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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160021-EI

PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY.

DOCKET NO. 160061-EI

PETITION FOR APPROVAL OF
2016-2018 STORM HARDENING PLAN
BY FLORIDA POWER & LIGHT COMPANY

DOCKET NO. 160062-EI

2016 DEPRECIATION AND
DISMANTLEMENT STUDY BY, FLORIDA
POWER & LIGHT COMPANY.

DOCKET NO. 160088-EI

PETITION FOR LIMITED PROCEEDING
TO MODIFY AND CONTINUE INCENTIVE
MECHANISM, BY FLORIDA POWER &
LIGHT COMPANY.

VOLUME 13
PAGES 1532 - 1606

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING:

CHAIRMAN JULIE I. BROWN
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS

DATE:

Wednesday (20)
~~Tuesday~~, August 24, 2016

TIME:

Commenced at 5:30 p.m.
Concluded at 7:00 p.m.

PLACE:

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

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REPORTED BY: KAIRISA JOI MAGEE
 Court Reporter
 (850) 894-0828

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
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I N D E X

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EXHIBITS

NUMBER :
638
639

ID ADMTD
1550
1589

P R O C E E D I N G S

EXAMINATION

BY MR. SUNDBACK:

Q Right. But it's -- it's your -- your projection. It's not based on existing circumstances; right?

A It's based on the existing rule and ICF, who is our external vendor's view of when it will become implemented.

Q Okay. Would you agree that in the -- without the emissions scenario that you tested, this project produces a positive CPVRR at all return on quit levels.

A Yes.

Q Okay. Thank you. We have dispensed with a number of documents now.

Let's look at your direct Page 7, Lines 13 through 17, if we could.

A I'm sorry. You said Page 7?

Q Yes, sir. Please.

A Okay.

Q Okay. And you -- you had a little bit of discussion with Mr. Moyle about this. You refer to your plan as providing long-term rates stability. Do you still have available to you what has been marked as Exhibit 561?

1 A I do.

2 Q Okay. Let's skip down. We have looked at
3 various lines in this schedule. Let's skip down to
4 Lines 14 through 16 if we could, GSLDT 2 -- GSLDT 1 and
5 GSLDT 2. Let me know when you're there.

6 A So Lines 14, 15, and 16?

7 Q Yes, sir.

8 A I'm there.

9 Q Okay. You'll recall you had discussion with
10 Mr. Moyle, and I just want to make sure the record's
11 clear on this. He asked you whether this reflected the
12 entirety of your plan.

13 Given the date in the upper right-hand corner,
14 would you agree with me that, in fact, this doesn't
15 represent the entirety of the base rate increases
16 contemplated by your plan?

17 A That's correct. It's missing the Okeechobee
18 limited scope adjustment.

19 Q Okay. So that -- wouldn't that further
20 stabilize the rates by increasing them by 200 million?

21 A They will go up by 209 million. Yes.

22 Q I see. Okay. Let's look at another part of
23 your testimony.

24 You're the -- oh, while we're on -- I'm sorry.
25 While we're on 561, approximately what percentage

1 increase will that add to the rates shown on 14 through
2 16 if you know?

3 A Give me one second. And actually this will be
4 a great question for Ms. Cohen, but I'm going to give
5 you a swag.

6 Q Mr. Barrett, I don't want to -- I mean, if
7 you --

8 A Let's let Ms. Cohen handle that.

9 Q Fair enough. Fair enough. Let's turn our
10 attention to another issue. You agree you're the FPL
11 witness in this proceeding who speaks at greatest --
12 greatest length about the proposed transfer of the MR-RV
13 Lateral; is that correct?

14 A Yes, that's correct.

15 Q Can we just shorthand that as the "Lateral"
16 for our discussion?

17 A Certainly.

18 Q Thank you. Let's look at Page 46, Line 4.

19 A I'm there.

20 Q Okay. You say FSC would contract with FPL.
21 So that contract hasn't been negotiated yet; is that
22 correct?

23 A That's correct.

24 Q Let's look at Page 47, Line 9. There you
25 refer to the FERC approval process. Do you see that?

1 A Yes.

2 Q Can -- can the FERC order the expansion of a
3 pipeline that's an interstate pipeline?

4 A I don't know.

5 Q Under what -- well, fair enough. Did you ask
6 anyone at FPL about that before you filed your
7 testimony?

8 A No.

9 Q Let's look at Page 46, Lines 10 and 11. There
10 you state the transaction would be achieved at an
11 overall net savings to FPL customers?

