission today to address essentially two issues: Have we supported our costs and the resulting rates, and should the costs be borne by the cost causers?

Commissioners, you made the right decision in January when you approved the opt-out tariff which provides customers with a choice to select the non-standard service, but petitioners have taken issue with that decision. Respectfully you should reaffirm your decision approving the tariff and deny the petitioners' requests.

It is important to recall that in September of 2012, Commission staff held a workshop to obtain information on all aspects of smart meters and the smart grid and to address concerns raised by members of the public; customers, utilities, public counsel and technology companies all participated. At the same time that staff was conducting its investigation, FPL was studying data from other jurisdictions and from its own deployment to identify FPL's systems and processes that would be impacted and the costs that would be incurred if the company ultimately decided to propose a cost-based smart meter opt-out program. While this process was underway, FPL chose not to enforce its right to install smart meters for all customers and instead voluntarily created a postpone list allowing customers to temporarily keep their existing meters at no cost to them.

In February of 2013, staff briefed the Commission on the smart meter workshop. A few conclusions from staff's report are of particular note as we begin this hearing. First, staff recommended that the Commission should allow utilities to voluntarily provide their customers with new services under an approved appropriate tariff. Next, after analogizing non-standard meter service to undergrounding of distribution lines and other non-standard services, staff noted the Commission's long history of ensuring that the cost causer for a non-standard service pays the associated costs. And finally, and here I quote, staff believes all charges should be cost based to ensure subsidization is kept to a minimum.

Consistent with these principles and the two primary issues to be decided in this docket, FPL has worked hard to design and offer a cost-based smart meter opt-out program for those who object to FPL's standard meter service. In order to offer these customers a choice, FPL studied, analyzed, and ultimately proposed and received Commission approval for an optional tariff based on the expected cost to serve the 12,000 customers that FPL projected would choose this non-standard service.

Lowering the rate or eliminating the tariff altogether, as petitioners suggest, would not reflect the costs to serve this group of customers. Simply put, this would not be the right result as a matter of the public policy and good ratemaking practices that this Commission has endorsed. To support this tariff, FPL applied its detailed cost analysis and its fact-based projection of customers who would be willing to pay a cost-based rate for the non-standard service. In your order approving the tariff, you identified this rate as a set point, which may change as the program develops. Your decision approving the tariff is entirely consistent with the Commission's practice of establishing cost-based rates and the concept of assigning the costs to the cost causer, both of which are standard principles of ratemaking.

Commissioners, this is precisely what FPL has done to accommodate the relatively few customers who preferred not to take standard meter service, and the Commission's approval of the non-standard meter tariff is completely supported by the evidence in this case and by the law.

The tariff approved by the Commission reflects FPL's costs to serve the 12,000 customers that FPL projected would select this non-standard service. The tariff appropriately allocates these costs to the cost causers and is designed to minimize cross-subsidization.

For these reasons and based upon the evidence in this case, FPL respectfully requests that the

Commission reaffirm its decision approving the FPL tariff. Thank you very much.

CHAIRMAN GRAHAM: Thank you.

Now what I want to do is I usually start with OPC and then we'll just work our way down. So Mr. Jacobs and Mr. Skop. Yes.

MR. REHWINKEL: Good morning, Commissioners. As a statutory representative of all of FPL's customers, the Public Counsel is limiting its participation in this case to the advocacy of certain principles that we believe the Commission should follow when evaluating the competing presentations by FPL and the other Intervenors. Adherence to these principles, we think, will ensure that all customers are treated fairly.

The Public Counsel submits that any tariff the Commission approves for customers to take service through a meter other than a smart meter should be reasonably cost based and not impose unwarranted costs on any FPL customers, including those who are being served through the smart meter. The opt-out tariff should be a genuine alternative in the sense that it should not be structured, priced, or promoted in a manner that is designed to artificially discourage potentially interested customers from choosing it.

At the same time, so that customers who accept the standard tariff for smart meters are not required to bear costs that FPL would not incur but for the offering of the optional meter, the opt-out tariff should be -- should reasonably recover any necessary costs that are separate from and incremental to those that are associated with the standard tariff.

The Commission should consider terms and conditions that are fair to all and which impose the least cost on subscribers. The Commission should also ensure that all customers are reasonably made aware of the costs and terms and conditions of any tariff approved as a result of this docket.

Today the Public Counsel will inquire of FPL regarding certain possible tariff structures in order to explore the impacts on customers based on certain recent developments that have arisen. At this time, however, we are not advocating a particular rate level or rate structure. Thank you, Commissioners.

CHAIRMAN GRAHAM: Thank you, Mr. Rehwinkel.

Mr. Jacobs.

MR. JACOBS: Thank you, Mr. Chairman.

Good morning, Commissioners. We would absolutely agree with the idea that a proposal to implement an innovative product such as smart meters deserves your attention. However, the idea that this product is totally and separate apart from the existing services of this company is not correct.

FPL is providing a service that is inextricably bound in its existing service of smart meters. How -- we will demonstrate that the idea of developing incremental costs for this tariff cannot be done except that you consider and you look at how the cost structure for smart meters has evolved and how it presently stands.

In doing so, FPL is bound by the law, Section 363.03, which says it must provide service at fair and reasonable rates, and it prohibits any discrimination against any class of customers in delivery of that service.

The non-standard meter rider purports to govern a non-standard service; i.e., you have an existing category of services, in this instance the new world of automation that includes smart meters. And the proposition of this case is that there is a new order of cost of service to support that new world of automation. We don't have the documentation, we don't have the support to show that, but there is every representation in this case that there is a new order of the world in the cost of service for this company based on its automation.

And now having accepted that new world, we're now asked to qualify and quantify an alternate service that is to be determined by the incremental costs coming from this new world.

If it were the case that we had clearly identified the world in an automated state and we then could look at the new processes, the added processes that bring new costs to that world, then we might be here on sound footing. We've not done that. And so nothing in this process -- in fact, what this meter -- what this proposal does is further muddy those waters.

The costs that we will show are automatically determined by processes that have occurred, and the knowledge and testimony of the witnesses, that have occurred in the past. In the rate case there were decisions made. And then the operations of the company based on that rate case, there is now this house of cards in which there are customers who are getting service through smart meters, there are customers who are getting service through what we now call non-standard meters, which, of course, are the non-communicating analog meters, and we're now trying to figure out in which bucket we should, we should allocate costs for them.

The methodology that has been put forth to you is not sound. It does not give you competent or substantial evidence to support what those incremental costs would be. We suggest to you that there has to be a baseline, there has to be an accurate, well-defined baseline for you to consider in order for you to even make the attempt to arrive at incremental costs.

We argue further that --

CHAIRMAN GRAHAM: You've got about a minute left.

MR. JACOBS: Thank you, sir.

We argue further that the company had a primary opportunity to give you that information. It had the optimum opportunity to give you that information and it chose not to. We hear that it was voluntary and we don't question that, but that was the optimum opportunity for you to see what the new world looks like, but now we're here in an alternate proceeding to try and piece together that product.

So we thank you for the opportunity to be heard, and we respectfully ask that you would deny the approval of the non-standard meter rider.

CHAIRMAN GRAHAM: Thank you, Mr. Jacobs.

Mr. Skop.

MR. SKOP: Thank you, Mr. Chairman.

As a general proposition, the Larsons concur with the opening statements of Public Counsel as well as Mr. Jacobs. The Larsons believe that the FPL non-standard meter rider tariff should be denied by this Commission because the tariff allows FPL to recover advanced costs for assumed site visits within the enrollment fee that FPL may not actually perform rather than charging site visits to individual customers when a site visit is actually required.

The tariff also, unlike the Nuclear Cost Recovery Clause, permits advanced cost recovery not specifically authorized under Florida law. Tariff charges are also duplicative of costs already recovered in base rates. Tariff charges are also not fair, just, and reasonable, and the tariff fails to account for the cost savings, including return on equity, to FPL customers from not having to install a smart meter for those customers that opted out under the non-standard meter rider tariff.

And finally, the tariff is discriminatory to the extent that it does not treat all FPL customers equally because it fails to recover the same non-standard meter rider costs from business customers that do not have a smart meter installed.

The Commission should stay implementation of this tariff and deny recovery of any related costs until such time as FPL delivers the cost savings that it promised to the general body of FPL customers when seeking approval of FPL's advanced metering infrastructure program in the 2009 rate case.

It is inherently unjust to allow FPL to continue to earn a return on equity on capital invested for smart meters when FPL has failed to deliver the promised cost savings to FPL customers.

In short, FPL overpromised and under-delivered on millions of dollars of annual cost savings related to the advanced metering infrastructure deployment. In the context of this proceeding, my client fails to understand exactly why the Florida Public Service Commission fails to hold FPL accountable for the millions of dollars of annual cost savings that were promised to benefit the general body of FPL customers, including my client, but never materialized, and allows FPL to continue to earn millions of dollars in return on equity on AMI investments every year without holding them accountable for these past promises. And today we find ourselves considering a tariff which would allow FPL to charge these customers that stood to benefit from these savings that never materialized, to allow FPL to charge them further in profit without first honoring its prior commitments.

It is equally unjust to allow FPL to implement the non-standard meter rider tariff when FPL has failed to deliver the promised cost savings to FPL customers. The Commission issued PSC Order PSC-10-1053-FOF-EI, In Re: Petition for increase in rates by Florida Power & Light Company, in Docket 080677-EI, authorizing the recovery of costs for FPL's advanced metering infrastructure program based upon the substantial cost savings presented by FPL Witness Santos.

Table 13 of this Commission order summarized the FPL projected savings and expenses associated with the advanced metering infrastructure program. Witness Santos testified in that proceeding beginning in 2003 that the net O&M savings from the AMI program would exceed $30 million annually. That's -- excuse me. As of the most recent FPL rate case, the advanced metering infrastructure savings projected by FPL that were supposed to benefit the general body of ratepayers including my client have not materialized.

As a general proposition, the Larsons agree with Public Counsel and Mr. Jacobs that the non-standard meter rider tariff customer should pay a nominal monthly fee that is fair, just, and reasonable in consideration for wanting to keep their analog meter. In turn, FPL has a duty to minimize the monthly cost and implementation of any non-standard meter rider tariff, and that should be denied until FPL delivers the cost savings that it promised to FPL customers when seeking approval of this program. FPL should not be allowed to profit when FPL has failed to deliver the promised advanced metering infrastructure cost savings to FPL customers now subject to the proposed non-standard meter rider.

In closing, this docket provides the Florida Public Service Commission with the unique opportunity to send a clear message to FPL that this Commission will hold them accountable and will not allow them to implement new tariffs and profit until they deliver on their prior commitments relating to the advanced metering infrastructure deployment.

My client respectfully requests that the Commission deny the proposed FPL tariff for the aforementioned reasons. Thank you.

CHAIRMAN GRAHAM: Thank you, Mr. Skop.

Okay. So time for witnesses. I guess if any witnesses are in the audience, if I could get you to stand so you can be sworn in.

(Witnesses collectively sworn.)

All right. Staff, unless I'm missing anything, I think we're ready to proceed with our first witness.

FPL.

MR. RUBIN: Thank you, Chairman. FPL calls Robert Onsgard as its first witness.

Whereupon,

ROBERT ONSGARD

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

MR. RUBIN: May we proceed?

CHAIRMAN GRAHAM: Please.

EXAMINATION

BY MR. RUBIN:

Q Good morning. Have you been sworn?

A Yes, I have.

Q Would you please state your name and business address for the record.

A Yes, I will. Robert Onsgard, 9250 West Flagler Street, Miami, Florida.

Q By whom are you employed and in what capacity?

A I'm employed by Florida Power & Light Company. I'm a -- work in the Energy Smart Florida division, Project Manager.

Q Have you prepared and caused to be filed 27 pages of prefiled direct testimony in this proceeding on

May 21st, 2014?

A Yes.

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

A No.

Q If I asked you the same questions contained in your prefiled direct testimony, would your answers be the same?

A Yes.

Q Have you also prepared and caused to be filed 23 pages of prefiled rebuttal testimony in this proceeding on July 28th, 2014?

A I have.

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

A I do not.

Q If I asked you the same questions contained in your prefiled rebuttal testimony, would your answers be the same?

A Yes, they would.

MR. RUBIN: Mr. Chairman, I would ask that the prefiled direct testimony and the prefiled rebuttal testimony of Mr. Onsgard be inserted into the record as though read.

MR. FRAZIER: We will insert Mr. Onsgard's prefiled direct testimony and rebuttal testimony into the record as though read.

MR. RUBIN: Thank you.

BY MR. RUBIN:

Q Are you also sponsoring any exhibits to your direct testimony?

A Yes, I am.

Q And do those exhibits consist of RAO-1 through RAO-5, which are also shown as Exhibits 2 through 6 on staff's exhibit list?

A That's correct.

Q Are you sponsoring or cosponsoring any exhibits to your rebuttal testimony?

A No, I am not.

MR. RUBIN: Mr. Chairman, I would note that Mr. Onsgard's exhibits have been premarked for identification as Exhibits 2 through 6 on staff's list.

CHAIRMAN GRAHAM: Duly noted.

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert A. Onsgard. My business address is 9250 W. Flagler Street, Miami, Florida, 33174.

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

A. I am employed by Florida Power & Light Company ("FPL" or "the Company") as Energy Smart Florida Project Manager in the Smart Grid and Meter Services Department.

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

A. As Energy Smart Florida Project Manager, I am responsible for the financial reporting and budgeting for FPL's smart meter projects. Over the last two years I have led a cross-functional team tasked with addressing customer requests for a non-standard meter option. The team identified the operational processes required for the non-standard meter program, developed the detailed analysis that determined the incremental costs required to implement and administer that program, and provided a means to equitably distribute those incremental costs to the customers who choose the non-standard meter rider option ("opt-out customers" or "NSMR customers").

Q. Please describe your educational background and professional experience.

A. I have a Bachelor's Degree in Finance and a Master of Business Administration from Florida International University. I have been a Project

Manager on the Energy Smart Florida program since December 2009. Since joining FPL in 1985, I have held numerous managerial positions in a variety of functional areas, including Internal Auditing, Accounting, FiberNet (an FPL affiliate) and now in Customer Service.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits: RAO-1 through RAO-5, which are attached to my direct testimony.

- RAO-1: FPL's original proposed tariff filed August 21, 2013
- RAO-2: FPL's revised tariff filed January 17, 2014
- RAO-3: Florida Public Service Commission Staff Briefing dated February 11, 2013
- RAO-4: Cost analysis (Exhibit B to Petition for Approval of Optional Non-Standard Meter Rider filed August 21, 2013)
- RAO-5: FPL Energy News, May 2014, including NSMR tariff communication to all customers

Q. What is the purpose of your testimony?

A. My testimony describes the steps the Company has taken to respond to FPL's customers' concerns regarding smart meters, establish a "postpone list", evaluate meter alternatives, and develop the detailed cost estimates and projected number of opt-out customers used to support the NSMR tariff. My testimony also describes the calculations that support both the original tariff (as shown in Exhibit RAO-1) and revised tariff (as shown in Exhibit RAO-2) filed by FPL with the Florida Public Service Commission ("FPSC" or

"Commission"). Finally, consistent with FPL witness Deason's testimony, my testimony describes how FPL's proposal assesses the incremental costs required to develop, implement, and administer this non-standard service to the opt-out customers rather than the general body of customers.

Q. Please summarize your testimony.

A. By way of background, it is important to recall that FPL's smart meter project was reviewed and approved by the Commission in FPL's 2009 rate case. In that case the Commission found that FPL's Advanced Metering Infrastructure project was prudent and that the project should not be delayed. In accordance with that order, the Company completed installation of smart meters to essentially all of its 4.5 million residential and small business customers by March of 2013.

During the smart meter deployment, FPL voluntarily created a "postpone list" to accommodate a very small number of FPL customers - less than one half of 1% - who expressed a desire to have a non-standard, non-communicating meter. These customers were allowed to postpone installation of a smart meter at no cost until after deployment was completed so that the Company could properly analyze the feasibility of an opt-out program, and, if feasible, the projected costs of continuing to provide service to a very small percentage of its customers through a non-standard meter.

In the summer of 2013, after smart meter deployment was essentially complete, the Company asked the Commission to approve a cost-based tariff to allow customers the option of taking service through a non-standard meter by paying the incremental cost of that service. On January 7, 2014, the Commission denied FPL's request as filed, but provided the Company with the option to file a revised tariff reflecting specific modifications. FPL complied by filing a revised tariff which offers customers the choice to receive service through the non-standard meter by paying an Enrollment Fee of $95 and a Monthly Surcharge of $13 (the "NSMR program" or "opt-out program").

FPL's tariff, which has been approved by the Commission, is consistent with the principle that a customer requesting an available non-standard service should pay the incremental costs associated with that service. Stated another way, the cost causer rather than the general body of customers should properly bear the costs associated with the provision of this non-standard service.

II. BACKGROUND

Q. Have FPL customers been receptive to the installation of smart meters?

A. Yes. Although a very small percentage of customers were hesitant about this new technology during deployment, the great majority of FPL's customers - more than 99.7% of smart meter eligible customers - now have smart meters.

Q. During the smart meter deployment, did FPL take any actions to provide customers with the facts regarding smart meters?

A. Yes. Throughout the smart meter deployment, FPL maintained a robust customer communication plan to provide customers with the facts concerning smart meters. This communication plan included:

- A dedicated website with educational content and videos, Q&As, fact sheets and third party resources (www.FPL.com/energysmart).
- Briefings for the media and public officials prior to beginning deployment in new areas.
- A pre-installation postcard and post-activation letter directing customers to additional sources of information.
- A post-activation bill message.
- Smart meter information made available through FPL's interactive voice system.
- Email communication encouraging use of the Energy Dashboard.
- Stories in bill inserts and eNewsletters.
- A free class offered through Miami Dade College and Broward College that taught customers how to create their own energy-saving plan using the Energy Dashboard.
- Formal and informal presentations to community organizations and homeowners' associations.

