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5 APPEARANCES: (As heretofore noted.)

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I N D E X

WITNESSES

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EXHIBITS

NUMBER:		ID	ADMTD
636	Confidential	1454	
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1 P R O C E E D I N G S

2 CHAIRMAN BROWN: Thanks, Mr. Barrett.

3 MR. BUTLER: Thank you, I tender the witness
4 for cross-examination.

5 CHAIRMAN BROWN: Thank you.

6 And good afternoon, and welcome. Mr.
7 Rehwinkle.

8 MR. REHWINKEL: Good morning, Madam Chairman
9 and Commissioners.

10 CHAIRMAN BROWN: Afternoon.

11 MR. REHWINKEL: Good afternoon, it's my first
12 time today, so I feel like it's morning.

13 CHAIRMAN BROWN: It may be morning next time
14 we see you.

15 MR. REHWINKEL: Yeah.

16 Madam Chairman, I am passing out -- having
17 passed out two exhibits. One much them is
18 confidential and the other one is not.

19 CHAIRMAN BROWN: Okay.

20 MR. REHWINKEL: And I, the nonconfidential
21 one, the company is free to look at it, it's not a
22 gotcha exhibit.

23 CHAIRMAN BROWN: Okay. Would you like that
24 marked at this time? Gotcha?

25 MR. REHWINKEL: Yes, I am going to deal with

1 the confidential one first.

2 CHAIRMAN BROWN: Okay. So.

3 MR. REHWINKEL: And that document needs to be
4 entitled, very generically, confidential OPC
5 cross-examination Exhibit 1, and if I could get a
6 number for that.

7 CHAIRMAN BROWN: Sure, it is 636. And we will
8 label it as such.

9 (Whereupon, Exhibit No. 636 was marked for
10 identification.)

11 MR. REHWINKEL: While it's being passed out.
12 I wanted to make clear for the record, that I have
13 provided this exhibit to the company, and I believe
14 that I worked out the way to get the information
15 that is confidential into the record in a way that
16 preserves the confidentiality of the company.

17 CHAIRMAN BROWN: Okay.

18 MR. REHWINKEL: I don't -- and I assume that
19 it's being passed out to people who the company
20 agrees can view confidential information.

21 CHAIRMAN BROWN: FPL, can you confirm that?

22 MR. BUTLER: You know, it's been -- I did not
23 witness its being passed out. If it was passed out
24 to Mr. Skop or to Wal-Mart representatives, then I
25 believe that it should not be because we do not

1 have confidentiality agreements with them.

2 CHAIRMAN BROWN: Okay, it looks like it was
3 passed out to the appropriate people.

4 MR. BUTLER: Okay.

5 CHAIRMAN BROWN: Please proceed.

6 MR. REHWINKEL: Thank you.

7 EXAMINATION

8 BY MR. REHWINKEL:

9 Q Good afternoon, Mr. Barrett?

10 A Good afternoon, Mr. Rehwinkle.

11 Q Aside from the changes well, I guess you
12 stated in response to Mr. Butler that you have no
13 changes to your testimony and that the only
14 modifications therein are subject to the KO.19 and KO.20
15 exhibits?

16 A Correct.

17 Q Okay. Can you turn to what's been identified
18 as Exhibit 636, please?

19 A I have it.

20 Q Okay. Since FPL is asserting confidentiality
21 for certain information contained on pages three and
22 four of this exhibit, I am going to ask you a series of
23 questions, and I want you to be very careful in
24 answering just the questions I ask. With either a yes
25 or a no, or tell me that you cannot answer it with a yes

1 or no and we will -- we will regroup, do you understand
2 that?

3 A Yes.

4 Q Okay.

5 MR. REHWINKEL: And Madam Chairman, for the
6 record, I have passed out an exhibit with hand
7 numbered and upper right corner, and circled, one,
8 two, 2A and three and four.

9 CHAIRMAN BROWN: Yes, I will note and that is
10 Exhibit 636.

11 MR. REHWINKEL: Okay. And every exhibit
12 should have both those. We made some modifications
13 at the last second, so I apologize if there are any
14 compilation errors, they are my fault and we will
15 rectify them if anyone needs that.

16 BY MR. REHWINKEL:

17 Q So, Mr. Barrett, can I get you to turn to page
18 four of Exhibit 636?

19 A I am there.

20 Q And can you tell me, is the information
21 contained on that page, information that you provided in
22 the discovery process?

23 A It is.

24 Q Can you turn to page three? Do you see the
25 encircled handwritten D, there?

1 A I do.

2 Q Should that information be shown as a
3 modification on page four of the exhibit, as it applies
4 to the numbers that have a dollar sign in front of them?

5 A Yes.

6 Q Okay. Would you please make that change in
7 your handwriting on page four and place your initials
8 next to it?

9 MR. MOYLE: Did he say D as in David or B as
10 in boy.

11 MR. REHWINKEL: D as in David.

12 MR. MOYLE: Thank you.

13 BY MR. REHWINKEL:

14 Q Okay, Mr. Barrett, with that modification next
15 to your initials, is the information on page four of the
16 exhibit true and correct?

17 A Yes.

18 Q Exhibit 636?

19 A Yes.

20 Q Okay. Let me ask you now to turn to page
21 three of Exhibit 636, and tell me apart from the
22 handwritten notations on page three is the information
23 identical to the information on page four of Exhibit
24 636?

25 A Yes.

1 Q Okay.

2 MR. REHWINKEL: And Madam Chairman, for the
3 record, the handwritten notations are in my
4 handwriting.

5 THE COURT: Thank you.

6 BY MR. REHWINKEL:

7 Q Now, let me ask you to turn to page one of
8 Exhibit 636.

9 A Okay.

10 Q And tell me does the typewritten page number
11 at the bottom center of that page correspond to a page
12 number of your prefiled direct testimony?

13 A Yes.

14 Q Okay. Do you see the handwritten A in the
15 circle with an arrow to a portion of the typewritten
16 information on page one of Exhibit 636?

17 A I do.

18 Q Now let me ask you to turn to page three of
19 Exhibit 636. Do you see the A with an arrow next to
20 some information on that page?

21 A Yeah.

22 Q Okay. Can you tell me if the information next
23 to the A on page three of Exhibit 636 should be
24 substituted for the information next to the A on page
25 one of Exhibit 636?

1 A Yes.

2 Q Okay. Let me -- and I was going to ask you
3 based on the revised information that is contained on
4 page four of Exhibit 636, which is information you
5 provided through the discovery process; is that right?

6 A That's correct.

7 Q Okay. Now please turn to page two of Exhibit
8 636. Does the page number at the bottom center of that
9 page correspond to a page of your direct testimony?

10 A It does.

11 Q Okay. And do you see the handwritten A and
12 handwritten B encircled next to the typewritten
13 information contained on page two of Exhibit 636?

14 A Yes.

15 Q Okay. Do you see other handwritten
16 modifications to the typewritten information on that
17 page?

18 A Yes.

19 Q Given the information that you have provided
20 through discovery on page four of Exhibit 36, are the
21 handwritten modifications plus the substitutions or
22 insertion of the information in A and B appropriate?

23 A Yes.

24 MR. BUTLER: I am sorry, Mr. Rehwinkle.

25 MR. REHWINKEL: Yes.

1 MR. BUTLER: I just need to break in here.
2 Without revealing confidential information, the B
3 on that page, the units seem like they are maybe
4 not right.

5 MR. REHWINKEL: Yes.

6 BY MR. REHWINKEL:

7 Q Mr. Barrett, should the unit next to B on page
8 two reflect the same modification that is on the D on
9 page three?

10 A Yes. Thank you, Mr. Butler.

11 Q Thank you. Mr. Barrett, further, do you agree
12 with those modifications, the information on page two of
13 Exhibit 636 is accurate?

14 A Yes.

15 Q Okay. Let me ask you to turn to page 2A of
16 Exhibit 636. Does the page number at the bottom center
17 of that page correspond to a page of your direct
18 testimony?

19 A Yes, it does.

20 Q Given the information that you are provided
21 through discovery on page four of Exhibit 636, are the
22 handwritten modifications, plus the substitution of or
23 insertion of the information in A and B appropriate?

24 A Yes.

25 Q Further, do you agree that with those

1 modifications, the information on page 2A of Exhibit 636
2 is accurate?

3 A Yes.

4 Q Okay. Now let me ask you to turn to page
5 three of Exhibit 636. Is the handwritten hypothetical
6 statement next to the handwritten encircled C, accurate
7 given the assumptions contained there in, assuming that
8 you were legally able to do that?

9 A Given the last qualification that you put on
10 there, that it would not violate our current agreement,
11 then I would say, which is not the case, this is just a
12 hypothetical.

13 Q Yes.

14 A But given that, then I would say that the math
15 would be correct.

16 Q Okay. Thank you, Mr. Barrett.

17 MR. REHWINKEL: Madam Chairman, those are all
18 the questions that I have from Exhibit 636.

19 CHAIRMAN BROWN: Thank you. You did that very
20 delicately.

21 MR. REHWINKEL: Thank you. And I would
22 caution that because of the way we did this, and
23 because of the way the information is, I could not
24 construct another way to do it, and I think any --
25 anyone else wanting to cross or question on this

1 exhibit should be very careful, in fact, probably
2 should consult with Mr. Butler before they do so.

3 CHAIRMAN BROWN: It may be appropriate for
4 Mr. Butler to say, but --

5 MR. BUTLER: I welcome his assistance, that's
6 true. It's kind of a matter of complex and easily
7 overlooked relationship between some of the
8 information that's on there that we need to be sure
9 if people did have questions what questions would
10 be posted.