12 A Yes.

13 Q So it's your position that overall the FPL
14 rate payers will be better off with this transfer than
15 without it; right?

16 A Yes.

17 Q Okay. Is FPL making that commitment just for
18 an initial contract term or for the duration of the use
19 of the asset?

20 A I believe it would be for the duration of the
21 asset. As you noted before, we don't have a contract
22 yet, but if I can explain to the Commission what our --
23 the essence of your proposal here is when we get through
24 this rate case and we see what the decision of the
25 Commission is and what the revenue requirements of this

1 pipeline would be, whether it's currently in base rates
2 -- so whatever your decisions, for instance, around ROE
3 turn out to be -- we will ask FSC if they would provide
4 us a tariff that will be better than that.

5 So we are asking the Commission to approve a
6 framework to come back to you, let's say, January,
7 February -- something like that -- with a proposed
8 tariff from FSC to FPL that represents lower revenue
9 requirements than what it would otherwise cost customers
10 staying in FPL's base rates.

11 As a predicate to that, it's currently part of
12 the Riviera Beach Power Plant facility as far as
13 recovery. When we got the GBRA increased for Riviera,
14 this pipeline was part of that. So it's currently being
15 paid for by customers in base rates. If we do nothing,
16 it will continue to be paid for by customers in base
17 rates. We're asking you for the opportunity to come
18 back to you and suggest a cheaper alternative.

19 **Q Thank you. Now, that -- the contemplated**
20 **contract, you can't tell us what the initial term will**
21 **be of that contract right now?**

22 A Correct.

23 **Q Okay. Are you familiar with the acronym in**
24 **the gas industry of ROFR, or R-O-F-R?**

25 A I'm familiar with the term generally but not

1 any special connotation as within the gas industry.

2 Q Okay. Well, since you're testifying about
3 this, does FPL plan to have a contractual ROFR right on
4 the Lateral's capacity?

5 A We've not contemplated that.

6 Q Okay.

7 A Can you define what -- how that would work?

8 Q I'm asking you, sir. You're the -- the
9 witness. Do you know how ROFR works?

10 A It's a right of first refusal.

11 Q Yeah. And what happens?

12 A I'm not sure what -- the situation you're
13 describing.

14 Q How do you use it? How does a shipper use it?
15 How is it triggered?

16 A Again, I'm not familiar with how it's used in
17 the gas industry.

18 Q Have you ever reviewed an Evergreen provision
19 in a contract of a shipper in the pipeline -- in the
20 pipeline industry?

21 A No.

22 Q Okay. So you couldn't tell us whether they're
23 generally granted at a rate below the maximum recourse
24 rate; could you?

25 A I can generally say that a negotiated rate

1 below the recourse rate would -- well, I don't know
2 about Evergreen. No.

3 **Q Okay.**

4 A Actually, if it's helpful, Witness Forrest who
5 handles a lot of these contracts, would probably be in a
6 better position to answer these general FERC, pipeline
7 kind of related questions.

8 **Q Well, Mr. Barrett, you're the witness who's**
9 **addressing this topic in prepared testimony; are you**
10 **not?**

11 A I have prepared testimony on transferring the
12 pipeline to FSC under a contract. It would provide
13 revenue requirement savings to customers.

14 **Q And you're trying to convey to the Commission**
15 **the impression that it will provide savings to**
16 **customers; isn't that right?**

17 A I am affirming that it would, yes --

18 **Q Uh-huh.**

19 A -- or we would not make the petition.

20 **Q We wouldn't have to worry about these issues**
21 **if the Lateral stayed in FPL's hands; would we?**

22 A That's correct.

23 **Q Okay. There is nothing that obligated FPL to**
24 **seek to transfer this Lateral to FSC; is that right?**

25 A That's correct.

1 Q Okay.

2 A We thought it provided economic benefit and
3 lowered risk for FPL customers to have a gas company own
4 a gas pipeline.

5 Q Did FPL or has FPL contemplated holding any
6 other special rights on the Lateral, for instance, as an
7 anchor shipper?