Q. Did these efforts help FPL successfully complete its smart meter deployment?

A. Yes. Nonetheless, a very small percentage of customers – less than one half of 1% - continued to request the option to take service with non-standard, non-communicating meters.

Q. Did FPL take any actions during deployment to accommodate this small group of customers?

A. Yes. In an effort to accommodate these customers, FPL voluntarily created a “postpone list” pending the completion of its smart meter deployment to its residential customers. Customers who objected to smart meters – for any stated reason or for no reason – retained their existing non-standard meters (or received a non-communicating replacement meter if a smart meter had already been installed). This accommodation has been temporarily provided at no charge to the individual customer.

Q. Were there other benefits associated with the postpone list?

A. Yes. By creating a postpone list, FPL was able to begin to quantify the number of customers who expressed concerns about the new smart meters. This information was ultimately used to assist the Company in developing its projection of anticipated opt-out customers.

Q. In light of FPL's plan to deploy smart meters to all residential and small business customers, why did the Company allow this group of customers to be placed on a postpone list?

A. While FPL strongly supports the use of smart meters, the Company understands that some customers have expressed their desire to opt-out. In light of this situation, the Company felt that the creation of the temporary postpone list during deployment was the most accommodating course of action for FPL's customers while the Company considered an appropriate long-term solution.

Q. Did FPL participate in the smart meter workshop conducted by the Commission Staff in September of 2012?

A. Yes. FPL, along with other utilities, industry representatives and members of the public, participated in the day-long workshop.

Q. Did the Staff prepare a written summary of the September 2012 Smart Meter Workshop?

A. Yes. Staff issued a memorandum dated February 11, 2013 providing an overview of the issues and concerns raised at the workshop. This memorandum was presented by Staff to the Commission at the February 19, 2013 Internal Affairs Meeting. A copy of Staff's Smart Meter Briefing from February of 2013 is attached as Exhibit RAO-3.

Q. Did the Staff Memorandum provide any guidance to FPL regarding the potential filing of an opt-out tariff?

A. Yes. The Staff Memorandum, particularly the comments regarding opt-out tariffs, helped to inform the proposal ultimately submitted by FPL.

Q. What recommendations did Staff make to the Commission in the memorandum regarding the possibility of a Smart Meter Opt-out Tariff?

A. In the memorandum, Staff noted that all of the investor-owned utilities:

> "…appear to be in agreement that if an option is offered, the customer who requests an alternative type of meter should be responsible for all the related costs. The FPSC has a history of ensuring that the cost-causer pays the costs associated with their request. Examples include undergrounding of distribution lines, distribution upgrades for net metering, and customer-requested electric line extensions."

In its concluding remarks, Staff went on to emphasize its belief that all charges under any opt-out tariff "should be cost-based to ensure any subsidization is kept to a minimum."

Q. In light of all of the information gathered by FPL during the smart meter deployment, did the Company ultimately conclude that it would be appropriate to offer its customers a cost-based opt-out option under a Commission-approved tariff?

A. Yes. FPL's analyses on this issue resulted in the proposal for the cost-based opt-out tariff filed by the Company in August of 2013.

Q. Why has FPL proposed to recover the costs of the opt-out program through a cost-based tariff?

A. Providing service with a non-communicating non-standard meter adds significant incremental costs that would not be incurred with the standard communicating meter. It would not be fair, and in fact it would be discriminatory to those customers who do have communicating meters, to force them to pay the costs for the small percentage of customers who are requesting the non-standard service. FPL is proposing this cost-based tariff based on the longstanding principle that the cost-causers should pay the incremental costs for optional, available non-standard services.

FPL witness Deason provides additional support for this position in his pre-filed testimony.

III. COST ANALYSIS

Q. Please explain the process used by FPL to identify the functional areas within the Company affected by the decision to offer customers the choice to opt-out of the smart meter.

A. FPL began by reviewing opt-out filings made in other jurisdictions to understand the functional areas identified by those utilities that had already proposed or implemented opt-out programs. With that information in hand, the Company turned inward and completed a thorough and comprehensive analysis of its own systems and processes. Through this process FPL identified the functional areas that would be directly impacted by the implementation and administration of a non-standard meter program. The primary functional areas and systems identified were: customer information system, billing, meter reading, collections, care center, field meters, meter technology center, power delivery, marketing and communications, regulatory accounting, and safety. The impacts on these functional areas are addressed in more detail in Exhibit RAO-4, also identified as Exhibit B to FPL's Petition for Approval of Optional Non-Standard Meter Rider ("Petition").

Q. What was the next step in the development of the NSMR tariff?

A. Once the impacted functional areas had been identified, the Company undertook an extremely thorough analysis to identify, project and validate the incremental cost components attributable to the opt-out program that would be incurred in each of these areas.

Q. Can you describe the cost components of the impacted functional areas that are included in the cost-based NSMR rates?

A. Yes. However, it is important to remember that FPL's analysis resulted in an Enrollment Fee of $105 and a Monthly Surcharge of $16 (as shown on Exhibit RAO-1), charges that are slightly higher than those reflected in the revised tariff filed by FPL in January of 2014 (as shown on Exhibit RAO-2).

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for the Customer Information System.

A. FPL's Customer Information System is the official system of record for customer data. The system maintains the history of FPL customers' account and energy data. The continued use of non-standard meters required system enhancements to ensure that new NSMR attributes could be assigned to the opt-out customer, premise and meter change order transactions. Additionally, work management systems were enhanced to properly notify meter reading and field meter maintenance employees of NSMR customer attributes, including adding interfaces to field systems such as the Trouble Call Management System and the Field Management Operations Systems so that proper customer NSMR attributes would be reflected in those systems as well.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for the Billing System.

A. In order to properly bill NSMR customers for the incremental costs associated with the opt-out program, FPL was required to modify its billing system. These modifications include, among other things, the capability to record NSMR transactions to the financial systems. Additionally, these modifications allow FPL to generate reports that are required to track account attributes from postponed and unable to complete ("UTC") status to either NSMR enrolled or accepted smart meter status. Finally, FPL projected the incremental costs associated with back office billing work to handle enrollment, meter change orders, and initial billing.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Meter Reading.

A. In order to accurately and timely record the electricity used by NSMR customers, and in accordance with FPL's policies and good utility practices, FPL requires meters to be read manually by its employees at monthly intervals. Costs were projected for the required effort to manually read meters monthly for customers who enroll in the opt-out program. This required the establishment of unique routes for NSMR customers and included salary, the purchase of additional hand held meter reading devices, vehicle cost for miles driven, supervision and employee related expenses. Also included were the projected costs for creating meter reading routes for customers who enroll in the NSMR program, and revision of routes as additional NSMR customers are added to and removed from the program.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Collections.

A. NSMR customers will continue to require field visits for collecting delinquent payments/disconnections for non-payment and field visits for re-connects subsequent to payment. Smart metered premises with enabled Remote Connect Service no longer require these additional site visits. NSMR customers will therefore be billed the existing service charges and the incremental costs for this non-standard service.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for the Care Center.

A. FPL's Care Center is made up of employees and systems that respond to calls from customers. Costs were projected to create scripting and train customer care representatives on the details of the NSMR program. Costs were estimated for these representatives to handle projected call volumes for customer inquiries related to the NSMR program, follow-up calls, and customer enrollment assistance. Costs were also projected for Care Center representatives to process customer enrollments sent via mail from the tear off portion of enrollment notification letters.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for the Field Meter organization.

A. FPL's Field Meter organization performs meter installations and maintenance on meters throughout the Company's service territory. Costs were projected for this department to make on average at least one site visit to each NSMR premise during the originally requested three-year cost recovery period. These projections were based on the need to make site visits for the installation of the non-standard meter for those with smart meters already installed, site visits for retrieval of non-standard meters for meter sampling and testing, site visits for potential theft monitoring, and other site visits that relate directly to the non-standard meter.

Although FPL's analysis supports the need for an average of one site visit every three years, through the filing of FPL's revised tariff, the Company has agreed to include charges for only one site visit every five years.

Q. Why is it appropriate to charge all customers for an average of one site visit when they might not need any?

A. Rates are based on average costs. It would not be efficient or practical to charge customers each time there was a non-standard meter site visit. In fact, FPL's projection of one site visit per non-standard meter customer every three years is actually conservative and there will likely be more than one such visit every three years on average. FPL has already made over 4,800 site visits to customers on the postpone list to set non-standard meters, and meter sampling will require the majority of non-standard meters to have site visits over the next three years if these meters remain in the field.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Meter Sampling.

A. The FPSC requires annual meter testing of statistically valid populations of different meter types to demonstrate that utility meters are accurate. The legacy meters in the postpone population consisted of about 100 different meter types, each in relatively small numbers. In order to achieve valid sample sizes for these legacy meter types in the opt-out population, the Company will be required to test the majority of the remaining non-standard meters over the next three years.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs related to the unnecessary dispatching of Power Delivery crews, or truck rolls.

A. Power Delivery is responsible for outage restoration, among other things. Incremental Power Delivery costs were projected for truck rolls related to non-standard meter outage calls that could have been resolved without a field visit if the customer had a smart meter. Truck rolls are avoided when a smart meter customer inquires about an outage and the FPL representative can remotely determine that the customer's smart meter is receiving power, suggesting the customer check their circuit breaker or other customer-side issues as the cause of their outage.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Marketing and Communications.

A. Costs were projected for the design and implementation of the communication plan for the opt-out program. This included costs for work to ensure that the communication materials were clear and effective, customer usability tests of the on-line enrollment experience, and three waves of communications over the 90-day enrollment period to postponed and UTC customers. This robust communication plan provided postponed and UTC customers with multiple opportunities to respond in order to minimize the number of unresponsive customers who would be defaulted into the program at the end of the 90-day enrollment period.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Safety.

A. Because additional meter readers and field meter personnel will continue to make field visits, they will continue to be exposed to danger and risk in the field. The projection of safety costs in this area is attributable to the need to continue to have employees in the field and is based on historic OSHA and vehicle accident claims.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs for Enrollment Systems.

A. Web and voice response systems were designed, created and implemented for the new opt-out enrollment systems. The online enrollment system was designed to help customers determine if they were eligible for the opt-out program and validate the customer's existing meter type. This online system includes information to help the customer make an educated decision regarding the choice of meter and to assist with completing the application for opt-out enrollment. A mirror application was created for the Care Center to enroll customers who called to enroll. Both of these applications needed to be interfaced into the customer information system. FPL's voice response system was enhanced to provide callers with information about the NSMR program and assist them with enrollment. Finally, the enrollment systems asked the customers about meter accessibility and appropriately routed customers to an appointment desk for those who required meter changes but stated their meter was not accessible.

Q. Please describe FPL's approach to assessing the opt-out program incremental costs on the Revenue Requirements for the Company.

A. The Company calculated the revenue requirements associated with the opt-out utilizing the same methodology used to calculate base rates. All costs included in the opt-out revenue requirement calculation are incremental to the costs recovered through base rates. The return calculation was based on FPL's Commission-approved rate of return.

Q. If the analysis described above supports the Enrollment Fee of $105 and the Monthly Surcharge of $16, why did FPL file a revised tariff with an Enrollment Fee of $95 and a Monthly Surcharge of $13?

A. After FPL filed its Petition with the original tariff in August of 2013, the Commission Staff engaged in discovery and analyses, and ultimately issued a recommendation on December 23, 2013. In that recommendation, Staff opined that the Enrollment Fee should be reduced to $95 and the Monthly Surcharge should be reduced to $13. The Commission approved the recommendation on January 7, 2014.

Q. Please explain the basis for the modifications recommended by Staff and approved by the Commission.

A. Staff's recommendation, which was approved by the Commission, included three modifications to the following assumptions:

1. <u>Extend Recovery Period to Five Years</u> - Staff recommended extending the recovery period of FPL's system and communication costs from

the three years requested to five years. Based on this, Staff recommended a reduction from $16 to $13 in the Monthly Surcharge.

2. Reduce Care Center Staffing - Staff recommended reducing the cost for FPL's Care Center to handle NSMR enrollment by reducing staffing after year two from four employees to one employee. Based on this, Staff recommended a reduction of $3.24 in the Enrollment Fee.

3. Eliminate Meter Reading Routing After Year Two – Staff recommended that the cost to route NSMR meter reading should be absorbed into existing staffing levels after year two. Based on this, Staff recommended an additional reduction of $7.19 in the Enrollment Fee.

Q. Did FPL agree with the reductions in both the Enrollment Fee and the Monthly Surcharge?

A. While FPL continues to feel that its original analysis was appropriate, the Company agreed to accept the modifications and thereafter filed its revised tariff in compliance with Order No. PSC-14-0036-TRF-EI.

Q. Notwithstanding these changes, does the FPL revised NSMR tariff remain cost-based?

A. Yes, it is cost based using Staff's analysis and assuming a participation rate of 12,000 customers.

Q. Should customers with several non-standard meters at the same property pay separate Enrollment Fees and Monthly Surcharges for each non-standard meter?

A. Yes. In order to treat all customers fairly, rates are based on average costs to serve the complete group of opt-out customers rather than on an individual customer basis. It would not be appropriate or practical to attempt to assign different rates based on a customer's circumstances at any given time, including the distance between non-standard meters in the field.

Q. Has FPL identified other costs that were not included in the NSMR tariff?

A. Yes. As FPL moved into the implementation phase of the opt-out program, the Company has identified costs that were not included in original projections and were not included in either the Enrollment Fee or the Monthly Surcharge. While FPL fully intends for this tariff to be cost-based, the Company is not currently advocating that these costs be added to the tariff. Actual incremental costs, revenues, and enrollments will be monitored and reported to the Commission annually, providing the Commission with the information needed to make adjustments to the tariff as it deems appropriate.

IV. ENROLLMENT PROJECTIONS

Q. When FPL filed its Petition seeking approval of the NSMR tariff, how many customers were on the postpone list?

A. FPL had approximately 24,000 customers on the postpone list at that time.

Q. How then did FPL determine that it would be appropriate to spread the costs of the opt-out program across 12,000 customers?

A. FPL recognized that there was no precise way to project the number of customers who would ultimately make the choice to pay a charge to receive their electric service through the non-standard meter. However, in order to establish a rate for this non-standard service, the Company engaged in a process to identify and analyze information upon which to project participation rates. FPL carefully analyzed its own system data, and also looked at available information from utilities around the country which had smart meter opt-out options. Based upon the most current available information, FPL projected 12,000 customers to take service under this optional tariff.

Q. Explain the analysis performed to arrive at FPL's projection of approximately 12,000 opt-out customers.

A. The first part of the analysis performed by FPL identified utilities throughout the United States that transitioned from postpone lists to opt-out programs. The analysis of this data indicated that between 17% and 72% of the populations that had been postponed during smart meter implementations made the choice to opt out of the smart meter. Although some of these programs did not include a cost-based opt-out rate, FPL utilized these statistics in an effort to include all available data. For FPL, the application of these percentages translated to a range of 4,080 to 17,280 customers of the approximately 24,000 customers on the postpone list. The midpoint of that range was 10,680 customers, or 0.24% of FPL's smart meter eligible customer base.

Q. Did FPL rely entirely on that data to project 12,000 potential opt-out customers?

A. No. The Company also looked at additional data available as of July 2013 in an effort to identify the percentage of smart meter eligible customers in the majority of programs around the country that had agreed to pay a fee to opt-out, regardless of whether there had been an initial postpone list. The results of that analysis reflected that a range of 0.02% to 0.5% of all smart meter eligible customers had made the choice to pay a fee to opt-out. The midpoint of this participation range is 0.26%. 0.26% of FPL's smart meter eligible customer base would equate to 11,700 customers.

Q. At the time the Petition was filed, did FPL also have a population of customers who had not received smart meters because they either prevented access to their property or whose meters were unable to be accessed for any number of reasons?

A. Yes. In addition to the approximately 24,000 customers on the postpone list, FPL had been unable to install smart meters in approximately 14,000 additional eligible premises, identified above as UTC accounts. These UTC customers had not asked to be on the postpone list, but installation had not been possible for any number of reasons outside of FPL's control. In arriving at its projection of 12,000 customers to establish the opt-out rate, FPL assumed that a small number of these UTC customers may ultimately take service pursuant to this rider.

Q. What did FPL conclude from the analyses of opt-out participation rates in other jurisdictions and from the analysis of its own customer specific information?

A. Based upon the analyses performed by FPL, the Company reasonably projected an anticipated opt-out population of between 0.2% and 0.3% of FPL's smart meter eligible customers.

Q. How does this analysis translate into projected numbers of opt-out customers?

A. This equates to a range of 9,000 to 13,500 potential opt-out customers, for a midpoint of 11,250. Because FPL anticipated that only a small number of the 14,000 UTC customers that existed in July of 2013, along with a small number of additional customers who were not on the postpone list, would take service pursuant to the NSMR, the tariff is based upon an expected opt-out population of 12,000 customers.

Q. With the tariff approved, explain FPL's process of providing customers with information about this new optional service.

A. FPL went to great lengths to ensure that all postponed and UTC customers had ample information and time to make an informed decision regarding their choice of meter and to then notify FPL of their choice before billing begins in June 2014. The 90-day enrollment period, which ran from March 2014 through May 2014, included three waves of communications. Each wave consisted of letters, brochures, emails and phone calls to these customers. The material was designed to provide customers with the facts about smart meters, the costs associated with the choice of a non-standard meter, and the terms and conditions of the NSMR program. These customers were given three ways to notify FPL of their choice: (1) via www.FPL.com/meteroption, (2) by calling the dedicated NSMR enrollment phone number, or (3) by mailing in a tear-off enrollment form and returning it in a postage-paid envelope. Each wave of communication was only directed to the customers who had not yet notified FPL of their choice; once customers made their choices, they were removed from future enrollment communication. The final letter was sent by both certified and regular mail, emphasizing the need to take action or be defaulted into the opt-out program. All customers who enrolled in the opt-out program, either through their own action or by default, also received a letter confirming their choice in conjunction with their June bill. In addition to these outreach efforts, FPL's website was updated with facts about the opt-out program along with instructions on how to enroll.