11 CHAIRMAN BROWN: And we will do that in order,
12 Mr. Rehwinkle, please proceed.

13 MR. REHWINKEL: Thank you, Madam Chairman.

14 BY MR. REHWINKEL:

15 Q Okay, Mr. Barrett the four-year commitment
16 that you mention in page seven of your direct testimony
17 as you have described it. It does not come with a
18 commitment not to seek clause recovery for costs that
19 historically and traditionally are recovered in base
20 rates over that four-year period, does it?

21 A Let me just clarify that. Maybe you could
22 repeat that for me.

23 Q Yes. On page seven --

24 A Yes.

25 Q -- of your testimony, beginning on line eight

1 on your direct, you discuss a four-year commitment, 17,
2 18, 19 and 20, that you won't see base rate relief other
3 than what you requested here if all of your relief is
4 requested, is that right?

5 A That's correct.

6 Q Okay. My question to you is, as apart of that
7 commitment, you are not stating that the company will
8 not seek clause recovery for costs that are
9 traditionally and historically recovered in base rates;
10 is that right?

11 A That's correct. I mean, my testimony is
12 silent on that point.

13 Q Okay.

14 A I would say that we would bring before the
15 Commission for clause recovery listings that we would
16 think that the Commission would find appropriate for
17 clause recovery.

18 Q Are you aware of any utility in Florida
19 receiving 100 percent of a general base rate increase
20 that they requested?

21 A No, I am not.

22 Q Okay. Has any --

23 A Nor am I familiar with any utility that's
24 committed to stay out for four years either.

25 Q Has FPL ever received 100 percent of the base

1 rate increase request in a general rate case, to your
2 knowledge?

3 A Not to my knowledge.

4 Q Has -- to your knowledge, has a utility in
5 Florida ever settled with parties for 100 percent of its
6 base rate increase as a part of a general rate case?

7 A I don't know.

8 Q Has FPL ever settled, to your knowledge, for
9 100 percent of a base rate increase that it's requested?

10 A Yes and no. I have guess I would say the 2010
11 settlement agreement, because of the additional -- or
12 excuse me, the 2012 settlement agreement, with the
13 additional GBRA recoveries actually ended up being more
14 than what we had requested in that rate case.

15 Q Isn't it true that the GBRA recoveries were
16 not a part of the rate case requested?

17 A That's true.

18 Q Do you know if the Florida Public Service
19 Commission has ever granted a rate increase, and then
20 prohibited a utility for filing for another base rate
21 increase within a certain time period?

22 A I don't know.

23 Q Has the Florida PSC ever granted FPL a rate
24 increase and then prohibited FPL from filing for a rate
25 increase for a certain period?

1 A Not outside of a settlement agreement where
2 FPL had agreed to stay out.

3 Q Okay. Have you ever been advised that such a
4 stay out provision would be legal if the company did not
5 agree to it?

6 A I can't opine on the legal nature of it.

7 Q I guess my question was if you had ever been
8 advised that was legal?

9 A I -- not directly that I can remember, but I
10 assume so or we wouldn't have asked for it.

11 Q Okay. If the FPL's customers do not think
12 that having FPL stay out in 2019 and 2020 is worth the
13 cost of paying 100 percent of FPL's 2018 -- 2017, 2018
14 and 2019 request, do you think the Commission should,
15 nevertheless, grant it?

16 A I think that the Commission should weigh the
17 evidence here, and look at the request in its entirety,
18 including the stay out provision and ultimately
19 determine what's in the public interest and what is best
20 for our customers.

21 Q Is it your opinion that a commission in 2016
22 can bind a commission in 2019 or 2020 from granting a
23 base rate increase if FPL, nevertheless, asks for one?

24 A I don't know.

25 Q Okay. On your direct at page 10, lines 16

1 through 17, you reference some costs that you expect to
2 incur, I guess in the form of downward pressure in 2019
3 if they don't, do you see that?

4 A I do.

5 Q Okay. And you state that FPL is not seeking a
6 base rate increase, at this time, for those costs, is
7 that right?

8 A That's correct. The extent of our base rate
9 request in this proposal is 2017, 2018 and the limited
10 scope adjustment for Okeechobee, despite the fact that
11 we anticipate that costs will continue to go up in 19
12 apart from Okeechobee and 2020.

13 Q So are you aware of a utility in Florida ever
14 having a general base rate increase request pending for
15 a period that is three years out?

16 A From which period are you referring to?

17 Q Well, we are in 2016, so 2019 is three years
18 away, right.

19 A Yes.

20 Q Okay. Are you aware of a utility ever asking
21 for a rate increase that far out? A general base rate
22 increase?

23 A I am not aware of any utility doing that, but
24 at the same time we do a lot of things that a lot of
25 utilities don't do. I think we are putting forward an

1 innovative proposal for the Commission's consideration
2 to determine whether you believe it would be in the
3 customer's interest for us to be able to stay out and
4 give us the tools that we need to be able to stay out
5 for four years.

6 Q So you didn't file an MFR for 2019, did you?

7 A That's correct, we did not.

8 Q And you didn't file a forecast for 2019,
9 right?

10 A That's correct.

11 Q Under your four-year commitment proposal, you
12 would not be prohibited from seeking or receiving
13 interim base rate relief in 2020 in advance of a
14 hypothetical change in base rates on 1/1/2021, would
15 you?

16 A I don't know, but let me clarify our
17 commitment, if I may, our commitment is to not seek for
18 rates to go up before 2021.

19 Q So, then is the answer to my question if you
20 filed a rate case in, say, March of 2020 for rates to
21 become effective, base rates to become effective on
22 1/1/21, you would not be seeking a -- an interim award
23 for the period between the filing and the effective date
24 of final rates?

25 A That's correct.

1 Q Okay. That's not in your testimony, is it?

2 A No. Well, I guess it sort of is in that my
3 testimony says we would not be seeking for any increase
4 in rates until 2021, so I guess, depending on whether
5 you think getting interim rates in 2020 is that or not.
6 I thought our proposal was pretty simple.

7 Q Okay. Isn't it true that in your role, as a
8 senior executive of FPL, you are on a team that is
9 tasked with approving major projects for FPL?

10 A Yes.

11 Q Okay. And based on that role, you cannot say
12 that there was ever an expectation that the company
13 would receive an ROE inflater or adder of 50 basis
14 points above and beyond your authorized cost of equity
15 as determined by this Commission, can you?

16 A I think that there is an expectation the
17 Commission can and should seriously consider giving us
18 the 50 basis point adder, if that's your question.

19 Q That wasn't my question. My question was, was
20 there -- well, in approving the projects that you have
21 approved up until the day before today -- up until
22 today, have -- was there ever an expectation in
23 approving those projects that you would receive a 50
24 basis point adder?

25 A I think I know where you are going, but let me

1 be clear, and let me just clarify and see -- because
2 when your talking about projects, for instance, the
3 Okeechobee plant, is that a project in the construct of
4 your question?

5 Q Any project that the company has approved,
6 whether it's capital or large O&M spent?

7 A The projects that we have approved have not
8 assumed any adder.

9 Q Okay. You can -- you are not testifying here
10 today that the company has ever withheld taking action
11 to benefit customers, because the Commission has not
12 awarded FPL an extra profit inflater, or adder as you
13 called it, right?

14 A That's correct.

15 Q Okay. All right. If FPL had overstated its
16 O&M expenses in each of the last two rate cases, would
17 you agree that it is possible that FPL may be over
18 stating its O&M expenses in the current rate case as
19 well?

20 MR. BUTLER: I am going to object to the form
21 of the question. I don't believe there is any
22 evidence that FPL overstated its expenses in prior
23 cases.

24 CHAIRMAN BROWN: Mr. Rehwinkle.

25 MR. REHWINKEL: Well, Madam Chairman, maybe we

1 can look at some evidence. I would withdraw that
2 question for now --

3 CHAIRMAN BROWN: Okay.

4 MR. REHWINKEL: -- and ask that the other
5 exhibit, the nonconfidential one that I passed out,
6 be identified.

7 CHAIRMAN BROWN: Absolutely. We will mark
8 that as 637.

9 (Whereupon, Exhibit No. 637 was marked for
10 identification.)

11 CHAIRMAN BROWN: And that is FPL's response to
12 AARP's interrogatory 67 and 68.

13 MR. REHWINKEL: Yes.

14 BY MR. REHWINKEL:

15 **Q Mr. Barrett, are you familiar with these**
16 **interrogatory responses?**

17 A Yes.

18 **Q Can I ask you to turn to what is the third**
19 **page of the exhibit and page two of two of interrogatory**
20 **response 67?**

21 A Yes.

22 **Q Okay. I would ask you to read aloud the**
23 **second full paragraph that starts with the phrase "in**
24 **order".**

25 A The whole paragraph?

1 **Q Yes, please.**

2 A In order to make an appropriate comparison
3 between FPL's actual adjusted O&M expenses for 2010, and
4 the adjusted test year O&M for 2010, additional
5 adjustments resulting from FPL's final order in docket
6 number 080677-EI, order number PSC-10-0153-FOF-EI, need
7 to be applied to the projected 2010 test year. The 2010
8 test year O&M after these additional adjustments is one
9 billion 504.546 -- well, I got confused there -- one
10 thousand five-hundred-four point five-four-six million,
11 and can be found in column five of MFR Schedule C-37,
12 docket number 12-0015-EI. The variance between this
13 amount and the adjusted actual O&M is 97.328 million,
14 which is 6.5 percent of the forecasted test year amount.

15 **Q Okay, thank you.**

16 And in FPL's 2000 -- and in that rate case
17 that is referenced here, the hearing was held in 2009
18 and the test year was 2010; is that right?