8 A I believe we would be the anchor shipper on
9 that particular Lateral.

10 Q Do you know that, or are you speculating?

11 A I do not know that, but that would be my
12 educated guess.

13 Q Can you be an anchor shipper under FERC
14 precedent on an existing pipeline --

15 A I don't know.

16 Q -- or don't you know?

17 A I don't know.

18 Q You don't know. What kind of rights does an
19 owner of an asset that's turned into an interstate
20 pipeline have under FERC rules, if any?

21 A I don't know.

22 Q I see. All right. Let's -- let's look at REB
23 14.

24 That's your calculation of the savings?

25 A Yes.

1 Q All right. Help us -- help us understand a
2 little bit how this was calculated. Your estimate of
3 savings of \$3 million, that's over the contemplated life
4 of the contract?

5 A Yes.

6 Q So what is the duration of the contract?

7 A I believe it's 40 years.

8 Q A 40-year transportation contract; right? Are
9 you aware of any other pipeline in America that
10 currently has a 40-year transportation agreement?

11 A I don't know. This is a pretty unique
12 situation though.

13 Q And your calculation of this savings, in fact,
14 shows that after the year 2028 it actually becomes more
15 expensive to transfer the asset to FSC than retain
16 ownership with FPL; isn't that right?

17 A Yes. I believe that has to do with the -- the
18 way it depreciates over time.

19 Q Okay. Your -- your calculation of the
20 savings, what commodity rate did you anticipate would be
21 in effect for service on the Lateral?

22 A This is just for the transportation capacity.
23 It's just a capital cost.

24 Q Okay. So you're contemplating that there will
25 be no commodity rate for service, or that is not taken

1 into account in this calculation?

2 A It's my assumption it would be no different
3 whether it be owned by FPL or owned by FSC.

4 Q So -- so it would be a wash --

5 A Essentially, yes.

6 Q -- to shorthand the analysis?

7 A Yes.

8 Q Okay. How did you go about -- change that.
9 The derivation of the demand charge, if you will, was
10 that done using modified fixed variable formal rate
11 design?

12 A I believe it was done just as -- well, I don't
13 know what FSC did to give us the -- the tariff rate, but
14 it mirrored a declining revenue requirement calculation.

15 Q Okay. But my question is what -- what rate
16 design was used? Was it used -- did you use MFD or SFE
17 or some permutation or what was the basis for it?

18 A I think I just answered your question. It was
19 a calculation of the annual revenue requirements that
20 would be -- that would be incurred by FSC relative to
21 what we would incur through continued ownership.

22 Q Mr. Barrett, you understand that under various
23 rate designs that are used by the FERC, the amount of
24 fixed costs in the demand charge can vary relative to
25 other charges, do you not?

1 A I do not know that.

2 Q You don't know that.

3 A It's contemplated this will be a negotiated
4 rate that would mirror this kind of tariff.

5 Q Okay. Your -- currently your Florida
6 Commission regulated plant today earns a return of 11.5
7 percent; is that right?

8 A Can you be more specific?

9 Q Well, today -- based on the earnings
10 surveillance reports -- you're earning, you know, 11.35,
11 11.5 on your investment in Florida regulated plant; is
12 that not correct?

13 A That is correct. I wasn't sure if you were
14 talking about allowed return versus earned return.

15 Q Earned. Okay? And do you understand that FSC
16 has sought in its certificate application from the FERC
17 to earn 13 percent on its plan?

18 A I'm not aware of that -- if that's a -- if
19 that's a recourse rate, our current contract, as I
20 understand it, with FSC is that a negotiated rate below
21 the recourse rate --

22 Q Well --

23 A -- and I don't know what the ROE is.

24 Q You don't have a current contract for the
25 Lateral and service on it; right?

1 A That's correct.

2 **Q Okay. Let -- let me understand the company's**
3 **commitment since you've referenced it a couple of times.**

4 Let's say that the annual revenue requirement
5 for the Lateral is hypothetically \$100. Okay? And
6 let's say that after transferring the Lateral to FSC,
7 under the arrangement that's connected between FPL and
8 its affiliate, the annual cost to FPL would be \$98.
9 Okay? Do you understand that so far?