Q. Has the Company also provided notification of this new optional service to the rest of its customers?

A. Yes. In keeping with Commission practice, FPL provided notification of the NSMR tariff to all FPL customers. A copy of the communication included in bills sent to residential customers in May of 2014 is attached as Exhibit RAO-5. Another communication regarding the new NSMR tariff will be sent to all FPL customers as a message that will appear as part of their June 2014 electric bill.

Q. To date, how many customers have chosen to receive service through a non-standard meter at the NSMR tariff rates?

A. As of May 16, 2014, 3,815 FPL customers had actively enrolled in the NSMR program.

Q. How many customers remain on the postpone and UTC lists?

A. As of May 16, 2014, with two weeks remaining in the 90-day enrollment period, approximately 5,700 customers from the postpone and UTC lists had not yet responded with their meter choice.

Q. How will these unresponsive customers be billed at the end of the 90-day enrollment period?

A. Those customers who do not respond by the end of May will be defaulted into the NSMR program. However, the Company has included in the tariff a grace period (as explained in Exhibit RAO-2), during which eligible customers can decline participation in the program within 45-days of receiving their initial

NSMR charge. The NSMR charges for these customers will be waived once the smart meter is installed.

Q. FPL's position is that the tariff is cost-based. How will the Commission, the public, and interested parties know whether that remains the case as participation rates fluctuate?

A. Each year FPL files a Smart Meter Progress Report in the Energy Conservation Cost Recovery Clause Docket. The Company will provide the Commission with annual information in that report identifying actual participation rates, actual costs associated with the continued operation and administration of the program, and actual revenues received in the form of customer Enrollment Fees and Monthly Surcharge payments.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF ROBERT A. ONSGARD

DOCKET NO. 130223-EI

July 28, 2014

Q. Please state your name and business address.

A. My name is Robert A. Onsgard. My business address is 9250 W. Flagler Street, Miami, Florida, 33174.

Q. Have you previously submitted testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any rebuttal exhibits?

A. No.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to rebut the assertions of witness Marilynne Martin regarding the underlying cost basis of Florida Power & Light's (FPL or the Company) non-standard meter rider (NSMR) tariff. My testimony addresses a number of the flaws and misconceptions contained in witness Martin's testimony. First, I respond to witness Martin's unfounded criticism of the manner in which FPL deployed smart meters and explain why her position on the timing of the assessment of opt-out costs, and enrollment of opt-out customers, lacks logic or factual support. I also address the appropriate costs to be recovered through the NSMR tariff and refute witness Martin's allegations regarding cost savings attributable to NSMR customers.

I. TIMING TO ASSESS COSTS AND OFFER THE NSMR TARIFF

Q. Please comment on witness Martin's contention that FPL should have waited to activate all smart meters at the same time and that this would have avoided the enrollment costs associated with the opt-out.

A. Witness Martin claims that because FPL utilized a "phased implementation" to deploy and activate smart meters by service area, as opposed to a "big bang" approach where all meters are activated at once, cost savings were not fully realized and the incremental costs of non-standard meter service could not be determined. She also claims that this "phased implementation" essentially made FPL the cost causer of enrollment costs. Her position appears to be premised upon the mistaken belief that the Company could have avoided the costs of enrolling customers in the NSMR program if this work had been undertaken during deployment.

Q. Could FPL have deployed and activated smart meters in the "big bang" approach witness Martin suggests?

A. No. It would not have even been physically possible for FPL to install and activate 4.5 million smart meters all at once. FPL is very proud of its smart meter deployment project which was among the fastest large-scale deployments of its kind in the nation, with 4.5 million meters installed in only 40 months.

Q. Could FPL have avoided the costs of maintaining a postpone list and simply enrolled NSMR customers during deployment?

A. No. In essence, witness Martin's position is that FPL should have: 1) anticipated the need for an opt-out program before deployment began in August of 2009; 2) estimated the costs of non-standard service notwithstanding the absence of sufficient data to identify all cost components and to project the opt-out population; 3) filed for and sought approval of an opt-out tariff before deployment began; and 4) then enrolled customers during the meter deployment, incurring arguably the same costs as waiting until the end of deployment. This approach would not have resulted in lower costs for enrollment but at the same time would have certainly created many other disparities.

Q. What do you mean by "other disparities"?

A. The approach suggested by witness Martin would have significantly delayed smart meter deployment, increasing costs to the general body of FPL's customers. Witness Martin's approach would have also yielded an opt-out rate based on significantly less accurate assumptions, as costs could not have been properly determined and the opt-out population could not have been reasonably projected at that time. Somewhat ironically, witness Martin's suggestions would have resulted in many opt-out customers paying for up to four more years of non-standard service, and at a rate that likely would not have reflected actual costs. It is clear that allowing customers to postpone smart meter installation at no cost to the customer while the Company completed deployment balanced the benefits of an efficient smart meter deployment with the ability to accurately identify the costs and to better project participation rates of an opt-out program for FPL's customers.

Q. Is FPL's smart meter deployment in "project mode" as alleged by witness Martin?

A. No. FPL completed activation of residential and small business smart meters in all service areas on September 17, 2013, qualifying in witness Martin's terms as "ready state." FPL does have approximately 175,000 commercial and industrial smart meters currently being deployed which were not part of FPL's initial deployment plan. However, these final smart meter customers are located in areas where all other smart meters have already been activated.

Q. Would it have been appropriate as witness Martin suggests to calculate opt-out fees based on the number of customers that had simply requested free postponement of smart meter installation rather than on the number of customers actually willing to pay the costs of the service?

A. No. There is no logic to this approach, which would only artificially lower the NSMR charges for those who participate. FPL's methodology of projecting non-standard meter service participation by extrapolating the participation rates from the existing opt-out programs in other jurisdictions was the fact-based approach. That data clearly showed that not all postponed customers would be willing to pay the costs for non-standard service. This fact has been borne out by FPL's NSMR participation rates to date. As described in witness Deason's testimony, customers who are contemplating the option to choose a non-standard meter should be fully informed and know the cost impacts of their decision.

Additionally, witness Martin incorrectly asserts that FPL did not exclude the Sumter and Lakeland municipal utilities from the analysis and therefore skewed this data to reach a lower projection of opt-out customers. In fact, FPL did exclude Sumter and Lakeland, and only used similarly situated larger utilities in the analysis. That said, to date actual participation has been significantly lower than what FPL projected. Currently there are approximately 6,700 customers enrolled in the smart meter opt-out program, substantially less than the projected opt-out population of 12,000.

Q. Did waiting until the end of smart meter deployment to implement the NSMR tariff inflate the costs of providing a non-standard meter service?

A. No, it did not. The incremental costs required to provide the non-standard meter service are unique and specific to that service, and have not increased by waiting until deployment was completed. In fact, as mentioned, waiting until the end of deployment has saved opt-out customers up to four years of non-standard service charges that would have been in effect if enrollment was undertaken during smart meter deployment.

Q. Were there actually benefits realized by waiting until the end of deployment to implement the NSMR tariff?

A. Yes. FPL's methodical approach ensured an efficient smart meter deployment, allowed the Company to identify and quantify the non-standard meter costs, allowed the Company to better project the number of customers who might ultimately participate in the opt-out program, and allowed the postponed customers to have non-standard meter service at no charge until deployment was essentially complete.

Q. How did FPL arrive at the $105 Enrollment Fee originally requested?

A. As supported by Exhibit B to FPL's Petition for Approval of Optional Non-Standard Meter Rider (Petition), and as mentioned at the January 7, 2014 Agenda Conference, FPL's total Up-Front and One-Time costs per NSMR customer was estimated to be $310, based on 12,000 participants. Although this would be the logical amount to charge as an Enrollment Fee, FPL was mindful that it is simply not practical to seek recovery of those costs in one lump sum up front payment. At the same time, it is appropriate that the Enrollment Fee for participating in the non-standard meter service should be substantial enough to ensure customers are informed of the costs associated with their meter option decision, and to allow FPL to recover a sufficient portion of the one-time costs. Considering all this, FPL determined that the $105 Enrollment Fee provided FPL with the opportunity to begin recovery of its costs, and also provided customers with the proper price signal. FPL thereafter agreed to Staff's recommended reduction of the Enrollment Fee to $95, primarily because it still served both of these purposes.

Q. Does the $95 Enrollment Fee represent FPL's one-time cost per meter?

A. No. To be clear, as described above, the $95 Enrollment Fee represents a reasonable approach to recovering a portion of the one-time costs through the Enrollment Fee, spreading the balance over time. It is not simply the one-time cost per meter to FPL.

II. APPROPRIATE COSTS TO BE RECOVERED THROUGH THE NSMR TARIFF

Q. Is witness Martin's assumption correct that non-communicating meter service is not "new" on the basis that customers have been receiving this service for a long time and that the services are paid for through what she describes as "basic rates"?

A. No it is not, and it also has no bearing on the incremental costs associated with the non-standard meter service. Continuing to provide service with non-communicating meters requires FPL to implement new processes as well as maintain certain other old processes that otherwise would not be needed. The incremental costs included in the NSMR tariff would not exist but for those customers' choice of a non-standard meter.

Q. Does FPL's opt-out tariff discriminate against the opt-out customers by attributing speculative incremental costs to those customers, as alleged by witness Martin?

A. Absolutely not. Contrary to witness Martin's continued attempt to claim otherwise, FPL performed a comprehensive cost analysis to support the NSMR tariff rates, and the Company will continue to be transparent in reporting its costs. The costs have been fully reviewed by Staff and the Commission and will be subject to annual review. Finally, as described by FPL witness Deason, it is not discriminatory to assign costs exclusively to customers electing to take non-standard service. It is absolutely appropriate.

Q. Please comment on witness Martin's assumption that non-standard meter service imposes de minimis costs and that any special surcharge should be waived and those costs should be "shared by all ratepayers."

A. FPL works very hard to continue to deliver reliable electric service to its customers at the lowest cost in Florida. FPL does not view more than $3 million in up-front and one-time costs, as well as over $1 million in annual costs, as de minimis.

Q. Please respond to witness Martin's contention that Staff's recommendation to reduce enrollment workload requirements should have been more aggressive, reducing enrollment positions in 3-4 months rather than the two years recommended by Staff.

A. Witness Martin's position is premised on an incorrect assumption. FPL's methodology of projecting incremental enrollment costs was based on an estimated cost per call multiplied by the projected call volumes that would be expected for the enrollment process. As illustrated on Page 6 of Exhibit B to FPL's Petition, FPL projected these incremental costs as one-time enrollment costs per non-standard meter customer that would be recovered over three years. However, in accordance with Staff's recommendation, FPL will now recover these one-time costs in the NSMR Monthly Surcharge over five years. Staff's recommended adjustment assumed these costs were based on fixed staffing levels instead of cost-per-call projections, and recommended that FPL lower its costs based on lower staffing during the last three years of the program. Although this was not consistent with the methodology FPL used in projecting the costs of the program, the Company agreed to lower the Enrollment Fee in accordance with Staff's recommendation. Witness Martin's rationale that these one-time costs could now be further reduced by assuming a 3-4 month enrollment period is incorrect and unsupportable.

Q. How does witness Martin support her assumption that the one-time fee for establishment of meter routes is not appropriate?

A. Witness Martin states that the costs to establish routes were incurred upon smart meter activation some years ago and should be absorbed through project costs.

Q. Is this a correct statement of how and when meter routes were established?

A. No. Meter reading routes had to continually be adjusted as smart meter activation occurred during deployment. The non-standard meter routes also changed as the postponed and unable-to-complete (UTC) populations made their meter choice during the recent enrollment period. The location and density of the non-standard meters in the routes are changing again as enrolled customers reconsider their choices during the 45-day grace period afforded by FPL. Additionally, the number of non-standard meters in the routes will continue to change during the life of the program.

Q. Please address each incorrect assumption underlying witness Martin's challenge to FPL's use of an average of one field meter visit per opt out customer.

A. First, witness Martin incorrectly states that FPL included the one field meter visit cost as a component of the up-front $95 Enrollment Fee. On the contrary, most of the one-time meter costs, such as this site visit cost, are recovered over five years through the Monthly Surcharge.

Next, witness Martin suggests that a separate fee should be established for each field visit and that FPL should charge the individual customer when that visit takes place. In essence, she is suggesting a separate, unique and additional service charge along with the charge for the non-standard meter service. This approach completely ignores the fact that the costs to provide the non-standard meter option have been spread across the entire group of customers receiving service through a non-standard meter. Establishing a separate fee as suggested by witness Martin would require FPL to make changes to its customer information system that would result in additional costs to be borne by the NSMR population. This approach would also require Commission approval of a separate tariffed charge. A separate fee for each field meter-site visit – or for other aspects of the program – is not logical, and would not reduce the cost incurred by NSMR customers as the customers would still have to pay the site visit charge all at once instead of over the five years as approved by the Commission. At the same time, customers that need more than one field meter visit would obviously pay significantly more than the charges associated with the single site visit.

Witness Martin also assumes that the inclusion of one field meter visit on average in the fee is designed to discourage customers from enrolling, and has a “chilling effect” for low-income and fixed income customers. For the reasons described above, the truth is just the opposite. The NSMR tariff structure helps stabilize costs. As described below, the inclusion of costs associated with only one field-meter visit in the NSMR tariff charge is conservative.

Q. Please explain the basis of FPL's inclusion of one average field meter-site visit per customer.

A. Site visits included in this component of the tariff charge are for non-standard meter installation, required meter sampling for testing, outage restoration and monitoring for current diversion. Not included in the average one field meter site visit per NSMR customer are site visits for NSMR customer relocation or site visits for NSMR customer collection activities (connect/disconnect). FPL's data and analyses support the assumption that the Company will be required to make at least one field meter visit per NSMR customer every three years, which is further substantiated by the fact that:

- FPL has made more than 4,800 site visits to customers on the postponed list to set non-standard meters since the postponement list began. Now that the initial 90-day enrollment period (from March through May 2014) is over, FPL can also report that for the approximately 7,000 customers who had enrolled as of July 1, 2014, FPL has already made 1,650 field meter site visits to these premises to install non-standard meters. Now that the postpone and UTC lists have been resolved, future enrollments over the next five years will almost certainly require a site visit to install a non-standard meter.
- Due to the large number of different non-standard meter types remaining in the field for NSMR customers (approximately 100 different meter

types), the required sample sizes will result in most non-standard meters requiring removal for testing or replacement over the next five years. The specific Florida Administrative Code requirements for meter sampling are addressed later in my testimony.

- Finally, notwithstanding witness Martin's unfounded assertion to the contrary, FPL will need to make additional site visits to NSMR customers due to the inability to "ping" NSMR meters before leaving outage restored areas to ensure they are connected.

Q. How do you respond to witness Martin's assumptions regarding the one-time fee for meter sampling and testing?

A. Witness Martin incorrectly claims that the meter-sampling and testing requirement is not appropriate because FPL's sample sizes are illogical and the Company has provided no evidence that all of these meters require testing within the next three years. On the contrary, FPL must sample all meter types and test for accuracy in accordance with FPL's In-Service Random Meter Sampling Plan approved by the Commission and required by Rule 25-6.052, Florida Administrative Code. Due to the large number of different non-standard meter types left in the field for NSMR customers, the required sample sizes will result in most non-standard meters requiring removal for testing or replacement over the next five years.

Witness Martin also contends that meter-sampling costs were already included in the most recent rate case test year and should be absorbed. As testified by FPL witness Deason, the proposal to absorb such costs in base rates is without merit. Sampling and testing of non-standard meters is incremental and would not be incurred but for customers choosing the non-standard meter option.

Q. Please respond to witness Martin's position that FPL should allow self-reads or estimated bills for non-standard meter reading.

A. Accurate and timely meter reading is a fundamental responsibility for all utilities to properly bill customers. FPL does not believe either self-read or estimated bills are appropriate methods for the primary controls over reading meters and billing customers.

The Commission's rules also disfavor self-read and estimated bills. Rule 25-6.099, Florida Administrative Code, provides that "meters *shall* be read at monthly intervals on the approximate corresponding day of each meter-reading period" unless special circumstances warrant. Also, Rule 25-6.100(1) directs that "bills shall be rendered monthly and as promptly as possible following the reading of meters," which expresses the Commission's preference that bills be based on actual meter readings. More to the point, Rule 25-6.100(3) states that "estimated bills may be submitted" only "when there is sufficient cause."

Q. How do you respond to witness Martin's assumption regarding billing and support costs?

A. Witness Martin again erroneously claims that the costs associated with this activity are not appropriate, and states that FPL should absorb the costs to set up initial billings. This is not accurate, nor would it be proper. FPL has incurred and continues to incur incremental costs for NSMR related customer communications, system testing of enhancements, billing reviews, manual meter change order controls and required reconciliations. These costs should not be absorbed by the Company.

Witness Martin further alleges that there must be offsets or some savings to compensate for these incremental costs. As examples, she states that there will be savings in not manually activating the smart meters and savings in not having to enroll NSMR customers in other smart meter services. There are no such manual activations of smart meters, nor are there any such smart meter services that require customer enrollment.

During smart meter deployment, geographical areas were referred to FPL's Meter Reading department in groups of approximately 75,000 to 100,000 smart meters after the deployment and optimization teams had completed their work. The Meter Reading department then activated smart meters at the route level after removing exception meters individually and placing them into a non-activated route. NSMR customers are actually a cost driver in this activation process since they are the ones that need to be re-routed to non-activated routes. The estimates for billing support are reasonable and, as with all NSMR costs, subject to annual review by the Commission.