19 A That's correct.

20 **Q Okay. The variance that's referenced here, is**
21 **that more or less than what was forecast for the 2010**
22 **test year on an appropriate comparison basis?**

23 A The actual came in lower than the test year.

24 **Q By 97 million?**

25 A Yes.

1 Q In your 2012 rate case, you used a 2013
2 projected test year, correct?

3 A Correct.

4 Q Okay. Let me ask you to turn to page -- I
5 don't really know what page it is, but turn to
6 Interrogatory 68. I will give you a minute to locate
7 that.

8 A I am there.

9 Q And I would ask you to turn to page two of
10 two.

11 A I am there.

12 Q Okay. And in lieu of asking you to read this
13 entire paragraph, it's very similar in structure to the
14 one you read aloud, is that correct, with some --

15 A Appears to be.

16 Q -- different numbers in different orders,
17 right?

18 A Appears to be.

19 Q Okay. And what is the actual O&M variance
20 there on an appropriate comparison basis?

21 A 130,553,000.

22 Q And that's less than -- the actual was less
23 than the projected amount by that amount, correct?

24 A It was, and may I explain?

25 Q Well --

1 A Going back to the 2010 that we just spoke
2 about, the \$97 million variance was really the result of
3 the worsening economic conditions that we saw coming out
4 of the -- or actually going into the depths of the
5 recession, and some of the concerns we had about the
6 growth in the business, and having to pull back on some
7 of that.

8 It also reflected, quite honestly, of what we
9 perceived to be a pretty unfavorable regulatory outcome
10 from the rate case, where we had to actually pull back
11 some activity. We had announced a delay or referral
12 with some projects. Also the -- some staff reductions
13 midway through that year, and so that contributed to
14 that actual expense in 2010 being lower than what it had
15 been forecasted.

16 And I would also add that, in my view, that
17 doesn't impugn the forecast. It basically says we took
18 action. It's a dynamic business and we don't just sit
19 still. We take action.

20 I go to 2012, the numbers we were just
21 speaking about and -- or excuse me, 2013, I believe is
22 the reference from the 2012 case, and the \$130 million
23 reduction was the significant efforts that we took to
24 improve our productivity once we had entered into a
25 settlement agreement. Again, in this case, a four-year

1 settlement agreement. And, again, just pointing out the
2 value of the four-year agreement, it allowed us to then
3 pivot quickly to how can we increase the productivity.
4 You heard from many of our witnesses, over the last few
5 days, about the actions that we have taken to improve
6 productivity through automation and deploying capital,
7 et cetera. And so in 2013, the underrun is largely due
8 to those actions taken by the company.

9 **Q Mr. Barrett, variations between projected**
10 **fossil plant overhaul expenses and actual expenses, and**
11 **the specific timing of when actual fossil plant overhaul**
12 **expenses are incurred could also be two reasons why**
13 **actual expenses might be lower than budgeted or**
14 **forecasted expenses in any given year, correct?**

15 A They could be.

16 **Q Okay. Thank you.**

17 A In some cases, our actions have been the cause
18 of being able to extend outage intervals.

19 **Q Thank you.**

20 On your direct on page 32, if I could ask you
21 to turn there, line four.

22 A Yes.

23 **Q This is where you begin discussing the**
24 **depreciation study as a driver of your rate case**
25 **request, correct?**

1 A Correct.

2 Q By the way, on -- is it 829 or 826? I have
3 been working on 826. What's the right 2017 revenue
4 requirement?

5 A The far right, the 866, is the filed number,
6 which is now 826 as a result of KO-20.

7 Q Okay. What's 829 up there?

8 A 829 is the first driver, which is the capital
9 initiatives that we have undertaken, and it's further
10 blown up on the second chart.

11 Q Okay. So --

12 A It's a waterfall that kind of walks through
13 each of the pieces.

14 Q So the 829 there is not the same as the 826?

15 A No, it's close in numerical value but not
16 related.

17 Q All right. Thank you.

18 In your 2016 depreciation study that is filed
19 in this case, and is one of the drivers on your chart
20 there, it was assumed that there would be no amount of
21 the 2012 amortization reserve left to amortize; is that
22 correct?

23 A That's correct.

24 Q Okay. And in the MFRs that you filed for
25 2017, the depreciation in dismantlement reserve as filed

1 is \$370 million higher, and assumes full amortization of
2 the regulatory -- of the reserve -- the amortization
3 reserve, is that correct?

4 A I am going to have to have you repeat that. I
5 am sorry.

6 Q Okay. In the MFRs that you filed for 2017 --

7 A Yes.

8 Q -- the depreciation and dismantlement reserve
9 balances are \$370 million in the aggregate higher than
10 they would be had you not had the amortization reserve
11 available?

12 A That's correct.

13 Q And they assume full amortization of the
14 amortization reserve, is that correct?

15 A At the end of '16, yes.

16 Q So your filed rate base assumes -- the net
17 plant portion of your filed rate base assumes no amount
18 of the 2012 amortization reserve is available, is that
19 correct?

20 A By available, do you mean less --

21 Q It's fully amortized.

22 A That's correct.

23 Q Okay. If the reserve surplus that dates, in
24 part, back to 2009 -- and is that a fair -- does a
25 portion of that 2012 reserve amortization, does that

1 date back to the 2009 rate case?

2 A Yes and no. There is a portion of it that
3 does, 224 million of the 370. The other hundred and --
4 I guess it's 34 million, or 146 million relates to
5 dismantlement, of which was a creation of the 2012
6 settlement agreement.

7 Q Okay. But at least the majority of the
8 amortization reserve that was available as a result of
9 the 2012 settlement relates back to the surplus that was
10 found by the Commission and ordered amortized in 2009
11 and as modified in the 2010 settlement, is that correct?

12 A That's correct.

13 Q Okay. If that amount -- if that portion of
14 the reserve amortization is governed by the 2012
15 agreement that you entered into with certain parties is
16 assumed to be zero for purposes of calculating
17 depreciation rates, and is not used up because of the
18 limitation on earnings, and that agreement expires on
19 December 31, 2016, what is to prevent FPL from keeping
20 it for the benefit of shareholders?

21 A There is no provision for us to keep it if we
22 have not amortized it, it will sit in the reserve,
23 lowering rate base.

24 Q Well, would you -- we have established it's
25 not part of the depreciation study, and not considering

1 **in determining rates, correct?**

2 A I think the exact answer to the question was
3 it was considered to have been fully amortized.

4 Q So if there were to end up being a positive
5 balance in there -- which we don't know -- there is no
6 provision in the settlement agreement or in orders of
7 the Commission that disposes of that -- those dollars,
8 or those hypothetical dollars; is that correct?

9 A That's correct. And if I may, the settlement
10 agreement, the Commission's approval of that settlement
11 agreement, authorized us to amortize with certain
12 limitations. When that agreement expires, we no longer
13 have the ability to amortize. That mechanism goes away.

14 Q If the Public Service Commission happens to
15 develop a record basis that you have a positive balance
16 in amortization reserve, you would agree that the
17 Commission has the discretion to direct that that
18 balance be used to benefit customers, correct?

19 A I would agree that that balance is at the
20 Commission's discretion as to how to dispose of it,
21 whether it be through normal depreciation over the life
22 of assets or some other method that the Commission
23 chooses.

24 Q Okay. To the extent that the Commission were
25 to find a positive balance in the reserve, amortization

1 **reserve, you would agree that the dollars -- well, let**
2 **me -- let me step back and ask you.**

3 If the Commission were to hypothetically find
4 a positive balance of X millions of dollars in that
5 account, would those dollars represent all depreciation,
6 or some depreciation, some dismantlement? What is your
7 view on that?

8 A Our approach has been to use the depreciation
9 remaining from the original 894 million that was created
10 in 2010 first, and that the last dollars used would be
11 dismantlement. So it would depend upon how much was
12 left over as to whether it was more than just
13 dismantlement, or if it was -- it would likely just be
14 dismantlement dollars. It would have to be bigger than
15 \$146 million to actually get into the depreciation
16 reserve that had not yet been amortized.

17 **Q Okay. Now, I know Mr. Ferguson is the witness**
18 **on dismantlement, correct?**

19 A Correct.

20 **Q Okay. But can you tell me whether the**
21 **dismantlement study assumed any remaining portion of the**
22 **dismantlement portion of the amortization reserve in the**
23 **presentation of that study?**

24 A It's my understanding that all of the
25 forecasts have been use the for all parts of this case

1 assume that all of that reserve amount, the 370 million,
2 including the dismantlement piece, would be amortized by
3 the end of 2016.

4 You did raise an interesting point, though,
5 that if there were some left over, what could the
6 Commission choose to do with it? There are a number of
7 things they could choose to do with it, including
8 continuing a mechanism like we have under this current
9 settlement agreement.

10 **Q Well, the -- if they were to find that there**
11 **is any positive balance in the reserve amortization**
12 **account, it would only be dollars that resulted from the**
13 **activities that were allowed under the 2012 settlement**
14 **agreement; is that right?**

15 A Could you be more specific by activities?

16 **Q Yeah, okay. So, the 2012 settlement agreement**
17 **created this \$400 million amortization reserve, correct,**
18 **that was further modified by the Cedar Bay settlement to**
19 **370 million?**

20 A I might argue with you whether it was created
21 by the settlement agreement, but I will accept your
22 characterization that, as part of that settlement
23 agreement, we had \$400 million that was later modified
24 down to \$370 million through the Cedar Bay settlement.

25 **Q Okay. So if I substituted the word authorized**

1 by, that would be better than created?

2 A Yes.

3 Q Okay. And the activities that I am referring
4 to are debits and credits that you are allowed to take
5 under certain restrictions under the settlement
6 agreement to, at your discretion, to record credits in
7 your depreciation expense for financial reporting
8 purposes; is that right?