10 A So far.

11 **Q Okay. Presume that under FERC rate-setting**
12 **policies the cost of service would result at -- would be**
13 **\$95. Okay? Do you agree with me that your pledge**
14 **regarding savings to customers would mean that you would**
15 **recognize the reduction to \$95 for service to FPL in**
16 **that circumstance?**

17 A No. And let me just -- let me make this very
18 simple. As I understand it -- because I obviously --
19 the intent here is to provide a proposal that will allow
20 us to reduce rates on this pipeline from what they
21 otherwise would be were they to just stay in base rates.
22 So --

23 **Q Well -- I'm sorry. Go ahead.**

24 A So our proposal is when the outcome of this
25 rate case is known and we know we can project what the

1 revenue requirements of this facility would be staying
2 in base rate, then we will give FSC an opportunity to
3 provide a tariff to us. If it beats that, then we would
4 petition the Commission and have, you know -- I guess,
5 the Commission have the opportunity to hear evidence
6 around that and determine whether that was a good thing
7 for customers or whether it wasn't a good thing for
8 customers. If it was determined not to be a good thing
9 for customers, it would just stay in rate base.

10 **Q You could have -- there is nothing that**
11 **stopped you from filing, for instance, a pro forma form**
12 **of contract and the formula tariff or formula**
13 **arrangement as part of this case so the Commission could**
14 **have that in front of it in judging and assessing your**
15 **request for transfer authority; right?**

16 A I suppose that's correct.

17 **Q Okay. Thank you.**

18 MR. SUNDBACK: If I could have one minute,
19 Madam Chair. That's it.

20 Let's see, we didn't -- we didn't even need to
21 mark anything I don't think; right?

22 Thank you very much. Thank you --

23 CHAIRMAN BROWN: We sure did. Thank you.

24 Thank you, Mr. Sundback. All right. Moving on to
25 Retail Federation. Hi, Mr. Wright. Welcome back.

1 MR. WRIGHT: Thank you, Madam Chairman. I'm
2 glad to be here.

3 CHAIRMAN BROWN: Go ahead.

4 MR. WRIGHT: Thanks.

5 EXAMINATION

6 BY MR. WRIGHT:

7 Q Good evening, Mr. Barrett.

8 A Mr. Wright.

9 Q Would you like a Triscuit?

10 CHAIRMAN BROWN: Triscuit's coming in. We
11 have them in the back.

12 THE WITNESS: Was that a real question because
13 I'm a little hungry.

14 BY MR. WRIGHT:

15 Q In a technical sense, it was a real question,
16 but no. It was -- trying to lighten the mood a little
17 bit.

18 A And I appreciate it.

19 MR. WRIGHT: Madam Chairman, I do have one
20 exhibit.

21 THE COURT: It shall be marked as 638 if you
22 would like to do it at this time.

23 MR. WRIGHT: Marking it at this time would be
24 great. I'm not going to ask about it until I
25 pursue another brief line of questions, but that'll

1 be fine.

2 THE COURT: Absolutely.

3 (Whereupon, Exhibit No. 638 was marked for
4 identification.)

5 BY MR. WRIGHT:

6 Q Mr. Barrett, isn't it true that FPL is seeking
7 three increases in base rates as a result of this case?

8 A Yes, that's correct.

9 Q And do I understand correctly that the first
10 increase is to take effect January 1st of next year at
11 eight -- \$826 million per year?

12 A Correct.

13 Q The second increase at \$270 million per year
14 January 1st of 2018?

15 A Correct.

16 Q And the last one to take effect presently
17 projected as of June 1st, 2019, at an annual rate of
18 \$209 million per year?

19 A Correct.

20 Q Will you agree that, if FPL sales grow as
21 projected in its ten-year site plan, the total revenues
22 generated over the period covered by your four-year base
23 rate proposal will be in excess of \$4.5 billion?

24 A Hang on one second. Over the four years you
25 said?

1 **Q Yes, sir. Over the period January 1, 2017, to**
2 **December 31, 2020.**

3 A Subject to check on the sales growth, I'll
4 grant that it's probably greater than 4.5 billion.

5 **Q Thank you. And will you further agree that,**
6 **if FPL's sales over the period are greater than**
7 **forecasted and if the Commission were to approve the**
8 **raise requested, that your rates would generate even**
9 **more revenues for FPL than the \$4.5 billion?**

10 A Yes. I would agree with that. And it goes
11 both ways. If revenues were to come out or sales were
12 to come out lower than projected, then we would generate
13 less revenues.