Q. Please respond to witness Martin's assertion regarding collection costs that it is "unfair to further penalize the good paying customers in this pool with additional costs."

A. Smart-metered premises with enabled Remote Connect Service no longer require site visits for collections; however NSMR customers will still require site visits for collections. Including the incremental costs of collections does not penalize NSMR customers. In the absence of NSMR historical payment history data, FPL took the system-wide rate for field collection visits and applied it to the NSMR population. This assumed that the population of NSMR customers that did not pay their FPL bills would be consistent with FPL's system-wide population. NSMR customers will continue to pay the standard collection service charges, along with the incremental costs included in the NSMR fee.

Q. Witness Martin suggests additional financial requirements for customers choosing the NSMR option. What is your response?

A. FPL already has guidelines based on creditworthiness and payment history that comply with the Florida Administrative Code and are consistent with FPL's tariff. In proposing this tariff, FPL did not want to unduly limit those customers who could take the non-standard service and therefore rejects witness Martin's suggestion regarding a requirement for special NSMR deposits or limiting NSMR eligibility based on payment history.

Q. Please respond to witness Martin's assertions regarding charges for physical investigation of outages.

A. Witness Martin claims that FPL's projection of "truck rolls" that could have been prevented if the customer had a smart meter is speculative. She further states that FPL should do as the telephone company does and charge customers separately for each truck roll if the FPL representative finds that the outage cause lies within the customer's facilities. As FPL has pointed out before, establishing a separate fee would require a new tariff, new system changes that would drive additional cost to the NSMR population, as well as a potential significant fee to the NSMR customers that would be charged all at once, and perhaps more than once, instead of spread over time.

Q. Does the opt-out program require the equivalent of a full-time project manager, the costs of which should be included in the opt-out charge?

A. Yes. Witness Martin states that the cost of a full-time project manager is excessive and that the cost should be absorbed. This position lacks both factual and logical support. The administration of this project is complex and the accounting oversight critical to the proper billing and reporting of the project. Two things are important to note regarding the project management cost. First, FPL has included one equivalent full-time position in the cost structure; however, during the initial phase of this project, as FPL expected, substantially more than one full-time position has been necessary. Second, while the level of the project management activities is greater in the early stages of the program, these costs are being spread out over five years.

Q. How do you respond to witness Martin's suggestion that "special consideration" be given to those customers with multiple meters in the same location?

A. Witness Martin incorrectly suggests that the costs for field visits and meter readings are inflated because they assume separate truck rolls that will not occur for locations with multiple meters such as apartment complexes. Rates are based on averages, with all customers treated consistently within the group. It would not be appropriate for there to be "special" (i.e., lower) rates for customers who might, at any given time, have multiple meters at the same location, just as it would not be appropriate to have higher rates for a geographically isolated opt-out customer.

III. NSMR PROGRAM DOES NOT GENERATE COST SAVINGS

Q. Could the cost of the smart meter have been avoided for non-standard meter customers, as witness Martin states?

A. No. All utilities are required to be ready to provide standard service to all customers in their service territory. This requires having standard smart meters in stock and ready to install should a smart meter need to be replaced or a non-standard meter customer change their mind and elect standard service. It would not be appropriate or practical to then order a smart meter, and charge an incremental cost for that standard service.

Q. Does having a full inventory of smart meters provide a benefit to the general body of customers?

A. Yes. FPL's inventory balance cost is borne by, and provides benefits to, our general body of customers, including NSMR customers. FPL maintains inventories of smart meters to provide required standard service within our service territory. The fact that NSMR customers have elected to take non-standard service does not relieve FPL from the obligation to provide standard service to all customers should they so elect at any time.

Q. Witness Martin alludes to an ongoing FPL study (Docket 130160-EI) and claims that the general body of FPL customers enjoys a financial benefit by virtue of FPL having smart meters in stock. Do you agree?

A. For the reasons stated in my prior responses, all FPL customers – those taking service with a smart meter and NSMR customers alike – benefit by FPL having smart meters on hand to deploy as needed.

Q. Do you agree with witness Martin's assertion that NSMR customers should receive an offset for the cost of a smart meter?

A. No. As previously stated, the fact that NSMR customers have elected to take non-standard service does not relieve FPL from the obligation to provide standard service to all customers should they so elect in the future. Therefore, an offset is not appropriate.

Q. Do you agree with Witness Martin's testimony that "The request for the upfront capital costs for opt out customer should not have been allowed and creates a windfall for FPL at the expense of these customers"?

A. No. The costs included in the upfront capital costs were incurred by the Company in order to serve the customers that chose not to have smart meters installed. These costs are incremental and solely related to the non-standard service, and therefore there is no such "windfall" to the Company as described by witness Martin.

Q. Do you agree with Witness Martin's testimony that the Company could avoid the legacy meter "write off" for NSMR customers?

A. No. The amortization witness Martin describes was accounted for, as directed by the Commission, prior to the last rate case.

Q. Regardless of the manner in which the amortization of legacy meters was accounted for, is it true that NSMR customers should have "saved" FPL from reducing their meter book value for legacy meters?

A. No. Utilities do not account for mass property, like meters, on a customer specific basis; nor is this how regulatory accounting treatment is structured. It would not be appropriate, nor currently possible, for FPL's accounting systems to try to track mass property on a customer specific basis.

Q. What were the purported ongoing cost savings associated with serving NSMR customers that witness Martin identifies in her testimony?

A. Witness Martin cites the following areas where she feels FPL did not properly consider ongoing cost savings:

- Big Data storage and software licensing;
- Energy Dashboard savings from reduced calls to the care center from non-standard service customers;
- Reduced workload because non-standard meter customers would not require customer service representatives to activate their smart meter or enroll non-standard meter customers in other smart meter services;
- Depreciation savings from longer useful lives of non-communicating meters; and
- Meter communication repairs that would not be required on non-standard meters.

While she does not specify a dollar amount for these alleged savings, witness Martin states that FPL should have conducted proper analysis of these variable costs to determine if there were offsetting reductions in workloads or other costs savings.

Q. Did FPL analyze these potential areas for savings?

A. Yes. FPL completed its comprehensive analysis of non-standard meter costs and savings, and in the following areas determined there were no cost savings related to providing non-standard service:

1. "Big Data" storage and software licensing: FPL incurs these costs on an enterprise-wide basis. As stated for smart meter inventory, the fact that NSMR customers have elected to take non-standard service today does not relieve FPL from the obligation to be ready to provide standard service to all

customers should they so elect at any time. Additionally, FPL is not able to adjust this enterprise-wide, vendor-supplied storage capacity or software licensing on an ad-hoc basis for the small population of non-standard customers.

2. Energy Dashboard savings from reduced calls to the care center from non-standard service customers because they do not have access to the dashboard: FPL performed a review to determine if the Company actually received reduced calls to the care center due to NSMR customers not calling about the energy dashboard. There are no savings; having a smart meter vs. not having a smart meter did not change the care center call rate between the two populations. The number of calls received asking general questions about the energy dashboard or calls inquiring about high bills from both populations were nearly identical.

3. Reduced workload because non-standard meter customers would not require customer service representatives to activate their smart meter or enroll non-standard meter customers in other smart meter services: There are no non-standard meter customer cost savings related to these items. Customer service representatives do not spend any time activating smart meters and there are no other smart meter services that require enrollment. NSMR customers are actually a cost driver in the activation process since they must be re-routed to non-activated routes.

4. Depreciation savings from longer useful lives of non-communicating meters: There are no depreciation savings from the NSMR program. In fact, non-

standard meter customers actually require FPL to maintain inventories of non-standard meters for repairs, as well as smart meters in case the non-standard service customer moves or requests standard smart meter service.

However, FPL has identified costs associated with smart meter communication failures that were not reflected in our incremental cost study. While both smart meters and non-standard meters require costs to maintain, FPL determined that the Company spends approximately $0.07 more per month per meter for smart meter communication repairs.

Q. Has FPL identified additional costs that were not included in the NSMR tariff?

A. Yes. An example of incremental costs not initially identified, and therefore omitted from the NSMR tariff filing, is the work done by FPL's Customer Advocacy group which:

- Handles all elevated calls from the Care Center regarding the opt-out program, ensuring that customers receive accurate, customer-focused, thorough communications about the NSMR program and fees;
- Ensures that elevated NSMR questions/issues have proper processes, policies and consistent messaging for resolution;
- Handles all calls, including calls regarding 45-day grace period cancelations and assures that these requests are worked accurately and in a timely manner;

- Developed processes to address manual “exception” handling, ensuring that the NSMR customer status is correct in the system and that meter change orders are processed accurately; and
- Manually reviewed all first-cycle billings for NSMR customers to further ensure that all charges were appropriate.

The incremental costs associated with these activities far outweigh the $.07 per month associated with the smart meter communication failures.

Q. Are there any issues raised by witness Martin in testimony that justify a reduction to the approved NSMR tariff?

A. No. In fact, while FPL continues to support the tariff approved by the Commission in this proceeding, there is compelling evidence that the NSMR tariff rates are understated based on costs that were not included in the tariff calculations and a participation rate significantly lower than what was projected by FPL.

Q. Does this conclude your testimony?

A. Yes, it does.

BY MR. RUBIN:

Q Mr. Onsgard, have you prepared summaries of your direct and rebuttal testimonies?

A I have.

Q Would you please provide first the summary of your direct testimony to the Commission?

A I will. Good morning, Mr. Chairman, Commissioners.

Following the Commission's 2010 decision finding FPL's smart meter program prudent, the company successfully deployed and activated smart meters for approximately 4.5 million residential and small business customers. Well after FPL's smart meter deployment started, a small number of customers began to express a desire to have a non-communicating meter. To accommodate this group, FPL voluntarily created a postpone list and allowed customers to temporarily forgo receipt of a smart meter at no cost to the customers.

After the postpone list was established, Commission staff held a smart meter workshop in February of 2013. Staff recommended to the Commission that if the utility chooses to offer an opt-out program, the charges for this service should be cost based. At the same time, FPL was studying the filings of other jurisdictions to better understand the impacts of such a program. From there the company turned inward, examining and re-examining its own processes and systems to determine the feasibility of a cost-based opt-out program. The results of that thorough analysis are reflected in the tariff that was approved by this Commission.

Throughout the process, the company went to great lengths to identify and quantify the costs it would incur only if it chose to offer this optional non-standard service. Stated another way, the costs incurred in the opt-out charges would not have been incurred but for the existence of this optional service. In order to set appropriate fees and properly allocate the costs for this program, FPL had to project the number of customers who would be willing to pay the opt-out fee.

Using FPL's postpone list and data available from other utilities, the company projected that 12,000 customers would be willing to pay for this service. Consistent with staff's recommendation, the company thereafter voluntarily proposed an optional non-standard meter rider -- which we typically refer to as NSMR -- giving customers a choice to opt out of the smart meter at a cost-based rate.

Following Commission approval of the tariff in

January 2014, FPL advised all customers about the choice they were now being offered and the costs associated with making that choice.

Initial enrollment took place from March through May of 2014. The current enrollment level is addressed in my rebuttal testimony. In offering this choice to customers, FPL has worked hard to be fair to all customers. The approved tariff achieves the goal of providing customers with a choice of a non-standard meter in exchange for that group of customers paying the incremental costs of providing that service. This concludes the summary of my direct testimony.

Q Thank you, Mr. Onsgard. You indicated that you've also prepared a summary of your rebuttal testimony; correct?

A I have.

Q Would you now please provide that summary to the Commission.

A I will.

Chairman and Commissioners, my rebuttal addresses the three primary assertions in Witness Martin's testimony.

First, FPL's decision to wait until deployment was essentially complete to propose the opt-out tariff was the prudent and fact-based approach to establish this program. Second, FPL relied on accurate data in projecting costs and participation rates. And third, providing non-standard meter service does not generate any cost savings that should be included in the tariff.

Witness Martin claims that opt-out costs and the resulting charges would have been lower if FPL had sought approval of the tariff during the smart meter deployment. On the contrary, the schedule followed by FPL allowed the company the opportunity to collect data to properly assess and project the opt-out program impact and costs. During this time, customers who objected to smart meters were allowed to postpone installation and were not required to pay the costs associated with the non-standard meter service.

While Witness Martin argues that the NSMR tariff intentionally discriminates against opt-out customers by being speculative costs, this is absolutely not true. The tariff is fully supported by fact-based projections and data analysis that has been thoroughly documented, extensively reviewed, and approved by the Commission.

Witness Martin challenges the projection of at least one site visit per opt-out customer during the next five years. My rebuttal testimony clearly documents the need for these visits for the installation of non-standard meters and the required site visits to comply with FPL's approved meter test plan.

Witness Martin argues that NSMR customers should also be allowed to opt out of the monthly meter reading. FPL disagrees. Accurate and timely meter reading is a fundamental responsibility for all utilities to properly bill customers, and there are specific regulatory rules that require monthly meter reads.

Witness Martin also claims that assigning the cost of providing non-standard service is discriminatory and instead should be absorbed through base rates. This contention ignores the longstanding principle that customers requesting non-standard service should pay the cost of that service. It is not discriminatory, and, in fact, it is absolutely appropriate to assign cost to customers electing to take non-standard service.

Finally, my rebuttal testimony explains that there are no cost savings attributable to non-standard meters that would require a reduction to the approved NSMR tariff.

In conclusion, FPL voluntarily filed the NSMR tariff at the appropriate time. The tariff includes only the appropriate incremental costs, and the Commission should therefore reaffirm its decision approving the NSMR tariff. This concludes the summary of my rebuttal testimony.

MR. RUBIN: Thank you, Mr. Onsgard.

Mr. Chairman, Mr. Onsgard is now available for cross-examination.

CHAIRMAN GRAHAM: Thank you.

OPC, you are first up.

MR. REHWINKEL: Thank you, Mr. Chairman.

EXAMINATION

BY MR. REHWINKEL:

Q Good morning, Mr. Onsgard.

A Good morning.

Q My name is Charles Rehwinkel with the Office of Public Counsel.

A Yes, sir.

Q You're the only FPL witness presenting cost testimony in this docket; correct?

A That is correct.

Q And I think I read in your testimony you have a finance degree and an MBA.

A I do, sir.

Q And it's also true that you oversaw the development of the cost analysis and the resulting rates for the NSMR tariff; right?

A I did.

Q And in doing this analysis, you identified two major pots of costs: One-time costs, which are composed of capital and O&M; and recurring O&M costs. Correct?

A Yes, sir.

Q Okay. And is it true that you originally identified a little over $3 million in revenue requirements associated with the opt-out tariff?

A The revenue requirements over the original three years were more -- the $3 million does reflect the amount of up-front and capital costs that the company is investing, so I wouldn't characterize that as the revenue requirements.

Q Okay. Well, you had about $2 million in capital costs and $368,000 in O&M, plus depreciation and then a return on the capital.

A That is correct.

Q And you show that in your RAO-4? 2, I think it is. Yeah.

A Yes.

Q And you also identified, I think, if my math is right, about $1.264 million in ongoing O&M; is that right?

A Again, it depends on the term of the recovery period.

Q Okay. I'm talking about when you originally

--

A And the amount again, sir?

Q 1,264,000.

A That sounds like an annual rather --

Q Yes.

A -- than the three -- yes, sir.

Q Okay. That's the --

A If the annual amount is what you're referring to, that sounds about right.

Q I think I took your $8.76 and multiplied it by 12 months times the 12,000 customers you assumed. Does that sound right?

A It generally does. Yes, sir.

Q Okay. And as we just discussed, you mentioned, you based your rate development in the original proposal on an assumed subscription of 12,000 customers; right?

A That is correct.

Q Okay. Can I get you to turn to RAO-4, page 2.

A Yes, sir. I'm there.

Q I guess this is Exhibit 5. And when I look at this, this is, this page is just the development of the up-front cost, the one-time cost; right?

A It is the up-front and one-time fees. Yes, sir.

Q Okay. And you show in column 12 all the way to the right there the annualized levelized three-year revenue requirement.

A Yes, sir.

Q And is it, is it fair to say that this represents a million dollars a year recovery of what are essentially costs that are incurred over five years?

A That is, that is correct. This has a depreciation of five years on a three-year recovery. Yes, sir.

Q Okay. So the three annual increments of $1 million adds up to the 3,078,000, and that is just -- that essentially is the annualized revenue requirement after you net present valued the five year costs and calculated a levelized revenue recovery; right?

A Yes, sir.

Q All right. Now this has changed somewhat in the tariff that was filed in response to the order denying the initial tariff; right?

A That's correct. Consistent with the staff's recommendation to extend the recovery period to five years, this has changed.

Q Okay. Would it be fair to say that FPL was prepared, when you filed your tariff initially, to recover all of your up-front costs over a three-year period?

A That is correct.

Q Okay. Now at the -- when you filed your rebuttal testimony, you said that you had achieved only 6,700 subscribers; is that right?

A That is correct.

Q Okay. Do you have any more information since you filed that testimony as far as what the subscribership level is?

A It stayed right about that level.

Q Okay. Did any of the original NSMR subscribers -- I guess to be a subscriber they had to agree to pay the $95; is that right?

A That's correct.

Q And agree to be billed the $13 per month; right?

A So to be perfectly clear, there were a group of customers that were defaulted into the program, so they had not agreed. However, once we started to do the billing process, we allowed in the tariff for a 45-day grace period. This was to provide them with an opportunity to call us to say I've gotten my bill, I don't want this. So to your question about whether they all agreed, they have agreed because they recognized it's on their bill if not, in fact, actively enrolled.

Q Okay. So the 6,700 number that you gave are all of the people that either affirmatively signed up or by default and passage of the 45-day period have agreed?

A That's correct.

Q Okay. To your knowledge, did any of the people who agreed under either of those two scenarios change their mind, decide they wanted to accept a smart meter?