9 A That's correct. Debits and credits, depending
10 on what's going on in the business.

11 Q Okay. So those are the activities that I am
12 talking about.

13 A Okay.

14 Q And you would agree that, were the Commission
15 find that there was a positive balance in the
16 amortization reserve, it would only be as a result of
17 those activities, the debits and credits, that occur
18 within the balance that the Commission authorized
19 through the approval of the 2012 settlement?

20 A Yes, that's correct.

21 Q Okay.

22 A Principle among those activities is all of the
23 productivity savings that we have been able to not have
24 to use as much reserve amortization.

25 Q Okay. You would agree that the Commission

1 would have the authority to direct that customers
2 receive a credit on their bills based on amortizing any
3 positive balance that they might find over one, two or
4 three, or some other period of years, correct?

5 A I would agree that the Commission has that
6 discretion.

7 Q You would also agree that the Commission could
8 direct a straight-line amortization of any positive
9 balance that they had a record basis for over four years
10 and reduce revenue requirements for rate setting
11 purposes in this case, correct?

12 A I would agree that that's within the
13 Commission's discretion --

14 Q Okay.

15 A -- as there are other options at the
16 Commission's disposal as well, including the reserve
17 mechanism that we have had over the last several
18 settlement agreements.

19 Q You have not made -- there is no testimony --
20 there is nothing in your testimony, or any other witness
21 in FPL's direct case, that asks for continuation of the
22 mechanism that we have been discussing for the last 10
23 minutes, is there?

24 A That's correct. And if I could explain --

25 Q Well --

1 A May I explain?

2 **Q You answered my question.**

3 CHAIRMAN BROWN: Mr. Rehwinkle, I will allow
4 him to explain his answer.

5 MR. REHWINKEL: I asked him simply was there
6 any testimony.

7 CHAIRMAN BROWN: Mr. Rehwinkle, he can
8 answer -- he can provide a brief summary after a
9 yes.

10 Go ahead, sir.

11 THE WITNESS: Thank you.

12 The proposal -- the four-year proposal that we
13 have before the Commission has, as its predicate,
14 that we are awarded everything that is in our
15 filing. There may be circumstances where, as you
16 alluded to earlier, we don't get awarded everything
17 in the filing. And one of the mechanisms that may
18 be at the Commission's disposal is to allow another
19 mechanism like this that has worked so well for us
20 to, likewise, make a commitment to stay out for
21 four years. That's all I was trying to explain.

22 CHAIRMAN BROWN: Thank you.

23 THE WITNESS: Thank you.

24 BY MR. REHWINKEL:

25 **Q Just so I understand, that's not in your**

1 testimony that you prefiled, correct?

2 A Not in those words.

3 Q Okay.

4 A What is in my testimony is the value of such a
5 mechanism in multiyear assessments.

6 Q Okay. Well, let me just make sure I
7 understand, because I thought your testimony was that
8 the commitment to stay out only exists if you get
9 everything that you ask for, which is the 826, the 270
10 and the 209 in '17, '18 and '19, correct?

11 A That's correct.

12 Q Okay. And the depreciation award that you
13 request as a part of the separate but consolidated
14 filing that was made on March 15th, 2016?

15 A That's correct. The filing in its entirety.

16 Q Okay. You were involved, were you not, in the
17 Cedar Bay PPA acquisition?

18 A Yes, I was a witness in that petition.

19 Q Okay. And that transaction involved what was
20 effectively a buyout of a PPA, a savings to customers
21 over the next nine or so years; is that correct?

22 A That's not exactly the characterization.
23 Actually, it was the purchase of the entity that holds
24 the facility, and then the economic cancellation of the
25 PPA, but we actually acquired the facility.

1 Q Yeah, so when I -- effectively a buyout, that
2 was kind of the bottom line of it, wasn't it?

3 A Well, no. We actually ended up with a power
4 plant.

5 Q Okay. And one of the results of that
6 transaction is that a cost stream that was a
7 pass-through in fuel became, in part, an annual profit
8 opportunity for shareholders; is that fair?

9 A I would ask you to explain that a little bit
10 more.

11 Q Okay. So I have forgotten how much the annual
12 payments were to Cedar Bay for the services that they
13 didn't render, but under the contract --

14 A Okay.

15 Q -- those costs were passed through dollar for
16 dollar in the fuel clause before -- before the
17 transaction, correct?

18 A Fuel and capacity, largely the capacity
19 clause.

20 Q Yes, but they were passed through, and there
21 was no -- no profit at FPL?

22 A That's correct.

23 Q All right. Because of the investment that you
24 utilized to make the transaction, the marginally lower
25 stream of dollars that you pay, or amortize, every year

1 for the next nine or so years, now included a portion of
2 profit for FPL shareholders as a result of the
3 investment; correct?

4 A I would say, yes, it includes the authorized
5 ROE on that investment. And I would take issue with
6 your characterization of marginally lower. It's, I
7 think, \$71 million in present value, which I think our
8 -- your clients and our customers would appreciate.

9 Q I did not mean that in a pejorative sense. It
10 is just at a margin lower. It was lower, not higher?

11 A It was lower. So it was a win-win basically
12 for everybody.

13 Q You have a similar proposal pending in the
14 Indiantown Cogen case that's pending right now with the
15 Commission, right?

16 A Yes, sir.

17 Q And even though it is structured differently,
18 the bottom line result will be, again, a marginal
19 benefit for the customers, and a conversion of a
20 pass-through cost stream in the fuel clause to, at least
21 in part, a profit opportunity for shareholders; is that
22 right?

23 MR. BUTLER: I would object again to the
24 characterization as marginal.

25 CHAIRMAN BROWN: Mr. Rehwinkle.

1 MR. REHWINKEL: Well, again, I clarified that
2 marginal is not a bad thing. It mean -- marginal
3 is not a derogatory term, but what term would you
4 use?

5 THE WITNESS: You could say substantial.

6 MR. REHWINKEL: Substantial.

7 CHAIRMAN BROWN: Okay.

8 MR. REHWINKEL: Okay.

9 MR. BUTLER: Or you could characterize our
10 rate request as marginal.

11 MR. REHWINKEL: I would definitely
12 characterize it as substantial.

13 THE WITNESS: I would answer the question
14 regarding the ICL transaction much the same way as
15 the Cedar Bay transaction, which is, you know, we
16 have asked debt and equity investors to allow us to
17 make this purchase to get rid of an uneconomic PPA
18 payment stream in compensation to equity and debt
19 investors that are paid a return, and customers are
20 better off for it. So, again, just a huge win-win
21 for both.

22 BY MR. REHWINKEL:

23 Q But those two transactions together represent
24 opportunities for the shareholders to increase their
25 value as a part of these two transaction, correct?

1 A I would disagree with that characterization in
2 that -- and again, I may defer to Witness Dewhurst and
3 Hevert on financial theory, but being compensated with a
4 cost of equity is -- is -- I would characterize is
5 compensatory as opposed to rewarded.

6 Q Okay. And as a part of the 2012 settlement,
7 you were allowed to implement an incentive mechanism
8 that increases FPL's opportunity to increase
9 shareholder's profit, correct?

10 A That's correct.

11 Q And you also have a generating performance
12 incentive factor mechanism that gives you an incentive
13 to run your power plants more efficiently and increase
14 shareholders profits, correct?

15 A That's correct. And that particular incentive
16 is kind of a rolling three-year average of performance,
17 and so we -- the bar keeps getting higher, we have to
18 keep performing.

19 Q Okay. And isn't it true that you invest in
20 assets, generation and transmission especially, to serve
21 retail load primarily?

22 A Yes.

23 Q Okay. And to the extent that FPL is able to
24 leverage those assets, such as new combined -- new, more
25 efficient combined cycle plants, pipelines, transmission

1 **facilities, to successfully compete for wholesale**
2 **customers, shareholders are better off; correct?**

3 A No.

4 Q **They are not?**

5 A No.

6 Q **So --**

7 A And let me explain that. That was kind of a
8 pregnant pause there.

9 Shareholders are getting a return on those
10 investments from retail customers. When we are able to
11 leverage those investments into a wholesale contract,
12 essentially we are offloading that responsibility on to
13 other customers and saving retail customers money, but
14 we are going to make a return on those investments if we
15 have no wholesale contracts.

16 Q **Would you agree with me that FPL has been more**
17 **successful in recent years in the wholesale business in**
18 **Florida, correct?**

19 A I think that's correct.

20 Q **That's kind of in your testimony, right?**

21 A Uh-huh.

22 Q **Okay. And you also would agree with me that**
23 **FPL does not pursue wholesale business unless there is a**
24 **profit opportunity for shareholders, correct?**

25 A That's correct. We would not enter a deal to

1 lose money.

2 Q Okay. So to the extent that you have -- that
3 retail customers have paid for assets that allow you to
4 pursue opportunities and have a lower cost, and compete
5 in the wholesale market, shareholders are better off,
6 aren't they?

7 A It depends.

8 Q Okay.

9 A I would offer that, on my waterfall chart
10 here, you can see that there is a huge benefit to retail
11 customers of \$126 million, because we have been able to
12 offload costs that retail otherwise would pay on to
13 wholesale customers.

14 Q Obviously, that increased offloading to retail
15 customers means that there are significant business
16 gains in the wholesale market, correct -- for FPL?

17 A I am not an expert in the wholesale market.

18 MR. REHWINKEL: Okay. Those are all the
19 questions I have, Madam Chairman. Thank you.

20 CHAIRMAN BROWN: Thank you, Public Counsel.

21 All right. Moving on to Mr. Moyle, FIPUG.

22 MR. MOYLE: At the risk of -- I will take some
23 risk. I will take some risk. We have been going
24 since about 1:15.

25 CHAIRMAN BROWN: Keep on going.

1 MR. MOYLE: I want to say uncle.

2 CHAIRMAN BROWN: Five. Five, okay?

3 MR. MOYLE: Thank you. We can take five
4 minutes?

5 CHAIRMAN BROWN: Five-minute break.

6 (Brief recess.)