14 **Q Yes, sir. And is it a fair statement that**
15 **more revenues -- at least other things equal -- would**
16 **mean more earnings for FPL and more earnings for NextEra**
17 **Energy?**

18 A Yes and no. I would contented with the "all
19 else being equal" because if there are higher sales,
20 there is often going to be costs to meeting those sales.

21 **Q You would agree, would you not, that fixed**
22 **costs are going to be in the higher sales scenario; are**
23 **not going to change by definition; correct?**

24 A In your definition of "fixed," I would make
25 one exception to that. If the higher sales is due to

1 higher growth, then it would require higher investment
2 to meet that growth and higher revenue requirements
3 resulting from that.

4 Q Okay. Thank you. I would like to ask you to
5 look at what has now been marked for identification as
6 Exhibit 638.

7 CHAIRMAN BROWN: And the title of that is
8 "Excerpt NEE 2015 Annual Report Cash Flows" for the
9 record.

10 MR. WRIGHT: That's correct.

11 BY MR. WRIGHT:

12 Q And I have previously given your attorney a
13 copy of the complete NextEra Energy 2015 Annual Report.
14 I have an extra one here if you want to look at it, but
15 I'll refer you to that -- the one page, the one
16 substantive page in this exhibit is Page 56 of NextEra's
17 Annual Report, and that it shows cash flows for NextEra
18 Energy and FPL for the periods of 2013, '14, and '15.

19 A Okay.

20 Q Are you familiar with information like this?

21 A Yes.

22 Q I thought you would be; so that's good. And
23 this shows that FPL's cash flows from operating
24 activities for those three years ranged between just
25 under \$3.4 billion a year and a little bit north of

1 **three and a half billion dollars a year; correct?**

2 A Yes.

3 **Q Thank you.**

4 MR. WRIGHT: That's all I have, Madam
5 Chairman.

6 CHAIRMAN BROWN: Thank you, Mr. Wright. All
7 right. Moving on to FEA, hi.

8 MR. JERNIGAN: Thank you, ma'am. Just to
9 confirm, that was 638 on the last --

10 CHAIRMAN BROWN: I'm sorry?

11 MR. JERNIGAN: -- document? The last document
12 that was put in, was that 638?

13 CHAIRMAN BROWN: That was 638.

14 MR. JERNIGAN: Okay. I have no other
15 questions. Thank you.

16 CHAIRMAN BROWN: That you, Mr. Jernigan.
17 Sierra Club.

18 MS. CSANK: Madam Chair, may I propose that we
19 take a break just so that I can make sure the
20 exhibits --

21 CHAIRMAN BROWN: No. We're not going to take
22 a break. We're moving forward right now. We will
23 probably be taking a very brief dinner break in
24 about -- roughly between 30, 45 minutes. Somewhere
25 near 6:45 most likely.

1 Please proceed.

2 MS. CSANK: Okay. Great.

3 EXAMINATION

4 BY MS. CSANK:

5 Q Good evening, Mr. Barrett.

6 A Good evening.

7 Q My name is Diana Csank. I represent the
8 Sierra Club, and I will find my place and begin in a
9 moment.

10 So you currently do not hold any position with
11 FPL affiliates; is that correct?

12 A I hold no positions with FPL affiliates?

13 Q Yes.

14 A Correct.

15 Q But you're generally aware of their activities
16 as just discussed with Mr. Wright?

17 A We didn't discuss affiliates with Mr. Wright.

18 Q Could you please identify FPL's affiliates for
19 me?

20 A Holy cow. That's a lot. Our principle
21 affiliates are NextEra Energy Resources, which is our
22 unregulated, wholesale generation business. That's
23 probably the largest of our affiliates.

24 Q And --

25 A And there is a host of companies underneath

1 them that are project companies essentially.

2 **Q Thank you. And would you agree that there are**
3 **synergies between FPL and its affiliates that benefit**
4 **customers?**

5 A Yes.

6 **Q Could you please identify some key examples of**
7 **such synergies?**

8 A Certainly. And you might want to talk to Ms.
9 Ousdahl about this as well, but I think some of it was
10 alluded to by Mr. Goldstein yesterday. When we operate
11 the nuclear plants, as a fleet of nuclear plants, there
12 is the sharing of best practices, sharing of technology,
13 and we appropriately, you know, divide up the time of
14 who's working on what.