A Absolutely. As I mentioned, the 45-day grace period was a provision that was allowed, and we did have customers who called and accepted a smart meter and asked to be removed from the program.

Q Okay. Just to be real precise with my question, I was referring to once you have people who either affirmatively agreed or after the passage of the 45 days agreed, and then after that period did anybody decide I don't want to continue paying this, I would like a smart meter?

A I don't have any data to that. I have not researched to determine. I feel pretty comfortable that indeed people have, for reasons of their own, moving or whatever reasons, we would have had people who actively enrolled, started paying, and have now accepted a smart meter.

Q Okay. Now as we previously discussed, you based your original rate development and the revised rate development on the assumption of 12,000 subscribers; correct?

A That's correct.

Q Can I get you to -- on RAO-4, let's see, page 3, do you see that?

A I do.

Q As I read this schedule, the far right column where it says monthly cost per meter, O&M, this has six elements that add up to $8.76. Do you see that?

A I do.

Q And these numbers were all derived, I assume, with a 12,000 subscriber assumption; is that right?

A No. These are cost pers, and to the best of our ability, these are measuring the cost to do these activities. So they're not -- they are not subscribed to the 12. They are to be used against the 12 to determine total cost providing service to 12,000 customers.

Q Okay. So is it your testimony that none of these numbers were derived on the basis of taking an annual or a monthly O&M cost and dividing them by 12,000 units?

A They were not. This is looking at total cost of providing the service. And to the extent that a cost pool exists that's unique, then we would divide by the 12,000. But it wouldn't be a rule that would be applied to all of them.

Q Okay. So were some of them based on the 12,000?

A Yes, there are some. The project management cost, which is pretty much fixed regardless of the number of participants, we look at what it's going to take to run the program. We did divide that one by 12,000 to come up with the monthly amount.

Q That's line 27.

A Yes, sir.

Q And that's the 95 cents. So would it be fair to say that that number, if you use the actual of 6,700, this 95 cents would actually go up by almost double?

A Yes, sir, it would.

Q Okay. Did you do an analysis to determine if you, if you calculated the numbers that are shown in the far right column using everything you know about who actually subscribed, the 6,700, what this $8.76 number would be?

A Yes, we have. And as part of our interrogatory response to staff's question number 3, we provided different levels of participation and what the costs would be to the company at those varying levels.

One of those levels that we provided was at 7,000, which I think is a fair approximation of where we're at today. Under 7,000 our monthly fee would be $18.

Q Do you know of that $18 how much of it would be represented here? And I ask that -- well, let me step back and ask it this way. That $8.76 in your original development, that was, that was the monthly O&M-driven cost, and then there was a portion of the one-time cost that was a pool of dollars above the capped amount of either 105 or 95.

A That is correct.

Q And you took those dollars and you added them to -- you divided them by 12,000.

A That is correct.

Q And you took that monthly rate and you added it to the 876, and that gave you either your 16 or your 13; right?

A Yes, sir.

Q Okay. So I guess my question is ignoring the one-time costs that are being recovered over an extended period of time, how much of the $18 would be driven by these six elements here as they would be affected by the 6,700?

A All right. I don't have that information in front of me. But as we described, the management fee is really the one that would change under the scenario of repricing, if you will, at a 7,000 rate. And the cost per for that would go up to over $1, $1.20 maybe. The rest of it would be this $18 or $5 increment between what the tariff has today and what it would be under 7 would be made up of recovering the up-front fees as you described.

Q Okay. So the $18 that you mentioned in the interrogatory would be driven by the, spreading the one-time costs over fewer customers?

A That's correct. And just to be clear, we're not here advocating that we are changing the tariff. We are discussing what it would be under a 7,000 scenario.

Q I think in your testimony, in your rebuttal in response to Ms. Martin you identified certain costs that upon re-analysis you had not included --

A That is correct.

Q -- in RAO-4. Is that correct?

A Yes, sir.

Q Now would those costs be part of the analysis that derived the $18 figure that you just testified to?

A No, they would not.

Q Okay. What would that cost be, if you added them in?

A I haven't calculated it. Again, as the program develops, there will be opportunity for us to report to the Commission what all the actual costs are.

Q Okay. If the Commission ordered you not to charge the subscription fee, the one-time fee, as a result of the hearing in this docket, do you have the records available to identify the customers who paid it and to refund it, if so ordered?

A Yes.

Q Okay. Now do you have a copy of the order denying the tariff with you? If you don't, I have a copy to pass out. I just have a couple of questions about that.

A I have it.

CHAIRMAN GRAHAM: Just go ahead and pass that out.

MR. REHWINKEL: Okay.

CHAIRMAN GRAHAM: Staff, can we get somebody to --

MR. REHWINKEL: Mr. Chairman, this is an exhibit for cross-examination purposes only. And it's a Commission order, so we should probably give it a number, but I don't think I'll introduce it.

CHAIRMAN GRAHAM: I don't think we need to give it a number.

MR. REHWINKEL: Oh, we don't? Okay.

BY MR. REHWINKEL:

Q When you get to this order, I'm going to ask you to turn to page 3.

A I'm there.

MR. REHWINKEL: Okay. If I may proceed, Mr. Chairman.

CHAIRMAN GRAHAM: Yes, please.

BY MR. REHWINKEL:

Q Okay. Mr. Onsgard, can I get you to turn to, your attention to the second full paragraph? It starts "The proposed tariff." Do you see that?

A I do.

Q And get you to read aloud the last sentence in that paragraph.

A "The costs to be recovered through the charges imposed under the NSMR tariff are incremental to and not included in the costs that are being recovered in rates as a result of rates established in Docket Number 120012-EI."

Q I think that's 15; right?

A 120015-EI.

Q Just to, I just want to make sure that your testimony here today, insomuch as what you say live and what you have filed, is that it's consistent with the statement in this order; is that right?

A It is.

Q Okay. I would like you to turn to the next paragraph, or your attention to the next paragraph and the last sentence there that starts, "It is the intent." Do you see that?

A I do.

Q Could you read that aloud?

A I can. "It is the intent of the utility that this one-time charge covers any premise visits related to NSMR tariff customer's meter, unless otherwise expressly provided in the NSMR tariff or supporting exhibits or in other FPL tariff provisions not in conflict with the NSMR tariff."

Q Now is it your testimony here today that your tariff complies with this statement in the order?

A It is.

Q Can you explain what circumstances would cause an NSMR customer to pay for a premises visit after they had paid for the one-time fee?

A It would only be existing tariff charges as so described in the order. There would not be any additional charges because they are an NSMR tariff. The intent of the tariff is to cover all site visits related to the non-standard service.

Q Do you have -- can you give an example of what might cause you to roll the truck out and charge a customer that had an NS -- that had a non-standard meter?

A So for all our customers which require truck rolls we have tariff rates. And an example of that would be a connect, disconnect, or a collection.

Q Okay. Mr. Onsgard, do you doubt the sincere beliefs of the customers who have -- who want -- who don't want smart meters regardless of whether you or the company agree with their beliefs?

A I'm sorry. Can you ask the question again?

Q Yes. Do you or FPL doubt the sincere beliefs of the customers who do not want smart meters regardless of whether you or the company agree with their beliefs?

A No. We do not, we do not doubt their beliefs.

MR. REHWINKEL: Okay. Mr. Chairman, those are all the questions I have for Mr. Onsgard.

CHAIRMAN GRAHAM: Okay. Thank you very much.

Mr. Jacobs.

MR. JACOBS: Thank you, Mr. Chairman.

EXAMINATION

BY MR. JACOBS:

Q Good morning, Mr. Onsgard.

A Good morning.

Q Just one second. As you testified with

Mr. Rehwinkel, you have been extensively involved in the regulatory preparation of the smart meter program; is that correct?

A I've been involved in the smart meter program, and I've certainly been working on this docket. Yes.

Q And you specifically reviewed the policies and methodology of Florida Power & Light in calculating rates and charges, specifically rates and charges regarding to the NSMR; is that correct?

A The NSMR policies and procedures were developed through this process. I'm certainly familiar with them. Yes.

Q And could you, could you briefly describe your line of supervision that you report to?

A Sure. I report to the Director of Smart Meter Operations, who reports to Marlene Santos, the Vice President of Customer Service.

Q Okay. So you report to Ms. Santos indirectly?

A Yes, sir.

Q You have been involved in preparation of the annual smart meter progress report, have you not?

A I have been involved in that. Yes.

Q Okay. I want to try and establish a timeline for us. As you testified, and I believe you testified in both your testimonies that Florida Power & Light began the concept and the exploration of the smart meter implementation in 2008 or thereabouts; correct?

A You're asking when FPL started the smart meter research to deploy smart meters?

Q Correct.

A That would have started early 2000s. We had our first pilot program in 2002, so --

Q And so by 2008/2009 there had been a decision made to actually deploy.

A We were well along in our research on the right solution for our customers by that time.

Q Right. And you proceeded in this deployment by breaking your total customer base into service areas; is that correct?

A Our deployment did take place in a geographic deployment, if that's what you're referring to.

Q Correct.

A Yes, sir.

Q And so, and so you progressed geographically in deploying the meters.

A That's correct.

Q You've testified that in each geographic area you go in there will be some sort of activity to introduce the initiative to customers, and then you do, you do an installation. Now was that installation at a customer request?

A No, sir, we did not install at customer request. We were deploying, as we have a right to deploy our equipment, we were deploying the smart meters.

Q Okay. And so your information campaign was intended to alert customers that you were going to be coming in to do this deployment; is that correct?

A We did. We are very sensitive to change. We had quite a robust campaign to provide our customers with information about the deployment and also provide them with a phone number, if they had any questions, to be able to call us.

MR. JACOBS: Okay. I'd like to mark an exhibit, Commissioners.

CHAIRMAN GRAHAM: Sure. Staff.

We'll mark this as Exhibit Number 19. We'll call it Florida Power & Light postcard notice for smart meter installation.

(Exhibit 19 marked for identification.)

BY MR. JACOBS:

Q So, Mr. Onsgard, I'll give you a moment to review what's been marked as Exhibit 19.

A I have.

Q Are you familiar with this? Are you familiar with this exhibit?

A I am.

Q Tell me how.

A Well, this is, as we just discussed, this is a notification that we would have sent to customers telling them that we're going to be in their area deploying smart meters, providing them with general information about the smart meter program, and, again, as I mentioned, providing a phone number where they could call us if they had questions.

Q Do you know when this -- the first area where this card was mailed out?

A I don't know the specific dates. But, again, as we discussed, we did deploy in a geographic format going from south to north. So I would assume that this was used in Dade County, which was at the beginning of our deployment.

Q So in -- when you sent this postcard out, what do -- did you keep documentation of responses from customers? In other words, were there customers who, when they received this postcard, called you or alerted you that they had concerns with this program?

A We did. Our customer representatives have a process to record customer complaints, and that system would have been in place at this time. And if customers had concerns, it's probable that they would have been noted in their customer records.

Q Now you reference staff request number 3. And I have that as an exhibit, if I can find it real quick. Let's move on.

There was -- you determined also geographic, in a geographic context how you were going to activate the meters. So you installed the meters, I'm sorry, the smart meters, and then you'd come back and activate them; is that correct?

A Yes. That's a key part of the process. We were very intentional about activation. This term is used to refer to when we actually start using the meter for billing purposes. Between the time of installation and activation could take as much as six months in some cases because we wanted to be very sure that everything was working properly before we actually start billing the customers with the meter.

Q Okay. So the meter is installed. You had customers alerted now that this activity is happening. You had some responses from customers. When you now -- how would you communicate to customers the point at which you were going to activate those meters?

A So there was another communication to the customers that we had activated the meter, and this communication also would have introduced them to the energy dashboard where they would have the ability to go online and see their energy usage.

Q So for customers who informed you at the time of the installation that they were concerned and did not want to take part in this program, what would happen to them at the time of activation?

A So during the geographic progression that we've discussed, we had installed -- Miami and Broward -- a million customers before we had a number of customers who had asked to be postponed or had had concerns about the smart meter. So we were well, as I said in my opening statement, we were well underway in our deployment before this started becoming an issue. And when it did, then we would forgo installation, as I have described. And, in fact, for customers who had a meter installed and had concerns, we went back into the field and reinstalled the non-standard meter for those customers.

Q So you -- so for a customer -- you would have already installed the smart meter, and at their insistence, because they didn't want them, you would now take out the smart meter and reinstall the non-standard meter --

A That happened, yes.

Q -- as we call it now. Do you have an idea about when that activity began?

A Well, the postponement officially started in December of 2010.

Q Say again.

A December of 2010. Late December is when we had a formal policy. Again, deployment had been underway for close to two years, a year and a half.

Q Okay.

A Before it was necessary to have a postpone list.

MR. JACOBS: Okay. Mr. Chairman, I have a part of what's been identified as Exhibit 13 that I want to ask questions on.

CHAIRMAN GRAHAM: Sure.

MR. JACOBS: If you'd just distribute that.

BY MR. JACOBS:

Q Have you had a chance to review, Mr. Onsgard, this document?

A I have. Yes.

Q Excuse me. Are you familiar with it?

A I am.

Q And what -- could you describe it for me?

A Sure. This was a response to an interrogatory as so marked where we provided the postponements by month in line with our deployment activity.

Q Very well. So to remain consistent with our conversation, about the time that you began to do the installations and you began to establish this postponement list, that's correct, and according to your testimony that was on or about September 2010.

A The installations of smart meters, as reflected on here, had started much earlier than that. Our postpone list did start in December of 2010.

Q So you had had a fairly extensive experience already in installations. And if this information is correct, there was -- in spite of this extensive experience in installations, you were only recording in September of 2010 just a single customer who had expressed some concerns?

A Yes, sir. Essentially it does reflect that there were two as of September 2010, but, yes, sir.

Q Okay. And you -- now let's put this in context. You mentioned that there were -- how many geographic areas were you looking at now? This is in September of 2010 you were in two or three geographic areas?

A So a geographic area is difficult for me to quantify for you, but we would do several districts at a time.

Q Yes.

A And deploy and finish deployment in an area or a number of districts and then move northward.

Q And if you were to gauge by the number of meters deployed in September of 2010, it seems like you had, you had progressed through a fairly sizable number of districts at that point in time.

A Yes, sir.

Q Okay. So now -- so upon activation, is that -- was that a point of demarcation where customers -- I'm sorry -- where internally -- sorry, not customers, but internally you began to marshal the staff and the resources to begin to focus on those customers who were not going to take this standard, this non-standard meters -- let me be real clear. Was the point in time where you started to monitor and manage this postponement list, was that the point in time where you began to marshal the internal staff and resources to service those customers who were not going to take the smart meter?

A The transition from our old process of analog meters or non-smart meters to smart meters is happening throughout the period and is progressing geographically as we do the deployment. There isn't a point in time where we needed to marshal staff to do something different. I want to characterize this, you know, as an area has been installed and activated. Any customers that remained as a non-standard meter would continue to require meter reading and other processes that we use for non-standard service. But it becomes non-standard, I guess to your point, as we progress northward.

MR. JACOBS: Okay. Just one second. I have an exhibit I'd like to mark.

CHAIRMAN GRAHAM: We'll give this Exhibit Number 20.

(Exhibit 20 marked for identification.)

BY MR. JACOBS:

Q So, Mr. Onsgard, have you had a chance to review what's been listed as Exhibit 20?

A I'm familiar with it.

Q Okay. And could you describe it for me?

A Well, you've got a set of four different responses to interrogatories here.

Q I'm sorry. I think it's just three, three. It should be interrogatory number 8, 9, and 11.

A You're correct. Three on four pages.

Q Right. Correct. Now, so I want to go to our conversation about how FPL internally began to manage this process of deploying the meters and then figuring out how to manage the dichotomy between the, what's now becoming the general body of ratepayers and smart meters and the non-standard customers who are going to continue to take service on non-standard meters.

So the first -- your response to interrogatory number 8 goes to the idea of how you took, purchased the actual smart meters; is that correct?

A That's part of this response.

Q Okay. And you -- let me not put words. Describe to me what your response is about that process.

A About what process?

Q About the idea of acquiring smart meters in order to service your deployment.

A So the, part of this response is the position that FPL is going to need to maintain smart meters for all customers. That if a customer elects to take standard service, FPL has to be ready and available to deliver that service; therefore, needs to have a smart meter ready for that customer.

Q So internally you were preparing to have a smart meter for every customer.

A Absolutely.

Q But you were already seeing instances of customers who were choosing, once they got the meter, not to keep it; correct?

A That's correct.

Q And there was no adjustment in your acquisition practices for that.

A There is not.

Q Okay. Let me go to interrogatory number 9. This goes through some other internal kinds of processes, does it not, customer service and et cetera?

A It does describe our processes, yes.

Q I want to stay on the concept that we're discussing now, which is -- so I'll just give you a question and you can respond. Based on this response, your internal processes in terms of customer service, proper accounting, and others is proceeding pretty much with the same personnel. In other words, personnel, the same personnel are handling both the smart meter customers and the non-standard customers; is that correct?

A That is correct for the most part. The, you know, the -- as the deployment continued -- and this is one of the reasons why we felt it prudent to wait until our deployment was essentially complete that we would be able to identify the specific costs that are incremental to the non-standard customers.

Q Okay. Was it the activation process that -- strike that.

So for a good period of time of your, of your installation you were comfortable with the idea that staff could handle both classes of customers; is that a fair statement?

A Yes.

Q Okay. But there was some point in time where you came to a conclusion that there was a need for some additional resources, some additional staff to handle the non-standard customer; is that correct?

A There came a point in time where it's appropriate to start charging for the non-standard service. Yes, sir.

Q Do you have testimony as to when that occurred?

A As we filed the tariff, we felt it was appropriate at that time.

Q So your filing of the tariff, the company's official statement is that is the appropriate timing to do that?

A That's correct.

Q Okay. I'm going to come back to this one later.

So now you filed the tariff, you filed the tariff when?

A August of 2013.