7 CHAIRMAN BROWN: As a reminder to the parties,
8 we will be taking a very abbreviated dinner break
9 this evening, okay?

10 All right, Mr. Moyle.

11 MR. MOYLE: Thank you.

12 CHAIRMAN BROWN: You may proceed.

13 MR. MOYLE: Thank you.

14 CHAIRMAN BROWN: Mr. Moyle.

15 MR. MOYLE: Thank you, Madam Chair.

16 EXAMINATION

17 BY MR. MOYLE:

18 Q Good afternoon, Mr. Barrett.

19 A Good afternoon.

20 Q Are you testifying as an expert or a fact
21 witness?

22 A Yes.

23 Q That's good. It's a compound question, that's
24 why it's objectionable.

25 A Both.

1 **Q And with respect to expertise, what areas do**
2 **you hold yourself out as an expert in?**

3 A This is my third rate case testimony regarding
4 the financial forecast, general drivers of the rate
5 increase. I have had 34 with the company in various
6 financial positions, by training, by education, by the
7 positions I have held. I have been the Vice-President
8 of Finance for nine years, so that's what I rely upon
9 for my expertise.

10 CHAIRMAN BROWN: Mr. Moyle, I am going to stop
11 you in asking further questions that are cloaked as
12 voir dire, and that will be enough of that line of
13 questioning.

14 Please proceed.

15 MR. MOYLE: The -- well, I just -- I want to
16 have some questions about him with respect to his
17 testimony in the regulatory compact, some of that,
18 I think it will actually be helpful, but I did want
19 to -- you know, I am not asking him all of that
20 stuff, just wanted to understand what he is
21 professing to have expertise in.

22 BY MR. MOYLE:

23 **Q So let me ask you this, Mr. Barrett, I want to**
24 **understand this, you used the phrase agree in your**
25 **opening and you also talked about a proposal, and I read**

1 your testimony to be offering a deal to the Commission;
2 is that right?

3 A The way I characterized it in testimony and my
4 opening was a four-year rate proposal.

5 Q Sock. So sometimes -- I mean, you are not
6 comfortable saying that's a deal?

7 A Correct. I am not comfortable saying it's a
8 deal.

9 Q Is it an agreement? Would you agree to that?

10 A I think I have already answered that, that
11 it's a commitment of the company, as well as Mr. Silagy
12 answered the same exact question.

13 Q Do you have understanding of the regulatory
14 compact?

15 A Generally.

16 Q Okay. Does it contemplate that people who are
17 regulated enter into agreements with their regulator?

18 A Mr. Moyle, as I understand --

19 Q Yes, no, and then please answer.

20 A I don't know.

21 Q Okay.

22 A And as I understand --

23 Q That's all I need. It will move it along
24 faster if we can go yes, no, and --

25 CHAIRMAN BROWN: Mr. Moyle, I am going to

1 allow the witness an opportunity to clarify his
2 answer at every opportunity.

3 MR. MOYLE: Okay.

4 CHAIRMAN BROWN: So please proceed.

5 THE WITNESS: The nature of our commitment is
6 an asymmetric commitment. It's a commitment on our
7 part that if we receive what we have asked for
8 here, we will stay out for the four years. It does
9 not bind the Commission in any regard, or any
10 party, if we were to over-earn, for instance, from
11 bringing us in. So that's the nature of the
12 commitment, and that's why I would not be
13 comfortable characterizing it as a deal.

14 BY MR. MOYLE:

15 **Q How much are you asking for?**

16 A 826 million effective January of 2017,
17 270 million effective January of 2018, and 209 million
18 when the Okeechobee plant goes into service, currently
19 projected to be mid-2019.

20 **Q So what if you got 826 million in 2017,**
21 **270 million in 2018, and \$207,900,000 in the last year,**
22 **would your commitment hold?**

23 A That's a hypothetical. We would look very
24 carefully at what the Commission's decision was on that.

25 **Q So is that a yes or a no?**

1 A Probably, if we were shorted \$1 million, we
2 would probably still make that commitment.

3 **Q A million?**

4 A That's the nature of the number you threw out.

5 **Q Do you understand the distinction between**
6 **needs and wants?**

7 A I have children. Yes, I do.

8 **Q Do you need every dollar that you are asking**
9 **for in this rate case?**

10 A We believe we need those dollars in order to
11 provide the level of service that our customers are
12 currently enjoying and want to continue to enjoy, and
13 for us to continue to make the investments that we think
14 will bring benefits to our customers.

15 **Q So is that a yes with an explanation?**

16 A That's a yes with an explanation.

17 **Q Thank you.**

18 When you -- with respect to the 50 basis
19 points, Public Counsel asked you some questions about
20 the 50 basis points. Are you comfortable answering a
21 couple of those questions?

22 A I am not the witness sponsoring that, so it
23 depends on what the questions are.

24 **Q Are you aware that no other commission in the**
25 **United States has ever provided a 50-basis point adder?**

1 A I am not aware of that.

2 Q Have you looked into it one way or the other
3 or has somebody else?

4 A I have not.

5 Q Okay. Do you understand that the request is
6 for good performance in a retrospective approach?

7 A No, that's not my understanding of what Mr.
8 Silagy testified.

9 Q What's your understanding? For future to
10 innocent --

11 A -- future --

12 Q I am sorry. Is it to send the right signal on
13 a go-forward basis?

14 A It is to -- yes, it's to provide an incentive
15 that would, we believe, be good policy to enable
16 utilities to strive for outstanding levels of
17 performance.

18 Q Are you aware of any other utility in Florida,
19 or anywhere in the country, or anywhere in the world,
20 who's asked for, in a rate case filing, an increase in
21 three consecutive years?

22 A I am not aware.

23 Q I am sorry?

24 A I am not aware.

25 Q Are you aware that a number of jurisdictions

1 in rate cases, that they make decisions based on
2 historical data?

3 MR. BUTLER: Object to the form of the
4 question.

5 BY MR. MOYLE:

6 Q That they don't use a test year -- they don't
7 go and look into the future and use a test year, they
8 use data that's actual information that's occurred
9 historically?

10 CHAIRMAN BROWN: Objection overruled.

11 MR. BUTLER: Same --

12 THE WITNESS: I'm sorry.

13 MR. MOYLE: I'm sorry.

14 CHAIRMAN BROWN: The objection was overruled.

15 I am allowing you to ask the question.

16 MR. MOYLE: Okay. Thank you.

17 THE WITNESS: So can you repeat the question?

18 I am sorry.

19 BY MR. MOYLE:

20 Q Are you aware of jurisdictions that, when they
21 handle rate cases, that they don't use a projected test
22 year, that they use historical information?

23 A I am generally aware that that is the way it's
24 handled some places, but not in Florida.

25 Q Okay. And you would agree that historical

1 information has more certainty associated with it than
2 forecasted information, correct?

3 A I would agree that history --

4 Q Yes -- yes, no, please.

5 A Okay. Yes. I would also note that historical
6 information is not representative of the period over
7 which the rates would be in service.

8 MR. MOYLE: I am sorry, could I read that
9 answer back, please? Could I have that answer read
10 back?

11 CHAIRMAN BROWN: Could you read that back for
12 us? And make sure we've got a mic.

13 MR. MOYLE: I don't need the yes. I need
14 the --

15 (Whereupon, the court reporter read the
16 requested portion of the record.)

17 CHAIRMAN BROWN: Thank you.

18 Please proceed, Mr. Moyle.

19 MR. MOYLE: Thank you.

20 BY MR. MOYLE:

21 Q And that's because -- because rates are -- you
22 coming in asking for rates on a go-forward basis;
23 correct?

24 A Yes. We are asking for rates for 2017, so
25 that's the period that over which rates would be in

1 effect.

2 Q And you are also asking for rates for 2018?

3 A Yes.

4 Q And you filed projections and all kinds of
5 information for '18, correct?

6 A We did.

7 Q And you are also asking for rates in 2019?

8 A We are asking for a limited scope adjustment
9 for the Okeechobee power plant in 2019.

10 Q Isn't that the same thing as a generation base
11 rate adjustment?

12 A It's very similar. We are asking for all of
13 the revenue requirements for the first year of that
14 plant, and that's essentially what a generation base
15 rate adjustment is.

16 Q Is there any difference?

17 A I don't believe there is, but I am not sure.
18 You might want to ask Witness Ousdahl about that.

19 Q On page 17, line 13.

20 A Okay.

21 MR. MOYLE: I put the wrong cite down. Could
22 I have a second, please?

23 CHAIRMAN BROWN: Yes.

24 MR. MOYLE: I'll come back to that.

25 BY MR. MOYLE:

1 Q You sponsored testimony related to the peaker
2 projects; is that right?

3 A Yes.

4 Q Okay. And a lot of people have pointed to you
5 and said that you are the resource planning witness in
6 this case. Are you comfortable ask -- answering
7 resource planning questions?

8 A I will do my best.

9 Q Okay. What role do you play in resource
10 planning?

11 A They report to me.

12 Q Okay. Are you involved in the preparation of
13 the 10-year site plan?

14 A I am involved in reviewing it.

15 Q Do you have to approve it?

16 A Yes.

17 Q Okay. With respect to the peaker projects,
18 how much money are you asking for?

19 A Well, the capital expenditures are
20 \$770 million. The revenue requirement, which is the
21 subject of the rate request, I think it's about \$80
22 million. If you give me a moment, I will look that up.
23 \$92 million of the rate request is related to the
24 peakers.

25 Q And that would start in '17, is that right?

1 A Yes -- well, it would start when they go into
2 service, which is projected to be the end of this year,
3 but the rate request would go in effect January of '17,
4 yes.

5 **Q Okay. And there are peakers in Ft. Myers and**
6 **there are peakers in Ft. Lauderdale, right?**

7 A Let's define what you mean by peakers. We
8 have exiting GTs and we is a new CTs. They are both
9 peakers, so what are you referring to?

10 **Q What's a GT?**

11 A A gas turbine.

12 **Q And what's a CT?**

13 A A combustion turbine.

14 **Q And what's the difference?**

15 A A combustion turbine is advanced technology
16 that you heard Mr. Silagy yesterday talk about the GTs
17 being essentially aircraft engines. The CTs are much
18 bigger, much more efficient, so I just want to be clear
19 when we are talking about peakers, which ones we are
20 talking about.

21 **Q Okay. Well, why don't you tell us the overall**
22 **plan. As the person who resource planning reports to,**
23 **what was the thinking in the overall plan with respect**
24 **to the, you know, I call it the peaking projects?**

25 A In a nutshell, the plan is to replace the

1 1970s vintage gas turbines that are currently at Port
2 Everglades, Ft. Lauderdale and Ft. Myers with
3 state-of-the-art combustion turbines. 44 of the 48
4 would be retired. Four of the 48, two at Ft.
5 Lauderdale, two at Ft. Myers, would be kept for black
6 start capability, which means when the lights are out,
7 they can start. The advanced combustion turbines don't
8 have that capability. They need auxiliary power to get
9 them started.

10 So the plan is to basically replace those old
11 Toyotas with a new Prius.

12 **Q You answer the needs versus wants question**
13 **based on kids. Do you have a old family car?**

14 A I am sorry?

15 **Q Do you have a old family car?**

16 A I do.

17 **Q Does it run?**

18 A Occasionally. I just had to put a new fuel
19 pump in it.

20 **Q And it can deliver kids to where -- the places**
21 **they need to go, or they can borrow the car; correct?**

22 A It sat in front of my son's house for about
23 three weeks, so during that period of time it did not.

24 **Q But not because of it was broken?**

25 A Because the fuel pump was broken and I didn't

1 want to pay for it.

2 Q Did you do any analysis with respect to
3 whether you could keep, say, for example, the newer
4 vintage units that were in Ft. Myers, as compared to Ft.
5 Lauderdale, and do the peaking project in a way that
6 didn't have them all coming in at once?

7 A Let's be clear when you say newer. They were
8 1974 instead of 1971.

9 Q That's newer.

10 A Okay. They were still --

11 Q Do they have a better heat rate?

12 A I don't recall what the heat rate is on those
13 GTs.

14 Q Okay. So the question that I think was
15 pending was, did you consider looking at some type of
16 approach where you brought them in over a period of
17 time, as compared to bringing everything in at once?

18 A No. We looked at replacing them all at one
19 time.

20 Q You asked this commission to consider the
21 peakers, right?

22 A We are asking today for them to consider the
23 recovery of the costs associated with the peakers.

24 Q Okay. And this is the second time that the
25 issue has been in front of the Commission. It was in

1 front of them in the environmental cost recovery clause?

2 A Yes, back in 2013, it came up in a different
3 context.

4 Q And do you know -- I don't think we cleared
5 this point up, but do you know that the environmental
6 needs that were set forth in the petition at that point
7 in time, whether those have disappeared, or are no
8 longer present?

9 A Can you restate that, please?

10 Q Sure. In that petition, as I recollect it,
11 the request was, we need to do these peakers because of
12 environmental concerns, and you brought it in under the
13 environmental cost recovery clause, and you cited
14 certain regulations. Am I correct in assuming that
15 those environmental regulations are no longer a reason
16 for seeking to have these peakers approved?

17 A That's correct. But I do want to clarify,
18 because I think the way you asked the question the first
19 time had been a little bit confusing.

20 Q That's why I rephrased it.

21 A Well, I just want to make sure that we
22 understand it.

23 The regulations are still in effect. We
24 brought the project forward in 2013 for environmental
25 cost recovery, it was on the basis of modeling that we

1 had done on the air emissions of those units that would
2 indicate they would not be able to meet the one-hour
3 limitation on NOx emissions. And so we thought that it
4 would be prudent to bring it forward. We were actually
5 thinking that we were going to be required to meet that
6 obligation with those units and our modeling saying they
7 were failing.

8 So as we moved through that process, it was
9 determined that we did some monitoring at the plants.
10 We actually removed the petition, said, okay, let's do
11 some monitoring to affirm whether the modeling is
12 correct or not.

13 As we put up some monitors at the plant
14 boundaries, we never exceeded the emissions limitations,
15 so there was no longer an environmental reason to
16 replace those peakers. However, in the process of
17 looking at that analysis of how were we going to fix the
18 problem, we determined that the long-term viability of
19 those peakers was suspect. They were going to cost a
20 lot of money to keep running; and, in fact, parts were
21 really not any longer available for those -- for those
22 machines.

23 So it was then that we pivoted to looking at
24 the economics of replacing them, and determined that
25 replacing those 44 of the 48 peakers with seven

1 combustion turbines could probably provide tremendous
2 benefits in terms of CPVRR. It's over \$200 million.

3 **Q Combustion turbines, they are the front-end of**
4 **a combined cycle; is that right?**

5 A Only if the plant has been configured in a
6 blinds cycle configuration. These are simple cycle
7 combustion turbines.

8 **Q When you are planning this, have you done it**
9 **in a way that, to the extent your need grows in the**
10 **future, that you can put a heat recovery steam generator**
11 **on the unit?**

12 A I -- we have not looked at that, but I do not
13 believe that that would be the plan, because that's not
14 the kind of technology that these serve on our system.
15 These particular units --

16 **Q These serve peak load, is that right?**

17 A Well, these particular units are reliability
18 units. They are there when we lose generation and we
19 have to get back quickly. We have requirements that we
20 have to meet. Within 15 minutes we have to be able to
21 bring a certain amount of load onto the system. Within
22 a half an hour, we have to replace what was lost in
23 order to meet our reliability commitments to the FRCC
24 and to NERC.

25 So these units, if they were combined cycle

1 plants, they would be base-loaded and then, therefore,
2 not available to meet those emergency kind of
3 conditions. So it's a totally different application,
4 totally different technology.

5 **Q Is it fair to characterize this type of plant**
6 **as the firetruck, you know, that you need to have but**
7 **hopefully don't have to call on it much?**

8 A I have to think through your analogy, but
9 that's probably pretty good. You need for emergencies,
10 and so it has to be able to roll when you need it to
11 roll.

12 **Q But hopefully you don't need it, and if you**
13 **don't need it, that's okay, you are happy to pay for it**
14 **because when it rolls out, it's probably not great?**

15 A Well, that's probably true. Although, I will
16 say that, in some of the hot weather that we have had
17 over this summer, we have actually fired the GTs. So it
18 can be hot weather or equipment failures that cause the
19 need for these units.

20 **Q All right. So let me take you to page seven**
21 **of your testimony.**

22 A Okay.

23 **Q You say, on line 15 -- I guess it starts up on**
24 **14 -- and expected to produce total residential bills**
25 **that grow roughly in line with inflation over the**

1 **four-year period; is that right?**

2 A Yes.

3 Q So how much are residential bills going to go
4 up over the four-year period, do you know?

5 A I believe that is a exhibit in Witness Cohen's
6 testimony. I don't recall the number.

7 Q We may have put one in yesterday that
8 addresses it.

9 A Okay.

10 Q 561, I told your counsel you should have a
11 copy of it.

12 A Okay. These don't appear to be residential
13 bills.

14 Q Do you see RS on line 25?

15 A Yes.

16 Q Okay. What does RS stand for?

17 A I believe these are base revenues. I don't
18 believe these are the customer bill, which is total
19 revenue.

20 Q I may have misspoke. I am sorry. I am trying
21 to ask you about the projected base revenues.

22 A Well, the context of my testimony that laid
23 the predicate for this question was the total
24 residential customer bill.

25 Q Okay. So with respect to what is represented,

1 then, on line 25, what is that?

2 A Line 25 would be -- column two present
3 revenues at present rates from the residential RS1
4 category, rate class.

5 Q And then what is the last column? Doesn't it
6 say increase percent?

7 A Increase percent, yes.

8 Q And what does it read for residential?

9 A 17.3 percent.

10 Q Okay. Is it your understanding that, over the
11 life of the proposal, that the residentials are
12 scheduled, or at least that you are asking that they go
13 up 17.8 percent for base rates?

14 A That appears to be what this MFR would
15 suggest; but, again, the context of my testimony was
16 total residential bills, which is what customers pay.

17 Q So I guess it includes clauses, is that your
18 point?

19 A Yeah, primarily fuel, but the other clauses as
20 well. All of the things that go into a customer bill.

21 Q Okay. If you didn't include clauses, you
22 would agree that the increase would significantly
23 outpace inflation, correct?

24 A I would agree that it would be more than
25 inflation. However, I would suggest to you that many of

1 the things that are captured in this base revenue
2 increase are producing fuel savings, so you kind of have
3 to look at things holistically.

4 **Q Do you know what the inflation rate is?**

5 A For what year?

6 **Q For 2015 through 2020, are you aware that Dr.**
7 **Morley says it averages two-and-a-half percent?**

8 A Yes.

9 **Q So with respect to the peakers, did you all do**
10 **a calculation in figuring out how the peakers would**
11 **stack in, or slot in with respect to your reserve**
12 **margin?**

13 A Yes and no. The peakers are basically within
14 a few megawatts replacing like for like. So we are
15 getting rid of, roughly, 1,600 or so megawatts of the
16 old peakers, replacing with the new peakers. So there
17 really is no difference in reserve margin, or difference
18 in need.