Q Okay. So at that point in time you had been operating since September of 2010 with customers who were not taking the service and, in some cases, even servicing those customers through consolidated staff. Okay. Is there a rationale that explains the reason for waiting from 2010 until 2013?

A There is. Again, as I described in my opening statement, this allowed time for the company to properly assess the impacts. Smart meters are integral to the delivery of service for our company now. We wanted to be fair to the customers and not have an estimate that we couldn't fully support. We also wanted to have the timing to be fair to all customers. And to offer this program, we felt it was prudent to be fully deployed and then offer the program.

Q Okay. Did you do, did you do a survey of the customers to determine what the affordability or acceptability of your fees proposed under the NSMR were?

A We did not.

Q Okay. So when you filed, when you filed the tariff, you had had experience where customers had basically refused, backed out of the program. Did you do any kind of survey to understand why they backed out?

A We certainly listened to our customers when they called with their concerns so that we would understand what their concerns are.

Q So the answer to my question is you did not do a survey, but -- is that correct?

A We did not do a survey. That is correct.

Q And so if we look at -- if we look at our postponement list, which is a part of Exhibit 13, you're seeing, at least in September of 2012, you're at almost 4,000 customers; correct?

A In September of 2012 we were at 14, 15,000.

Q I'm sorry. Yes. Thank you for the correction. I'm looking at the wrong total.

And there is no thought of understanding why that number of customers are choosing to back out of the program.

A I'm sorry. What's the question?

Q So as of that point, with that level of activity of customers backing out, there was no thought of engaging in any kind of a survey or any kind of intelligence gathering to understand why?

A We did not do a survey.

Q Okay. Isn't it true that, rather than the August 2013 time frame, the real critical time frame for the company was September of 2010? What I mean by that is isn't that -- wasn't that the time when there had to be a decision as to whether or not you were going to go full bore, everybody, because you had installed all these meters, so you had to make the decision whether or not you're going to go full bore, everybody has to keep the smart meters, or you were going to allow folks not to keep them? Isn't that when you had to make that decision?

A FPL fully supports the benefit of smart meters, and we'd like to have all customers have one. In September of 2010 -- I'm sorry -- September 2009, as you reference, we only had two customers who had asked to be, you know, not to have a smart meter. By the time period that you referenced in August of 2013, yes, there were enough that we had implemented a postpone process and allowed customers to forgo receipt of a smart meter if they so choose.

Q In September 2010 was there some -- so let me make sure I understand your answer. In September 2010, you weren't -- it wasn't real clear how this was going to go. While you were, you were presenting your postponement list, it wasn't clear whether or not that was going to be a measure of activity that would, that would come along behind it. Is that a fair statement?

A I'm sorry. I don't understand the question.

Q I don't either.

(Laughter.)

It wasn't obvious to you in September 2010 that there were going to be a whole lot more folks who would postpone?

A It was not, no.

Q Okay. You -- I believe your testimony has it that the company did some research in other states, particularly in states where the regulated utility had offered an opt-out program.

A We did research other jurisdictions and their programs, yes, sir, we did.

Q Did you gain any intelligence on this point, i.e., whether or not it was a practical and feasible decision to offer an opt-out program?

A We did gain that information. That's specifically what we're trying to learn -- again, the impacts to the company -- and we felt that it was prudent for us to look at what other jurisdictions, what other utilities were experiencing as they developed these programs.

Q But that information wasn't available to you in September 2010. You developed that later than that?

A We weren't actively seeking it in 2010. Again, for obvious reasons we didn't have customers who were objecting.

Q Okay. So it would be safe to say that your real indication of the need for this came by the growth in enrollees on the postponement list?

A That's fair.

Q Okay. So in August, let's say -- no, in September 2012 you're saying you have 15,000 folks. Is -- wouldn't that appear to be an appropriate moment to look seriously at this concept of the opt-out program?

A It not only was, we were. By that period we were doing this research and looking at what was happening in other jurisdictions to understand better the impacts of an opt-out program.

Q But elected not to file the tariff at that point in time?

A Again, you know, as we described at the Commission and have said in our opening statements, you know, we didn't feel it was prudent to start to implement the program until we were fully deployed for many reasons that I've already articulated.

Q There was another bit of activity going on about that time, was there not, with the company?

A I will ask you if you're referring to the rate case?

Q I am.

A Yes, there was.

Q Okay. So -- and in the context that you have a major investment activity which arguably has significant impact on your cost of service, and you now understand that the argument in September 2012, that there is going to be a body of customers who are not going to take this service, was the discussion of that brought up in that activity in 2012? A tariff, a tariff.

A You've drawn a conclusion -- yeah. Your conclusion that we knew that there would be a body of customers who wouldn't take the service was not evident in August of 2012. You know, we did have customers who were objecting to smart meters, but we by no means had developed a process or implemented a program to address this.

Q So I thought we had just discussed that you were gauging this based on the growth of the postponement list. And so at that moment there was still though some hesitance; even though you had a fairly large number of folks on the list, there was, what I hear you to be saying is a fairly, a large degree of hesitance in 2012 to address this through a tariff filing.

A Again, the company was just evaluating the circumstances, looking at other jurisdictions to understand what other jurisdictions were doing. No decisions had been made how this would be resolved. The Commission held a smart meter workshop. You know, we did participate in that to understand better. I think everyone at that point was still trying to understand the implications.

MR. JACOBS: I'd like to mark an exhibit.

CHAIRMAN GRAHAM: Staff.

This is a California Commission order, so we don't need to give this a number either.

MS. HELTON: This is a California order, it looks like, not a Florida order, so it might be better to do an exhibit number here.

CHAIRMAN GRAHAM: Okay. Then we'll do number 21.

(Exhibit 21 marked for identification.)

BY MR. JACOBS:

Q I'll give you a moment to review this, Mr. Onsgard.

A Okay.

Q Okay. So by its title and style, this is the application of a regulated utility in California for a revenue requirement, which in our case is a tariff approval, and it's related to -- you know what, my apologies. There was another page that identified it to be for the smart meters. But the proceeding is -- it does say, I'm sorry, it does say smart meter. Okay. I missed it. So this was a proceeding in California. And my reason for bringing this up is this: This file date was in, it shows on here as March 2011; correct?

A It does show an application date and a file date of March 24, 2011. Yes.

Q And the first paragraph of the background -- I won't go through and read them -- but basically the essence of it is that after filing, it became clear that 18 months after this filing that process could not be completed and it asked for an extension, to get an extension. I'm sorry.

MR. RUBIN: Mr. Chairman, I object to the use of this exhibit. What California rules require or what this California Commission decided is not at all relevant to these proceedings here today.

CHAIRMAN GRAHAM: I'll allow him to ask this question. I'm trying to figure out where he's trying to get to.

MR. JACOBS: I think we'll be very specific and very brief, Mr. Chairman.

CHAIRMAN GRAHAM: Okay.

BY MR. JACOBS:

Q This -- without belaboring this, the essence of this order is that in the instance of this utility there was not only one delay but several delays in an effort to arrive at a tariff for a smart meter opt-out program; is that correct?

A I can't tell much about the proceeding, sir, but from your description it sounds like that's correct.

Q So from its appearance there was an early decision to start the process and a belabored process, a belabored period in an effort to arrive at a fair tariff -- well, strike that. There was a belabored period in an effort to arrive at a tariff. That's all I want to try and arrive at here. I'm not trying to get into the details of the docket.

All this says is that it was filed in 2011, and there have been several extensions in an effort to resolve this proceeding. That's all I'm looking to ask on this, on this particular exhibit.

A From this document it appears that that's the case.

Q Okay.

A I'm not familiar with it.

Q Okay. So as a benchmark, it appears at least in one, in one case in another state there was a decision that from the very early part of the experience of dealing with the smart meter that there should be a deliberative process to consider the costs and charges for customers who are not going to take those meters.

A I think there's a deliberative cost for any charges that are billed to customers.

Q Okay. Now from the earlier -- what we marked, I think, I believe as Exhibit 20, the responses to the OPC interrogatories.

CHAIRMAN GRAHAM: Yes.

BY MR. JACOBS:

Q It seems -- and let me ask you, does -- do those responses indicate that the company was, in fact, investigating its internal operations to try and identify how its costs would be structured or restructured under the deployment of smart meters?

A Yes. I've described that the company has gone through significant efforts to understand the cost to provide the service.

Q So the machine was turning probably all through this process to figure out how the costs were going to be affected and structured under the new world where smart meters were going to be the norm.

A Yeah. All through this process, I'm not sure what you're referring to there. After the smart meter workshop was concluded, the company went in earnest, especially after the staff's recommendation in January of 2013, to develop our tariff.

Q Okay. Now, so for the customer, the customer, and let's be very specific, for the customer interested in not having this meter, they had gotten the postcard. Now, that postcard says, actually it says there would be no cost to them for accepting the meter. It doesn't mention what would happen if they don't take the meter, as you agree.

A I agree.

Q So how did customers find out about the postponement list? It's not on that postcard.

A It's not on the postcard. Customers would need to have called with concerns. As I mentioned, all the communications had a phone number for them to call us if they had concerns.

Q Okay. So, but no one went out to their site, so there was no boots on the ground effort. Basically a customer would have to decide that they didn't want the meter, call you or customer service, complain about it, and then they would be informed about the postponement list, and they could enroll on the list at that point in time.

A That's a fair statement, yes.

Q Okay. And you indicated there was no survey or anything done about why they -- so you didn't -- for those customers who chose, did you have any understanding of whether or not there was a sticker shock about -- well, at that point you didn't have a tariff, so strike that question. No. I'm sorry.

Give me just one moment. I want to move forward now, I think, to the point in time where you, where you've implemented the tariff.

CHAIRMAN GRAHAM: Mr. Jacobs, I hate to break up right in the middle of your questioning. We're about ready for a break.

MR. JACOBS: That's fine, Mr. Chairman. That's not a problem.

CHAIRMAN GRAHAM: Does that work for you?

MR. JACOBS: Not a problem.

CHAIRMAN GRAHAM: Okay. We'll take about a five-minute break. Thanks.

(Recess taken.)

Okay. I have a quorum and I have five minutes. Mr. Jacobs, you are still up. I apologize for taking a break in the middle of your cross-examination. I usually try to wait for the break, and I didn't know how much longer you had to go, and so --

MR. JACOBS: Mr. Chairman, that is absolutely not -- in fact, that was very, very well timed, as it turns out.

CHAIRMAN GRAHAM: Okay.

BY MR. JACOBS:

Q Mr. Onsgard, let's move forward and talk about the scenario where you now filed the NSMR, and this is -- what I want to look at is the NSMR has within it some assumptions and statements of incremental costs. I'm not going to go through those exact numbers but from a conceptual standpoint.

We've talked a little bit about the communications campaign with customers. You didn't inform customers of the costs that were going to be associated with NSMR, did you, in advance of filing it?

Let me restate, let me rephrase that question. Earlier we talked about the fact that the postcard that went out didn't have anything associated with it. We talked about the way customers found out about the postponement list is that they basically had to call in. So now we're at the moment where you decided to offer a formal opt-out tariff. How did customers come to understand the terms and conditions of that, of that offering?

A So, of course, first we would need to get Commission approval for the tariff. It would not have been appropriate for us to have notified any customers of any terms or conditions until we had gotten approval of our tariff. At that point then we designed a communication campaign for all those customers who were either postponed or on the UTC list, a group of customers unable to complete, advising them through a very robust communication campaign about the costs and the program details.

Q And that word you use is, in your testimony is a robust campaign. So other than the postcard, what happened after that in terms of this campaign?

A So I'm not sure I understand the question. The postcard was related to the deployment.

Q Right. So now explain to me what were the elements of the campaign after you got approval for the NSMR?

A So the elements of the campaign, after we got approval of the NSMR tariff, as I described this campaign, to make sure that all the customers who were on the postponed and UTC lists understood the program. We had three waves of communication that went out to them over a three-month period. Those three waves included mail, email, and phone calls, and again during each of the three waves we did all three of those elements. So there was a very robust, as we've described, communication campaign to inform customers about the program.

Q And now you had two significant audiences for that campaign. One was the actual enrollees on the postponement list, correct, which at this point the numbers are just under 24,000, plus the list of folks who had not responded. So the total at that point in time was 38,000 or thereabouts.

A It was 38,000 at the time we filed the tariff. By the time we actually were rolling the program out, that number was down to 30,000.

Q Okay. Now you had no real -- we already established that customers were only informed about the up-front costs and the monthly obligations by your campaign. So there was no kind of determination as to whether or not the customers viewed this as an affordable item; is that correct?

A That is correct.

Q Okay. And if -- and your position in this case is that the cost, the initial costs were absolutely legitimized by incremental costs; is that correct?

A Can you ask the question again, please?

Q Your initial filing, you, in your, the company's position, those charges were supported by incremental costs that you had identified.

A Yes, sir.

Q Okay. We now know that those costs have been modified however; is that correct?

A We know that the Commission requested that we change the recovery period and a couple of line items within it, if that's what you're referring to.

Q Right.

A Yes, sir.

Q Did you have any response or did do you do any kind of assessment as to whether or not your information campaign was effective in assisting your target audience in making a decision on smart meters or not?

A So we did. We were very conscious of the fact that we wanted to not default customers into the program, so one measurement of whether or not this campaign was effective was how well that unable-to-complete or the non-responsive customer number dropped. So we were looking at that to see whether or not our communications were effective and were very pleased that we got active responses to the enrollment and we had very few that had to be defaulted into the program.

Q So did you do any kind of assessment as to the 30 -- I'm sorry -- as to the 20, just under 24,000 folks who had been on the postponement list, did you do any kind of assessment to determine how many of them chose not to take the NSMR because of cost?

A We would have no way of knowing their reasons for their choice in meter.

Q Okay. And, of course, my question was did you undertake affirmative efforts to ask that question?

A We did not ask that question.

Q Okay. So in your -- but in the company's view, there was appropriate, adequate information given through the information campaign; customers made their decisions based on the information campaign and not based on cost. Is that the perspective of the company?

MR. RUBIN: Let me just object to the question. He's asking this witness why customers made the decisions they made after the witness has just said we didn't ask those questions.

CHAIRMAN GRAHAM: It was asked and answered.

MR. JACOBS: Thank you. Thank you, sir.

BY MR. JACOBS:

Q Just one second. Earlier you testified about the up-front costs for the NSMR. And in point of fact, the enrollment cost is that $95 one-time fee; is that correct?

A That's correct.

Q Now was there -- the determination of that cost -- in your testimony you indicate that you came up with a number of non-variable costs, and you simply averaged over a body of users who you estimated would take this tariff. Was there any intelligence that you gained from this four-year period where you had the postponement list in that told you about what your costs might be, your static costs might be to keep, to maintain this tariff? So over the four-year period were you able to gather information that gave you some sense of what your static costs would be to maintain the non-standard tariff?

A That sounds like the exact process that we were working towards to make sure that we understood the incremental cost of providing service to these customers.

Q Okay. And we'll come back to that. But the process by which that up-front cost got modified was how -- was that inconsistent with the information you got or was it consistent? In other words, staff recommended adjustments to that. Was that inconsistent with the information you gave over this four-year period or was it inconsistent with that experience?

A I'm sorry. I don't understand the question.

Q Okay. I'll come back to that.

CHAIRMAN GRAHAM: Mr. Jacobs?

MR. JACOBS: Yes.

CHAIRMAN GRAHAM: If I could get you to move your microphone that way a little bit so when you're speaking to him, at least -- because it seems like sometimes you're on the mike and you're not, and I want to make sure our court reporter can hear you very clearly.

MR. JACOBS: That's not a problem. I'll make sure I do that, Mr. Chairman.

BY MR. JACOBS:

Q And here's why I raise that question. Just as a matter of math and the way you implemented this, the actual cost to consumers of these, of this enrollment is heavily affected by the number of folks who enroll in the program, is it not?

A That is certainly a factor.

Q Okay. And so if the customers in this robust campaign, if customers had an understanding that their overall cost to participate in this program could be affected by the number of folks who are enrolled in the program, that would be some significant information for them to have, would you agree?

A I'm not sure I understand the question.

Q Well, I guess we're at a loss because we don't really know, and I have to, I guess I have to acknowledge that, that we don't really know to what extent cost was a factor in customers not choosing to enroll in NSMR. So I guess I'm at a loss really to ask this question, but let's use a hypothetical.

Let's assume that there is a body of customers out there who were affected by the idea that this up-front, one-time cost was repressive. It is true that that cost could have been affected if more of them had enrolled. Let me just go right to the point.

A Yeah. So, again, FPL used the best process that was available, and that was to look at what other jurisdictions had experienced in the way of opt outs. We examined this both in the number of customers that those companies had, as well as the number of postponements they had. And extrapolating those numbers, we arrived at 12,000 customers who would participate in the program.

MR. JACOBS: Just one moment. I'd like to mark an exhibit, Mr. Chairman.

CHAIRMAN GRAHAM: Sure. We will give this exhibit number 22, Maryland PSC Case 9207, 9208, and 9294.

(Exhibit 22 marked for identification.)

BY MR. JACOBS:

Q I'll give you a moment to review this, Mr. Onsgard.

A Okay. There's a lot of information, but I've reviewed it.

Q And let me, let me just really -- we're not going to delve into the whole scope of that. There's really some very narrow scope of information and questions I want to give you, and it really goes to the last page of the document.

And now to go back to our conversation just now, this is an exercise that, where the staff of the Maryland Commission was doing an analysis of the impact of various levels of an opt-out fee. And I really just want to focus on there's a chart there, it's listed as Table 3, and I want to just focus on the narrative just below that and ask -- I don't need you to -- I'll ask you to read that and just tell me if you agree with that.

A So this is the narrative that starts with, "As the table demonstrates"?

Q Right.