19 **Q Same question with respect to the solar?**

20 A It's considered in the calculation of reserve
21 margin; roughly 52 percent or so of the nameplate
22 capacity is given credit for on-peak capacity, and
23 that's reflected in the reserve calculations.

24 **Q Did you size the solar plants at 74.9**
25 **megawatts so you would not be subject to the Power Plant**

1 **Siting Act?**

2 MR. BUTLER: Object to the form of the
3 question. I think that's actually not the size of
4 them, it's close, but not the size.

5 CHAIRMAN BROWN: Mr. Butler, I am so sorry, I
6 can't hear you very well.

7 MR. BUTLER: I am sorry. I said I object to
8 the form of the question. Mr. Moyle's reference to
9 the size of the solar projects is close to but not
10 exactly accurate as to what size they are.

11 CHAIRMAN BROWN: Okay. That's noted.

12 Continue.

13 BY MR. MOYLE:

14 **Q Did you understand my question?**

15 A What was the ruling on the objection?

16 CHAIRMAN BROWN: He can ask the question, but
17 he is noting -- I am noting that the size is not
18 what Mr. Moyle --

19 THE WITNESS: Okay.

20 CHAIRMAN BROWN: -- relayed.

21 Please reask.

22 MR. MOYLE: I will try to do a better job.

23 CHAIRMAN BROWN: Please.

24 MR. MOYLE: Okay.

25 BY MR. MOYLE:

1 Q The Power Plant Siting Act requires -- do you
2 have an understanding of the Power Plant Siting Act as a
3 nonlawyer?

4 A General.

5 Q And it says if it's 75 megawatts or more, it
6 has to go through this Power Plant Siting Act, correct?

7 A For any generation that's either solar or has
8 a steam cycle.

9 Q Okay, and this is solar, correct?

10 A It is.

11 Q Okay. And one of the things that happens if
12 you go through the Power Plant Siting Act is it comes in
13 front of this commission, and if people challenge it,
14 then you can have a hearing; correct?

15 A I believe that's correct.

16 Q And there is also -- are you familiar with the
17 bid rule?

18 A Generally.

19 Q What's that?

20 A My general understanding is, unless there is a
21 waiver granted, the company would go out for an RFP to
22 meet the need that is being requested, as we did for the
23 Okeechobee plant.

24 Q And that would allow others to come in and
25 provide proposals, a little bit of competition on the

1 generation side; is that right?

2 A Presumably that's what it's for.

3 Q Okay. And so my question is, with respect --
4 well, let me ask you this: With respect to your three
5 solar proposals, how many megawatts will each one
6 generate?

7 A The 74.5 is the nameplate that is being
8 planned.

9 Q So that puts it under the Power Plant Siting
10 Act requirement by half of a megawatt?

11 A It does.

12 Q And was that decision made, at least in part,
13 to avoid the Power Plant Siting Act?

14 A Yes and no. We looked at the three cites that
15 we had, and these cites had some inherent advantages.
16 We already -- we either owned the land, or had the land
17 under control. There was nearby transmission and
18 infrastructure that we needed to get the power on to the
19 grid.

20 At the time we made the decision, the ITC was
21 set to expire, or I should say the 30-percent ITC was
22 set to go back down to 10 percent, and so that would
23 have been value lost.

24 The Power Plant Siting Act, when you follow
25 the permitting process and all the approval process

1 there, adds, you know, six to eight months to a project
2 development cycle, and there would have been no way for
3 us to get those plants built by the end of this year,
4 and get them into service to bring the benefits to the
5 customers if we had gone through that process.

6 But I would also add that when you get above
7 30, 40, 50 megawatts, there is really no magic number.
8 There is no scale economies to speak of. The panels are
9 pretty modular. The inverters are pretty, you know,
10 modular and so, you know, we sized it accordingly so we
11 could get them built quickly and get those benefits
12 flowing to customers quickly, and preserve the ITC, the
13 30 percent ITC.

14 **Q Do you have plans to move forward with any**
15 **additional solar plants --**

16 A We would love to --

17 **Q -- as we sit here today?**

18 A We would love to. We are constantly
19 evaluating opportunities to build more what we call
20 universal solar, utility scale solar where it makes
21 sense. And projects like these, where they actually are
22 not being built to meet an electricity need, but they
23 are being built to save customers money, we think that's
24 a win-win for everybody. So we are actively looking for
25 other opportunities. In fact, in 2016 10-year site

1 plan, we put a placeholder of 300 megawatts in 2020 for
2 some additional utility scale solar.

3 Q If your opinion is asked as someone -- you sit
4 on the senior management committee, is that right?

5 A There is no such committee.

6 Q The operations committee?

7 A I sit on the FPL Operating Committee, yes.

8 Q Okay. And if your opinion is asked as to
9 whether, on a future solar project, whether FPL should
10 size it in a way that would make it subject to the Power
11 Plant Siting Act, and allow for the bid rule to be
12 applied, and allow follow market forces to be brought to
13 bear on who might be able to compete to provide the
14 solar, would you recommend that that be done?

15 A It depends. I would say that the three plants
16 that we are building now, more than 90 percent of the
17 value of the project of the dollars being sent were
18 competitively bid. The panels were competitively bids,
19 the inverters were competitively bid, and the EPC was
20 competitively bid. About 90 percent of the total value
21 of the projects were subject to a broad-based, and in
22 the panels case, a global RFP to make sure we got the
23 best benefit for our customers.

24 Q So I would have thought that that would argue
25 for a yes answer. If you are comfortable with your

1 pricing and your ability to deliver, what harm is it to
2 put it out subject to the bid rule?

3 A It's not about of harm. It's about what's the
4 best thing for our customers, and if we have got what we
5 believe to be -- we are part of a family of companies
6 that is the world's leader in solar and wind. So on the
7 solar side, we believe that we could take to market
8 quickly, leverage the vendors that we do business with
9 at the levels if FPL's customers get the benefit from
10 and bring those projects to market quickly, we think
11 that's a good thing.

12 Q Did you take -- you took advantage of the
13 federal tax credit; is that right?

14 A Yes.

15 Q How about the state tax credit, are you aware
16 of a state tax credit?

17 A I am not aware of a state tax credit.

18 Q Ms. Ousdahl maybe, if there was one?

19 A Yeah. I don't believe there is one, but you
20 could ask Ms. Ousdahl.

21 Q Page nine, line 14.

22 A Okay.

23 Q You state on line 14, after referencing
24 Ms. Ousdahl's exhibit, you say, quote, "without an
25 increase in revenue requirements in 2008, FPL's earned

1 ROE is projected to fall more than 100 basis points from
2 the 2017 appropriate allowed ROE of 11.50."

3 As we sit here today, what is your allowed
4 ROE?

5 A 10.5.

6 Q Okay. And that allows you to go up to 11.5?

7 A Yes. The Commission has a range of plus or
8 minus 100 basis points.

9 Q Okay. So with respect to your statement here,
10 if the ROE is projected to fall -- you said the ROE is
11 projected to fall by more than 100 basis points. Do you
12 know how many basis points it is, or just 100 is close
13 enough?

14 A I believe it's 105.

15 Q Okay. So since you used 100, let's just use
16 that, because it's easier math.

17 A Okay.

18 Q So if it falls from 11.5, where does it end
19 up?

20 A 10.5, 100 basis points below what would have
21 been allowed.

22 Q And you say what would have been allowed, you
23 are assuming that this commission would allow you an
24 11.5 ROE?

25 A I am trying to put a foundation to your

1 question, which is the hundred basis points is in
2 reference to whatever is allowed by the Commission.

3 **Q Okay. I am trying to understand --**

4 A -- my testimony it's 11.5.

5 **Q I am trying to understand whether you assumed**
6 **that the Commission would award you 11.5 in this case,**
7 **and that's based on that, or this sentence is based on**
8 **current facts, where you are able to concern up to 11.5?**

9 A It's based on the request of 11.5, as it says
10 right here in my testimony.

11 **Q So if the Commission said, you know what, the**
12 **market conditions aren't such, we are going to keep you**
13 **at 10.5, the result of this would be that you would**
14 **fallback to 10.45, is that right, or 10.5?**

15 A No, we would fall to 9.45. We would fall 100
16 basis points -- because keep in mind if the Commission
17 were to stay, instead of 11.5, we will give you 10.5,
18 they are taking away that revenue. And so it's 100
19 basis points from whatever is allowed, 105 basis points.
20 So it were 10.5, then it would be 9.45.

21 **Q And 100 basis points is how much?**

22 A How much what?

23 **Q Money. Revenue.**

24 A \$240 million in 2017.

25 CHAIRMAN BROWN: And, Mr. Moyle, I just want

1 to point out, some of these questions you are
2 asking are already facts in the record.

3 MR. MOYLE: That's fair.

4 CHAIRMAN BROWN: Please proceed.

5 BY MR. MOYLE:

6 Q What's project momentum?

7 A It's a productivity improvement project that
8 we initiated in early 2013.

9 Q I skipped over one thing, page 11, line two.

10 A Yes.

11 Q You have a reference about 140 million in 2020
12 alone on fuel savings?

13 A Yes.

14 Q Okay. Where did you get the 140 million?

15 A I had the resource planning group calculate
16 it.

17 Q Who in the resource planning group?

18 A I don't know which analyst actually ran the
19 numbers.

20 Q Okay. So somebody did it and gave you the
21 numbers?

22 A Yeah, it came through the management there.

23 Q Okay. And I want to just make sure we have
24 this in the record. With respect to FPL and how they
25 make money, or they earn a profit, it's based on the

1 amount of invested capital; isn't that right? You earn
2 a return on the invested capital?