A "As the table demonstrates, as the up-front fee goes down, the monthly fee increases slightly. However, it must be mentioned that as the up-front fee goes down, it is possible for the number of customers electing to opt out to increase, which would require a recalculation of the cost of the opt-out proposal and up-front monthly fees."

Q Would you agree with that?

A I'm not sure I do. This is, this is a, representing a fluid state where you would be adjusting the fees as the participation changed. As the Commission would understand, that would be very hard to do. So I'm not sure I agree with the statement.

Q Okay. We do agree that it's a very fluid, very fluid environment in which to project costs.

A It represents trying to modify the tariff based on participation rates.

Q Now let me go back to the conversation we were having. So where we were is that the idea that customers are learning about this opportunity through your information campaign and basically how they can retain their desire to not have a meter and we don't know if cost was a factor. But our hypothetical is that there is an element of those customers who were among the 28 or, for that matter, the 38,000 who basically had sticker shock and said it's too expensive for me to go -- to choose not to have this meter, this smart meter.

And so the question that I have was would it have been a part of a robust campaign to give them that bit of information, which I guess you don't agree with, but would it have been reasonable to give them that information that as more people sign up, that up-front fee could go down? So if your problem is cost, that's how you deal with it.

MR. RUBIN: I object to the -- well, there was a lot of questions in there. I'm not sure which one Mr. Onsgard is being asked to answer. I just object to the question.

CHAIRMAN GRAHAM: Mr. Jacobs, can you restate the question, please?

MR. JACOBS: By all means.

BY MR. JACOBS:

Q In the hypothetical where there is an element of the customers who were originally part of the 38,000 who were not a part of the -- who were basically not taking the smart meters, if we assume that there was some segment of those customers who had sticker shock and chose not to take the -- and chose to take the smart meter because of the sticker shock of the tariff, would it have been a reasonable piece of information for them to understand that they could affect that up-front cost by having more people enrolled?

A I'm not sure that that hypothetical is a practical question before this Commission. Again, trying to alter the fee as participation rates vary is something that we have addressed. The fees, the costs, and the participation rates would be reviewed annually.

We needed to have a set point to start this process, and that's what we have offered.

Q So we're sitting here now, we have 38,000 people who clearly, who are there. They've chosen not to have the meter. And that goes -- that number is, almost overnight dwindles to less than -- what, what was it -- less than 10,000?

A We are at 6,700 currently enrolled.

Q And so there would -- if that were to happen in another class of service, would the company not be concerned?

A We need to cost the service, the incremental service to provide this non-standard meter. We have done that. We have looked at what the enrollment fee is. We looked at our up-front cost to determine it. We offered a third of those up-front costs as a reasonable starting point for the enrollment fee. This needs to be based on cost of service.

Q Okay. And what we're saying is that that cost of service could be affected, legitimately affected by more customers who have already expressed a desire choosing to transition into your official program.

MR. RUBIN: Objection. Asked and answered a number of times.

CHAIRMAN GRAHAM: I agree.

MR. JACOBS: Okay. Thank you. We'll move on. Let me see if we can wrap it up, Mr. Onsgard. We'll see if we can move down a little bit. Give me just a moment, Mr. Chairman. I think --

BY MR. JACOBS:

Q Okay. So we now have the filing and approval of the non-standard meter rider. Your testimony is that you needed to wait until the end to find out what the logistics -- excuse me -- would be and have a more intelligent idea of projecting who the client base would be; is that correct?

A Certainly the costs were what we needed to wait to understand.

Q Okay. And we just, we just kind of talked about the idea of whether or not it would have been reasonable to our customers to know how their participation would affect that.

But let's talk about how you computed the cost for the, for the NSMR. Excuse me. We talked earlier about the idea that there was a period of time where the same staff would be servicing both class of customers. So -- I'm sorry, Mr. Chairman. I forgot that quick. So I'm assuming that some period of time there was a demarcation point where you begin to identify staff and resources who are going to support this new tariff; is that correct?

A As we filed the tariff, we did put together those cost estimates. Yes, sir.

Q So over -- so for the preceding four years was there, was there no decentralization, if you will, for the period of time up to the filing of the tariff, had staff been still doing work in a consolidated fashion?

A As we've referenced in our statements, in effect these customers were receiving non-standard service for no charge.

Q Okay. And as you then chose to allocate these costs, did you do a cost study?

A We did extensive studies. Again, this is what supports our tariff.

Q So the answer to my question is you did do an internal cost study.

A Internal cost study is characterized by detailed analysis of what the incremental costs are. Yes, sir.

Q Okay. And that's -- so the filing that you made and particularly the statements in Exhibit B of your, of your petition for the NSMR, those are based on a cost study that was done for purposes of allocating costs between -- as you took internal staff and resources and allocated them away from the smart meter and also into the non-standard tariff; is that correct?

A The Exhibit B is an examination of what the incremental costs are for each type of service labeled in the exhibit, and then it is allocated, as is referenced, to come up with what the tariff charges are.

Q Have you, have you read the testimony of Mr. Deason?

A I have.

Q Okay. And so you are aware that his reputation is that -- representation -- he has a strong reputation as well -- is that that's totally independent, that you can totally have independence between those two categories.

A I'm sorry. Which two categories?

Q Between those costs related to the smart meter and those costs related to the non-standard meter rider.

A Yes, sir. If you're describing that these costs are incremental too, they are.

Q Okay. So let's talk about one of those charges. Just one second. Before we do that -- I'm sorry -- one point I forgot.

Earlier we talked about this idea that there were customers who you informed them of the installation or actually you did the installation. And they then came back and let you know that they weren't interested, so you had to remove the smart meter and install the non-standard meter back at their residence; correct?

A That's correct.

Q Now, it sounds like that for most of those customers you had to come back, once you got approval for the NSMR, you now had to come back because most of them, for whatever reason we don't know, now say they're going to take the smart meter.

A Yes, sir.

Q So what happened in those instances?

A There were over 20,000 installations that the company made to install smart meters.

Q So there were -- there was a body of customers who you put in a smart meter, removed it because they said they didn't want it, and then you came back and put it back in.

A That did occur. The number of customers that required all that were relatively few. Most of our postpone list were customers who asked to be postponed before we did the installation.

Q Did -- and so those -- the cost of that effort, is that a part of your incremental cost for the NSMR?

A It is not part of our cost. We have not asked for recovery of that.

Q Okay. Now let's talk a little bit about approval of the NSMR. We've talked about it a little bit before. So staff made some adjustments to your original proposal, and I think we can agree that the company was not, did not necessarily agree with those. But what -- those adjustments were supported by legitimate analysis and evidence from staff, were they not?

A We agreed to make the adjustments. We stand by our original filing of the tariff and the costs that were represented in it. The adjustments by staff were requesting extending the recovery period to five years and a couple of other adjustments. We felt that was reasonable and we agreed to them.

Q Okay. So now let's look to some extent at this process of evaluation for the four years. Isn't it the case that at the moment when you started managing the postponement list, which I think we've agreed is in September of 2010, and then coming forward now to August of 2013, that the communication costs, the, what we'll call the maintenance costs of removing and reinstalling, that all those costs, whether or not they were put in NSMR or not, are costs that were borne by the company; is that correct?

A They are costs that were borne by the company, yes.

Q Okay. Are they -- would that -- do you view those as efficient, as efficiently incurred?

MR. RUBIN: I object to the question. That's beyond the scope of the issues here, whether costs not in this tariff were somehow efficiently or inefficiently incurred.

CHAIRMAN GRAHAM: I agree.

MR. JACOBS: Very well.

BY MR. JACOBS:

Q Now, so let's talk a little bit about -- let me just get here -- the up-front costs that we've been discussing. So we now have a $95 enrollment fee, so an NSMR customer pays that. If they move to another location and initiate service and at that location there's a smart meter there but they want to keep this tariff, how does that work out?

A It would work the same for whatever happened to be there. When a customer moves and relocates and wants to reestablish an NSMR tariff at the new address, they would be charged the enrollment fee again.

Q Okay. So -- and did you account for that in your analysis of the enrollment fee?

A We did. This is, again, just looking at the incremental cost of providing the service to the customer, and it justifies that if you're establishing the service at a new address, that you would charge the enrollment fee again.

Q So my question is you did an assessment of a percentage of customers who would be likely to enroll in the NSMR based on your general body of ratepayers; correct?

A We did.

Q Okay. Did that calculation anticipate this activity where you'd have customers who would move to new locations and now come in and contribute this up-front fee?

A We did not try to calculate the number of moves. We took it as a whole number of 12,000.

Q Okay. So if they were an initial enrollee, they would have gone through all the, all the customer service issues and all and other intake process, we'll call it. Would all that be duplicated again once they moved to a new location?

A Can you be more specific to your question, please?

Q Do you -- if a present enrollee in the NSMR moves to a new location, are they, excuse me, are they -- does anything track them from their old location to the new location in your customer service processes or any other internal process so that you do not have to duplicate for that same enrollee at a new location?

A I'm sorry. So when a customer moves, we certainly understand that they moved. We would certainly understand whether they had had a non-standard service at the prior address. If they wanted to reestablish it at their next address, we would certainly be willing to do so. There are incremental costs, as, you know, you can imagine. This does entail rolling a truck to go out and install a non-standard meter. It feels appropriate that they be charged the enrollment fee.

Q Right. But in terms of customer service and other internal billing processes, that customer doesn't change the billing account, do they?

A I'm sorry. That doesn't change what?

Q Their billing account doesn't change, does it? Just the address, other than their address.

A I can't say for sure, but I think you're correct.

Q Okay. And any customer outreach to that customer, is there any need to redo that customer outreach to that customer?

A I'm not sure what customer outreach you're referring to. When the customer calls with their concerns, we're certainly going to listen to the customer. We would again, as I mentioned, notate in their files their concerns. To the extent that they wanted to enroll, we would provide them that service. And as we did so, we would incur incremental costs.

MR. JACOBS: Okay. I want to mark an exhibit, Mr. Chairman.

CHAIRMAN GRAHAM: Sure. Let's just go ahead and mark this as Exhibit 23 for simplicity.

(Exhibit 23 marked for identification.)

BY MR. JACOBS:

Q Have you had a chance to review this, Mr. Onsgard?

A I have.

Q Is this familiar to you?

A It is.

Q Please describe it for us.

A These are pages from our Exhibit B that was part of my testimony. This describes how we did some of the summaries for calculating the incremental costs.

Q Okay. Now I want to take a look at your calculation and support for -- thank you, I'm sorry -- the field meters charge. Okay. And that detail is on page 7 of 15 of Exhibit B, which would be the last page of this exhibit.

So in your earlier testimony you indicated that these costs were originally calculated based on a three-year return -- recovery period, but now we understand it's a five-year recovery period; is that correct?

A That is correct.

Q Okay. So is it your testimony that this cost is going to be incurred for each customer who enrolls in the NSMR?

A As we've described, this is an average of one site visit per opt-out customer. Some customers might not have a site visit; other customers might have multiple site visits. To provide this tariff, we have used an average of one site visit. And given the current enrollment, we will have in excess of one site visit on average per opt-out customer.

Q Okay. I think in our earlier testimony we talked about the idea, at least in the postponement list, that that didn't involve -- the customers got on the postponement list, of course, without one. And we -- I'm assuming that in that instance when that customer got on the postponement list that their meter was never removed. Is that a fair statement?

A If your question is whether or not we left meters for customers who asked to be on the postpone list --

Q Right.

A -- we did. We made every effort to do that.

Q Okay. So for every enrollee in the NSMR who happened to have been on the postponement list, very likely their original meter was still onsite; correct?

A That was the intention, yes, sir.

Q Okay. Would you have made a visit to that location when they, when they enrolled in the NSMR?

A No. We would not need to make a site visit to install a non-standard meter. They would have already had one.

MR. JACOBS: Okay. I'm marking an exhibit, Mr. Chairman.

CHAIRMAN GRAHAM: Sure. Staff.

MR. JACOBS: Could you hold that for a second? Hold that a second, please.

(Pause.)

Would you give me a moment, please?

CHAIRMAN GRAHAM: Sure.

It looks like a good spot for a five-minute break.

MR. JACOBS: Thank you, sir.

(Recess taken.)

CHAIRMAN GRAHAM: Okay. Mr. Jacobs, you still have the floor.

MR. JACOBS: We'll try and move along, Mr. Chairman.

CHAIRMAN GRAHAM: This new exhibit, we'll give it a number of 24.

(Exhibit 24 marked for identification.)

BY MR. JACOBS:

Q So I'll give you a moment to review this exhibit, Mr. Onsgard. Are you familiar with it?

A I have reviewed it.

Q Are you familiar with it?

A I am.

Q I want to very quickly just move to, let's see, I guess it's Bate's page 4258, Bates number 4258. And at the bottom of that page is a bullet point that says, "Charges include installing meter from next premise customer." Could you explain to me what this is in reference to?

A So I would point to the fact that this was a document that we used in 2012 early in our review of incremental cost, and we did have a line item at that time for the installation of smart meters when a customer, an NSMR customer moved or accepted smart meters. This charge was removed from the tariff. We ultimately decided that that was not something that we were going to ask for recovery for, that this was the installation of smart meter and that this was -- we wanted to make sure that we were isolating the cost specifically to the non-standard meter choice.

Q Okay. Now in our discussion just now what I understood you to say is that your -- and as we saw in our prior exhibit, the purchase -- I'm sorry. Strike that. The $77 fee assumes that there are site visits for every NSMR customer; is that correct?

A Again, no, sir. We do not assume that there will be a site visit for every customer. Our tariff has an average of one site visit per opt-out customer. That is not to say that every NSMR customer will need a site visit but that on average there will be one per NSMR customer.

Q Okay. So you -- for the smart meter customers you chose not to make that assumption; is that a fair statement?

A I'm sorry. There is no assumption for smart meters about the number of visits.

Q Let me rephrase -- let me just go back to what I think I heard you just say with regard to this is that there was some consideration that there should be a charge for a visit for every smart meter customer. You elected not to have that charge.

A Again, the tariff includes an average cost of one site visit per opt-out customer.

Q Okay. Now I want to go through the exhibit that we just passed, which is the Exhibit B to your -- which is in your testimony.

A Okay. Yes, sir.

Q Now, so these are cost projections -- I'm sorry. This is cost support for the charges in the NSMR; is that correct?

A Yes. Exhibit B has been filed. It's our support for the incremental costs of this program.

MR. JACOBS: Okay. I want to mark two exhibits, Mr. Chairman.

CHAIRMAN GRAHAM: Sure. Does it matter to you which is which?

MR. JACOBS: No, sir.

CHAIRMAN GRAHAM: Okay. So the skinnier one, which is Docket Number 120014-EI, Florida Power & Light petition, we'll call that number 25.

(Exhibit 25 marked for identification.)

And the thicker one, basically the same title, except for -- yeah. The first one is Schedule 13b, and this one is Schedule 6b and 7. So number 26 is the thicker one.

(Exhibit 26 marked for identification.)

BY MR. JACOBS:

Q I'll give you a moment to review this, Mr. Onsgard.

A Okay. I've had a chance to scan them.

Q Do you recognize what's been identified as Exhibit 21 -- is it 22? 25 and 26. I'm sorry.

A I have not seen these documents before. I can read the titles, so I have a general understanding what they are.

Q Okay. Okay. I believe earlier in your testimony you indicated you participated in the smart meter discussions as it related to the, to the company's rate review; is that correct?

A No, sir. I was not part of the MFR filings for our last rate case.

Q Okay. So I will reserve these questions then for, I guess for Mr. Deason.

So let's go back then to the -- that was my original focus anyway, the $77 fee that we were looking at.

Well, let me ask you this. So in developing this chart on page 7 of 15 in your -- how did you, how did you arrive at the cost factors and the, and the amounts?

A As described on this form, we looked at the requirements to make a field visit -- the labor, vehicle, time -- and we calculated the cost for that site visit.

Q And how did you calculate that it was an incremental cost?

A The site visit is the incremental component that this labor is applied to. So, again, as we've discussed, we have site visits that are required for these NSMR customers -- primarily the site visits to install non-standard meters where they had a smart meter or the required meter testing in accordance with our approved meter test plan.

Q Okay.

A These two functions require that we visit the site, and this is the cost to have the service crew go to the site.

Q And did you, did you balance or match these estimates against your traditional operation statistics from when -- before smart meters were the standard?

A I had no cause to compare this to others. I'm looking at what our incremental costs are to provide this service.

Q Okay. But you did have -- the company had operated with analog meters for years. Were you aware or did you even reference what the relative operating characteristics were on the prior circumstances before smart meters for this site visit?

A This exhibit figures the cost, the incremental cost to roll the truck for the one site visit.

Q Okay.

A As far as operational needs to make site visits, those I've described as a separate item. They're not part of this exhibit.

Q Okay. And you have -- you've got -- and you had indicated earlier that all this was done through averaging; is that correct?

A Yes, sir. The rates are generally derived by averages. This would have averaging principle applied as well.

Q And so the time to replace a meter, the time to travel to the premise, and the time for vehicle, all those are average costs; is that correct?

A Average times.

Q Average times, I'm sorry, and average costs.

We talked earlier about the idea that for these customers that were on the postponement list would not have had -- you would not have incurred these costs; is that correct?

A The site visits would not have occurred but for these customers requesting non-standard service.

Q Is there any element here that reflects those avoided costs?

A I'm sorry, sir. What avoided costs?

Q Is there any element in this calculation that reflects those avoided costs?

A We haven't identified any avoided costs.

Q And so all those customers who were on the postponement list that you didn't have to do a visit, you don't view those as avoided costs?

A No, sir, I don't. The fact that they didn't need a site visit to install the non-standard meter is a factor that we considered in arriving at the average of one site visit per opt-out customer. If we had not, there would have been many more site visits required. So in factoring our average of one site visit, we recognized that there would be customers who had a non-standard meter at the beginning of their enrollment.

Q Just one moment. I'm going to move forward.