3 A That's correct. We earn a return on the
4 equity portion of the capital that's invested.

5 Q Okay. So for a lot of the things we are
6 talking about in this case, you would -- you would earn
7 a return on your solar projects and your .05 projects
8 and your peaker projects, those are all capital projects
9 for which you would earn a return, correct?

10 A Correct.

11 Q And you don't earn a return on things like
12 O&M, correct?

13 A Correct.

14 Q Does that make a difference to you when you
15 are considering whether enter into, like -- or go
16 through the Power Plant Siting Act and seek third-party
17 proposals, that potentially if somebody brings in a
18 cheaper proposal, you would enter into a purchase power
19 agreement about them; is that right?

20 A If they were to present us a proposal, and it
21 were to prove out, then yes.

22 Q And that -- you wouldn't earn any money on
23 that. That would just be a straight pass-through,
24 correct?

25 A That would likely be through the capacity

1 clause, and it would be a pass-through.

2 Q So I asked you that question about the fuel --
3 you have a lot of testimony about savings and the CPVRR.
4 The same answer would apply if I asked you questions
5 about that, it was done for you by someone in resource
6 planning group?

7 A It depends. It would all have been done under
8 my direction, either through resource planning or my
9 financial analysis group.

10 Q Page 31.

11 A Okay.

12 Q Line seven, you talk about regulatory
13 compliance.

14 A Yes.

15 Q You say -- you are asking for \$50 million
16 related to regulatory compliance, is that right?

17 A That is the revenue -- yes, that is the
18 revenue requirement of the capital investment related to
19 regulatory compliance projects.

20 Q Okay. And you say that these expenditures
21 relate to cost compliance for NERC, FERC and relocation
22 of facilities as required by state agencies and local
23 municipalities, is that right?

24 A That's correct.

25 Q Okay. Do you have a breakdown as to how much

1 of that revenue requirement relates to NERC?

2 A I don't with me. I do have a breakdown of how
3 much is in power delivery versus nuclear, which is
4 another category that we talk about.

5 Q Okay. And I just -- I want to look at the
6 regulatory compliance. So do you have -- the same
7 question with respect to FERC, do you know what the
8 breakdown is for that?

9 A I don't have it on me, no.

10 Q And you don't have the information about the
11 relocation of the facilities?

12 A No -- hang on one second. No, I don't think I
13 have that readily available.

14 Q Do you know what the expenditures related to
15 the FERC reliability matters are?

16 A I think some of it has to do with hardening of
17 substations and such, but that would really have been a
18 better question for Mr. Miranda.

19 Q How about NERC?

20 A Same thing.

21 Q Same exact thing --

22 A No --

23 Q -- same substations?

24 A -- it's something that Mr. Miranda would be in
25 a better position to answer.

1 Q You don't have any information on it?

2 A Not readily available.

3 Q And then with respect to relocation of
4 facilities as required by state agencies and local
5 municipalities --

6 A Yes.

7 Q -- are you aware of any recent changes by the
8 Florida Legislature with respect to who's obligated to
9 pay for relocation of facilities that are required by
10 local municipalities?

11 A No, I am not aware.

12 Q If there was such a change, then I assume that
13 you would need to make an adjustment to your ask for the
14 ratepayers in this case?

15 A I would say it would depend on when the change
16 was made relative to when this forecast was put
17 together.

18 Q There has been a point raised previously with
19 respect to there is not enough gas to run the peaker
20 units in Broward County during times of peak loads. If
21 I have some questions with respect to the availability
22 of gas, and future plans for gas, and hedging, would
23 those be questions for you or would those be questions
24 for Mr. Forrest?

25 A Mr. Forrest.

1 Q Do you have an understanding with respect to
2 **what major installations are for the company?**

3 A Can you be more specific?

4 Q **Are you familiar with Rule 25-6.04367(a)**
5 **related to depreciation?**

6 A Vaguely, but not really. Do you have it I
7 could look at?

8 Q I do. How about I can give you a copy, or I
9 can read it. What you would prefer?

10 A Go ahead and read it, I suppose. It depends
11 on where you want to go with it, because we have
12 depreciation witnesses in this case.

13 Q **Yeah, I -- I will read it.**

14 "Prior to the date of retirement of major
15 installations, the Commission shall approve capital
16 recovery schedules to connect --" I am sorry -- "to
17 correct associated deficiencies where a utility
18 demonstrates that one replacement of an installation or
19 investment will not be recovered by the time of
20 retirement through the normal depreciation process."
21 Are you familiar with that?

22 A I think I have seen that before.

23 Q **Okay. Do you know if any of the retired**
24 **projects in the peakers have been -- that you have been**
25 **before the Commission -- you have retired some of the**

1 peaker projects, right? I am sorry, I am not -- I am
2 not being clear in the question.

3 Some of the units that you are replacing have
4 already been retired, correct?

5 A I don't know the current status, but I do
6 recall Ms. Kennedy talking about, I think it was Ft.
7 Myers No. 8 was retired.

8 Q Okay. Do you know if you came to the
9 Commission and gave them notice, or asked that they look
10 at it?

11 A I believe we indicated in our 10-year site
12 plan that all these units were being retired.

13 Q How about with respect to Putnam?

14 A I believe we reflected it in the 10-year site
15 plan prior to its retirement.

16 Q The peakers, when -- if this commission were
17 to decide, no, I am not sure they need all the peakers,
18 the new peakers, maybe they need half of them, and they
19 issued that decision in January, you wouldn't have
20 replaced all the peakers in January of 2017, correct?

21 A We would have, yes.

22 Q They would already be cranking up and new, you
23 would already be done with that?

24 A Yes, they are scheduled for in-service by the
25 end of this year.

1 introducing and marking at least two of them, but
2 let's see how it goes.

3 CHAIRMAN BROWN: Okay. I will just let you
4 know, we are going to be starting with 638.

5 MR. SUNDBACK: Thank you.

6 CHAIRMAN BROWN: Okay.

7 You may proceed.

8 MR. SUNDBACK: Thank you.

9 BY MR. SUNDBACK:

10 **Q All right. Sir, are you at page three of**
11 **Exhibit REB-4?**

12 A Yes, three of 12, I believe, right?

13 **Q Three of 23, REB-4, page three of 23.**

14 MR. BUTLER: I would just note it also says
15 three of 12 because that's --

16 MR. SUNDBACK: Oh, you are --

17 MR. BUTLER: I have got it turned sideways, I
18 apologize.

19 MR. SUNDBACK: No, I apologize.

20 BY MR. SUNBACK:

21 **Q It's Schedule F, as in frank, eight.**

22 A I have it.

23 **Q Okay, thank you. I apologize for that.**

24 On line 21, you show an interest rate of
25 6.16 percent; do you see that?

1 A I do.

2 Q And that's based on issuances in 2017, both in
3 March and November, correct?

4 A Both in -- I am sorry, what?

5 Q That 6.16 percent is based on issuances both
6 in March and November of -- anticipated to take place in
7 March and November of 2017, is that correct?

8 A Subject to check, I believe that's correct.

9 Q Okay. The estimate for March 2017, which
10 presumably would be an issuance seven months from now,
11 was based on an estimate published by BlueChip in
12 December of 2014, 20 months ago, right?

13 A I believe so, subject to check.

14 Q Okay. And it's your understanding that the
15 current BlueChip estimate for debt issuances of a term
16 similar to that used in the projections shown on line 21
17 are now lower than 6.16 percent, correct?

18 A I don't know.

19 Q You don't know. Let's look at Exhibit REB-11,
20 if we could, please. The good news is we have already
21 passed by one document doesn't need to be made as an
22 exhibit.

23 A Okay, I am there.

24 Q Okay, and you show an estimated saving benefit
25 of 26 million, is that correct? A savings of -- he's

1 **been cut off -- a savings of 26 million in that exhibit?**

2 A Yes.

3 **Q Okay. The fuel savings are projected at**
4 **negative 306 million, that's based on your -- or FPL's**
5 **estimate of natural gas prices, is that correct?**

6 A That's correct. It's FPL's forecast, which is
7 a blend of third-party estimates.

8 **Q If that estimate is only 10 percent too high,**
9 **then the CPVRR goes from a negative to a positive,**
10 **right?**

11 A Yes, that's correct.

12 **Q As the negative -- as the number goes**
13 **positive, that signals that the project is becoming**
14 **uneconomic; is that correct?**

15 A It would indicate that if you were to redo the
16 analysis based on those assumptions that, it would be
17 positive CPVRR, which would be a net cost to customers,
18 correct.

19 **Q Okay. Thank you.**

20 In your low scenario, the CPVRR flips from the
21 26 million benefits shown in REB-11 to a positive CPVRR
22 of 22 million; is that right?

23 A That's correct.

24 **Q Okay.**

25 A And in a situation like that, with low fuel, I

1 am presuming that all of our fuel costs would lower, and
2 customers' bills would actually be lower. But this
3 particular project would have a positive 22.

4 Q Okay. On this same exhibit, you show some
5 emissions savings of 62 million; do you see that?

6 A I do.

7 Q Okay. That calculation is based on emissions
8 regulations that aren't yet in place, is that correct?

9 A That's correct.

10 Q Okay. And that would be something that might
11 resemble the clean power plan?

12 A Yes, that's correct. As is consistent with
13 all of our long-term forecasts that we put before this
14 commission, whether it be a need hearing, a 10-year site
15 plan, we made the assumption that there will be carbon
16 regulation that will add cost to those emissions.

17 Q Right. But it's, -- it's your -- your
18 projection, it's not based on existing circumstances,
19 right?

20 (Transcript continues in sequence in Volume

21 13 (13) *9.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court 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 25th day of August, 2016.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020