Here it is. Go back over to page 3 of 15.

A This is the summary page?

Q Yes. Now in addition to these up-front costs, this page shows the monthly cost; is that correct?

A It does.

Q Okay. And it's your testimony that each of these costs here are all pure incremental costs based on

NSMR.

A Yes, sir.

Q And so there's no element of the meter reading cost that has to do anything with operations in your general body of rate, general body of ratepayers. So this cost is the incremental cost just for the meter reader to go out; correct?

A This document shows the cost for meter reading, and it's applied to the number of NSMR customers who are requesting non-standard service and is therefore incremental.

Q Okay. So would any customer whose bill was estimated, would they incur this cost?

A If a bill is estimated, this is the result of a meter reader who went to the premise to read the meter. So we work very hard to limit the number of estimate bills. Customers don't like estimate bills, so we do all we can to avoid them. The costs related to the fact that there was an inability to read the meter are even more with an estimated bill. We're now going to need to make successive visits and conversations with the customer. So the cost relative to having to estimate the bill is really not relevant to the meter reading cost.

Q Am I understanding you to say that the only time a bill would be estimated is if, is if a meter reader went out and simply couldn't access the meter?

A That's correct, sir.

Q Oh, okay. Now the monthly billing support, what's entailed in that, in that figure?

A I'm sorry. Which line item?

Q This is line item 10.

A So line item 10, this is the OSHA and vehicle safety factor, the five sensor (phonetic)?

Q No. I'm sorry. 11, line item 11.

A Yeah, it's hard to see across there, isn't it?

Q Yes.

A Okay. So the billing and project support for operations. Yes, sir.

Q Could you explain to me what that, what that charge entails?

A Sure.

Q Cost entails.

A Right. So the billing function does require some manual effort for us to make sure that the customer classification is correct, that as we come in and out of a billing function that we're just being very cautious that we make sure that these bills are accurate and complete. And if we -- you know, there is more detail, of course, on page 11 of this summary that would provide additional clarity on the charge.

Q So there is some additional billing processing that you do only for the non-standard customers?

A That's correct.

Q Explain to me again what that additional processing is.

A Sure. And, again, as we see referenced, there is a full page of summary narrative on page 11.

Q I'm sorry. And I didn't produce that for you. We'll pull it up in your testimony.

A I can read just a summary that's included on page 11 --

Q Go ahead.

A -- if it is helpful.

The FTE responsibilities are labeled. This work is to support the initial opt-out request processing to ensure completeness and accuracy, the auditability quality, and trackability and flow-through [sic]; it's to initiate the meter change order for field service and for meters to be changed when needed; once the MCO is complete, the meter change order is complete, initiate the task for meter reading to rerouting the premise to a smart meter route -- to a non-smart meter route; support the service order process when a non-standard meter customer leaves, customer billing system automated issues, again with meter change order to make sure that we get the smart meter set.

Q Now your -- this is a monthly charge on every bill for NSMR customers.

A That is correct.

Q And your testimony is that this is actually, probably an annual calculation of these costs but simply averaged out over the years; is that correct?

A So we do look at the FTE cost to provide these services. We calculate the total amount of dollars, and then we divide it by the 12,000 customers and the 60 months of the term, and this is how we would get to the 40 cents. If that's your question.

Q Now all of those tasks sound -- appear to be functions and activities that would occur in the normal course of issuing bills, error checking, consolidation.

A Yeah. So that's not the case. When we have this NSM, this non-standard service, it causes ripple effects throughout our organization. We need to make sure that, as I describe the meter change order process, this is something that's pretty important to servicing these customers. So there's, there is back office work that's required for non-standard meters in the billing department that's not required for standard service.

Q Help me understand that. Whereas, as I understood it, you did transform your billing process, but help me understand how your back office systems don't anticipate non-standard meters.

A Our back office systems are set up for standard processes.

Q That's what I thought I heard you say.

A As I just described, the things that I just mentioned, those responsibilities for this work, that's all non-standard as it relates to the service of a non-standard customer.

Q I heard you mention change orders. Walk me through that one particular cost.

A Well, again, but for these customers requesting non-standard meter service, this meter change order wouldn't be required. The addition to the routing for those customers wouldn't be required. So there are activities that are specifically for providing this incremental service, and that's all we've captured in these costs.

Q What does routing entail?

A Routing entails making sure that the premise is now added to a meter reading route, that we notify the meter reading department that they're going to need to do that work.

Q So, whereas, throughout the, probably the history of this account there have been a route and a meter reader, a meter reader route, let's say, and someone assigned to that route, am I understanding you to say that when you went to the non-standard there was a recreation of these routes?

A That is something that's happening continuously. As we've described, each time we go out and set a non-standard meter for these customers, we need to identify those customers and include them in manual meter reading routes. As they come into smart meters and are activated, if they're activated especially on an individual basis, that requires separate work for us to do. So, yes, sir, it requires additional incremental costs to handle these billing functions for these customers.

Q You testified you didn't participate in the preparation of the MFR, so you're not aware if there was any element of cost associated with meter reading that was included in those MFRs, are you?

A I'm fairly safe in my assumption that there are costs for meter reading in our MFRs.

Q Okay. So help me understand now how that -- so you have cost recovery in your base rates for meter reading. And how about for bill checking, error checking, is there anything in there for that?

A For standard service as we applied for our rates, that's correct. Yes, sir.

Q Okay.

A This is non-standard service.

Q Okay. So you have cost recovery under your base rates for these services. And now what I'm hearing you say is that you have identified something incremental beyond that level of activity that's anticipated in your base rates that you can, you can place specifically for the non-standard meters; is that correct?

A It is not. I did not say that these services are included in base rates. These services by definition are not included in base rates.

Q So I want to be real clear, the services that we're talking about were the route checking.

A Routing for NSMR customers.

Q The bill checking.

A Billing for NSMR customers.

Q And there was another that I can't recall. What I thought I asked is are you aware if there's any element in the calculation of base rates that has to do with meter reading?

A And, again, I would say that, yes, there are elements in our base rates for meter reading. However, those base rates did not anticipate that we would need to do this service, which is non-standard, for these customers. And it's appropriate that we take those incremental costs and charge those customers for this non-standard service.

Q And I believe your testimony was that you didn't do a cost study -- or did you do a cost study to determine what part of that is related to base rates and what part of that is related to the incremental costs?

A It's not relevant to look to what was in base rates. Again, what we're looking at is the providing of this non-standard service. We're looking specifically at those activities that the company has to undertake to provide that non-standard service. And we've costed those out, and that's what's reflected in the tariff.

Q And if there is -- so for the 12,000 that you projected would be enrolled in NSMR, if you only need -- and let's stick with a particular charge so we don't go too far afield. Let's say for a reconnection, that's clear. You'd have to -- if that customer got disconnected, you'd have to go out, disconnect him, and come back and reconnect him. Okay. So you projected that cost for your NSMR for 12,000; is that a fair statement?

A So in our connect/disconnect charge we looked at what our current body of customers has and we assumed that it would be the same ratio for our NSMR customers, and so we applied that in the factor for how many connect/disconnects we would need for this population of 12,000.

Q Right. Right. And actually you didn't do it for the whole 12,000. You came up with a subset of that; correct?

A As I mentioned, we looked at what our ratio is to our total body of customers and used that in our NSMR population.

Q Do you match -- is there anything in your internal processes that matches that estimate to your actual? In other words, is there a true-up?

A Each year we're going to file with this Commission a report that gives a detailed study of what our costs and revenues have been. And if at that time we wanted to look at specific items, I'm sure that that would be available.

Q Okay. And if you determined that there is an overage, how do you deal with that?

A We would need to look at that at that time.

Q It could very well be that you need to recalculate the --

A You know, it would not do us good to try to project now. We have filed a tariff, which is a set point to start this. We've agreed to do annual reporting of the costs and revenues to make sure this is purely a cost-based program, and we would intend to do that.

MR. JACOBS: Just one moment, Mr. Chairman. I think I may be about done.

(Pause.)

BY MR. JACOBS:

Q Okay. One final thing, Mr. Onsgard. Let's go back to page 3 in your summary. And so that I'm very clear, you cannot testify as to whether or not a particular monthly charge has any component, that you've, that you've allocated for the NSMR, you cannot testify whether or not any element of that has been used as a projection of costs for purposes of the base rates. Is that your testimony?

A No, it is not. I can testify that those costs are not included in base rates.

Q Okay. And so let's go to the field visit. Okay? It's on page -- I'm sorry, line 15 on page 3.

A Yes, sir.

Q For disconnects and reconnects. This 45 cents -- well, first of all, the real question is this activity, this activity of collections, disconnects, and reconnects, is that -- and I think we've covered this in the other element but just to re-cover on this point. This activity of field collections, disconnects, and reconnects, is there some element in rate base that addresses this?

A Absolutely.

Q Okay. Now, so I guess what I'm trying to get at with my earlier question, did you do any analysis that determines to what extent the activity that's projected on the base rates affects or influences the costs that you're going to cover, are attempting to cover through the non-standard meter?

A I'm sorry. If you could ask the question again, please.

Q In your estimation of incremental costs, did you do any analysis or estimate of how the cost recovery on the base rates affects your projection of cost in the NSMR?

A Yes, I feel we did. Again, we're looking at the activities, as I've described, that are necessary to serve this non-standard service. It is -- our current smart meters have a connect/disconnect switch in them, and this allows us to do this function without visiting the customer.

For NSMR customers we are going to need to make site visits to do this function. To estimate the number of customers, we used, as I've described, a ratio of our current customers and applied that to this estimate of 12,000 customers who would take this service. And, by definition, that is incremental work that we would not have had to do and it's appropriate to include in this charge.

Q So let me ask the question this way. So for that 12,000 customers, there are no recovery of costs related to base rates, and particularly relating to disconnects and reconnects for those 12,000 under base rates.

A So, Commissioners, this is charged through a service charge. It's on an occurrence basis, so it's not part of base rates. To the extent that these customers need additional site visits for this function, it is appropriate to include that incremental cost.

Q So you just described a miscellaneous charge that's included in cost recovery; is that correct?

A I just described a service charge that is a tariff filed with this Commission and we use for connects/disconnects.

Q So there are miscellaneous tariff charges for which those 12,000 customers would pay separate and apart from this cost?

A If I understand your question, are there -- do our customers pay tariff charges?

Q Yes.

A Yes.

Q Okay. And separate and apart from, for these 12,000 projected NSMR customers, they would pay that miscellaneous tariff charge separate and apart from the costs you've calculated here; is that correct?

A It is. And as we agreed in the order, we've taken great care to ensure that there are no duplicative costs in this tariff as in other tariffs. So this was part of our order that we agreed that we've looked at this, we've made sure that we are not duplicating any of the charges.

Q Okay. Isn't it the case that when you put, as you stated today, that when you, when you propose a tariff like this, there are many assumptions made and averages done; is that correct?

A There are assumptions and averages done. We've spent an extensive amount of time on these. We're very confident that these are the correct numbers to use to create this set point and start this process.

Q Okay. And what I want -- so I guess my last round of questioning is this. The averaging and the assumptions that you do make clear distinctions, and you stated time and again -- and I guess I'll go back to an earlier point there. There are, there are in your responses to staff -- I'm sorry -- to OPC's interrogatories, you saw that there were activities which were, in which there were combined between the existing ratepayers and the non-standard. And I guess that was before the, that was before the actual NSMR was implemented. And you understood at that point in time before the NSMR was implemented that you had combined, you were providing services to both the postponement list and to the regular body of ratepayers from a combined set of, set of resources and staff. And we heard that you really didn't do an exact but you did an internal analysis of what it would take to serve additional costs. And now what I'm hearing is that there are instances where you provide common services, and you looked at how there was a difference between these common services that you do for the general body of ratepayers and for these non-standard tariff customers, and you correctly identified the cost allocation that should occur based on your internal analysis.

MR. RUBIN: I object. It's been asked and answered a number of times.

CHAIRMAN GRAHAM: I agree.

BY MR. JACOBS:

Q We talked earlier -- and this will be my last round of questions -- we talked earlier about the efficiency of, and I guess there was an objection, but how the management of this whole flow from the very beginning, from the time that you started looking at pilot tests for smart meters to how you engage customers to how you manage them transitioning from their existing services either onto or off of smart meters, to this moment where now you have fully deployed smart meters throughout your territory.

And my question is once you -- given that whole scenario, weren't you under some obligation at the very beginning, as we saw it was done in other states, to begin to really look hard at how these costs are going to shake out rather than waiting till the end?

MR. RUBIN: I object. We've gone over this a number of times. It's been asked and answered.

MR. JACOBS: I don't think I've asked this question, Mr. Chairman.

CHAIRMAN GRAHAM: I don't think he's asked this one specifically.

THE WITNESS: Okay. I'm afraid I'm going to have to ask -- have you ask it again.

BY MR. JACOBS:

Q Okay. Weren't you under some obligation at the inception or at least in 2010 when you knew that you were going to have an issue with customers not wanting to use these meters, weren't you -- at that point in time if you want to look fairly and objectively at how to allocate and appropriate objectively appropriate costs, weren't you under some obligation at that moment in time to look at how you would allocate these costs and how you would identify these costs?

A Commissioners, we did exactly that. As soon as we had a postpone population that was of any significance, we offered a postponed policy and allowed these customers to forgo installation of smart meters while we all evaluated the impacts and costs provided in this tariff. So we absolutely did that.

Q But you told customers on that postcard that they were probably not going to incur any kind of charges related to accepting -- you didn't even, at that point in time didn't even know based on your communication that they could refuse, but if they complained, they found out. But you didn't communicate to customers any part of that analysis or that assessment, did you?

A Which assessment?

Q That you just described, which was that at the beginning -- my question was at the very beginning weren't you under an obligation to begin to assess how these costs were going to shake out and how they would affect the customers who chose not to use it? You said you did in September of 2010.

And my question to you was, follow-up question was there was nothing in your interaction with customers in 2010, for that matter even into 2013, that gave any indication to customers how they were going to be treated under this, under this new world.

A We were completely transparent with our customers throughout this process. We established the postpone list, we listened to their concerns, we put information on our website concerning the smart meter deployment and their concerns. We attended the smart meter workshop with other utilities, completely vetted this issue, started to look internally at our costs. It wouldn't be appropriate for us to start to communicate the cost to those customers until we had an approved tariff. As soon as we did, we started a very robust program to notify not only our postponed and UTC customers, but we notified all customers about this option.

Q And so for those customers who chose not to take the meter, they sign up for the opt-out tariff. They still see a miscellaneous charge, do they not, for services that are included in base rates?

A I'm sorry, sir. Which miscellaneous charge?

Q Those customers -- the miscellaneous charge that we discussed a moment ago. We talked for -- let's say this is, this is a non-standard or a non-smart meter customer who is paying their bills. They do everything on time. They have even followed your instructions. They're going to see that miscellaneous charge appear on their bill, aren't they?

A I'm not sure which miscellaneous charge we're talking about.

Q Let's go back to the one we discussed. We talked about collections, disconnects, and reconnects. You said -- I thought your testimony was that there would be a miscellaneous charge that would show up.

A Yes, sir.

Q So that customer is going to see that on their bill; right?

A That is correct. They would see that charge on their bill.

Q Then they're going to see this 45 cents charge on the bill; right?

A They're going to see the incremental cost for that service that's been included in the NSMR tariff.

Q And they haven't had anybody come out to their -- probably haven't had anybody come out to their place to change out a meter.

A No, sir, that's not correct. For them to incur a service charge for a connect/disconnect, they would have had to have somebody come out to their home.

Q I understand. We're talking about the miscellaneous charge on their regular bill; correct?

A I'm not clear yet what a miscellaneous charge is.

Q Okay. We talked about the idea that under the regular base rates there is a miscellaneous charge that covers some of these activities, and we specifically said is there something that covers disconnects and reconnects? And I thought your testimony was that there is a miscellaneous charge under base rates, under a general rate tariff, to be clear, that covers this activity; correct?

A As my testimony shows, there is a charge in our service charges that is a separate charge when a connect/disconnect happens. Yes, sir.

Q Okay. So this customer, they enrolled for the NSMR. They're going to see on their bill a charge for, under that general -- for that, for that, I think it's

17.66. They're going to see this charge. They're going to see a 77 -- they're going to have paid a $95 enrollment fee, even though if they were on the postponement list, no one ever came out to visit them.

CHAIRMAN GRAHAM: That's been asked and answered a million times.

MR. JACOBS: I'm trying to summarize here. I'm just summarizing.

CHAIRMAN GRAHAM: Please keep to it.

BY MR. JACOBS:

Q And so they're going to see all that on their bill, are they not?

A If they incur a connect/disconnect, they would have that appear on their, on their bill as a service charge for that service. If they enrolled in NSMR, they would see that on their bill as well.

Q Okay. And then we talked -- I just mentioned the enrollment. They would see that when they signed up even if they were already, they already had their meter installed and no one came out to their place to visit them; is that correct?

MR. RUBIN: I object. That same question was asked and answered.

MR. JACOBS: I'll move on. I'll move on, Mr. Chairman.

CHAIRMAN GRAHAM: Thank you.

BY MR. JACOBS:

Q So -- and your final position is that so then the rates for that customer, for that NSMR customer, that's a fair and reasonable rate for them?

A That's absolutely correct. We do feel that these rates are fair and reasonable. We've worked very hard to ensure that they are.

MR. JACOBS: Okay. No further questions, Mr. Chairman.

CHAIRMAN GRAHAM: Thank you.

Mr. Skop, we will start with your questions in an hour. We're going to break for lunch.

MR. SKOP: Yes, Mr. Chairman. Thank you. I appreciate that.

CHAIRMAN GRAHAM: We're going to take an hour recess. We'll be back here at 1:35.

(Transcript continues in sequence with Volume 2.)

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

I, LINDA BOLES, CRR, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 8th day of October, 2014.

Linda Boles

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