15 Something similar happens with the Power
16 Generation Group. Our procurement group is an
17 enterprise-wide supply chain organization. There are a
18 host of areas where we leverage the enterprise to
19 provide benefits to customers by being able to spread
20 what would be normal infrastructure costs of any
21 business over a larger footprint.

22 **Q And could you also show an example maybe of**
23 **how know-how that affiliates have with respect to, you**
24 **know, the most cutting edge clean energy technologies,**
25 **such as battery storage or solar projects, benefit your**

1 **customers?**

2 CHAIRMAN BROWN: Ms. Csank, I'm going to have
3 to stop you for a second and please ask you to
4 direct us to where this line of questioning can be
5 found --

6 MS. CSANK: Oh, absolutely.

7 CHAIRMAN BROWN: -- in the -- please. In
8 his --

9 MS. CSANK: Right. So this is -- there are a
10 couple of issues with respect to the prudence of
11 the capital expenditures --

12 CHAIRMAN BROWN: Can you direct me to the
13 page?

14 MS. CSANK: Oh, sure. Yeah. So let's turn to
15 -- I need a moment, Madam Chairman.

16 BY MS. CSANK:

17 **Q Page 28 of your direct testimony, Mr. Barrett,**
18 **Lines 21 through, let's see, 23 for starters.**

19 CHAIRMAN BROWN: You said Page 28?

20 MS. CSANK: Yes.

21 CHAIRMAN BROWN: Lines --

22 MS. CSANK: 21 to 23.

23 THE WITNESS: Okay. 28, Line 21.

24 BY MS. CSANK:

25 **Q There you state, "FPL is investing**

1 approximately \$400 million and three large-scale solar
2 projects during 2015 to 2016 that will continue its
3 strategy of advancing clean energy while keeping
4 customers bills low."

5 MS. CSANK: So these were predicate questions
6 that were going to --

7 CHAIRMAN BROWN: Okay.

8 MS. CSANK: -- to -- some questions that I had
9 for him about --

10 CHAIRMAN BROWN: Can you streamline them
11 please to his direct testimony?

12 MS. CSANK: I think that the issues that are
13 before this Commission are quite broad with respect
14 to the prudence, and so I would like some latitude
15 to explore how FPL is supporting the prudence of
16 its -- of its decision with respect to these
17 nontrivial capital expenditures that the company is
18 making and including in its base rate request.

19 CHAIRMAN BROWN: Proceed.

20 MS. CSANK: Thank you.

21 THE WITNESS: Can you ask the question again?

22 BY MS. CSANK:

23 Q Yes, of course. Mr. Barrett, could you please
24 identify specific examples of how FPL's affiliates
25 provide know-how or advantage the company in advancing

1 **clean energy projects that benefit customers?**

2 A Certainly. And I guess I would preface it
3 with not just affiliates but the enterprise view that --
4 that we have amongst the various components of our
5 company that support both Florida Power & Light and
6 NextEra Energy Resources. One really great example is
7 on these specific projects we went out with an RFP for
8 -- for this project, and included in the RFP was six
9 projects outside of Florida and three projects in
10 Florida. And through that larger procurement, we were
11 able to get, you know, best pricing on the solar
12 project.

13 Q So that's interesting. So you essentially
14 enjoyed bulk savings -- going back to Mr. Wright's
15 Triscuit example -- you got some discount because you
16 were buying more than the amount that FPL needed or
17 wanted to add to the system? Did I understand
18 correctly?

19 A I didn't understand your question.

20 Q Well, I'm trying to understand. So I think in
21 terms of the solar procurement you just described, you
22 were saying that there was additional parts that you
23 procured that went elsewhere, but the parts that you
24 procured for the projects in your base rate request were
25 at a lower price because you were overall purchasing

1 **more?**

2 A Yes. We -- our integrated supply chain
3 organization has many relationships with equipment
4 vendors, and because they were able to package together
5 the million panels that we were going to be using for
6 these three projects plus the 2015 and 2016 procurement
7 needs for NextEra Energy Resources that enable them to
8 have a larger leverage, if you will, in the procurement
9 community to get us very attractive pricing to the
10 benefit of customers.

11 **Q Did you consider procuring even more to, for**
12 **example, go towards the 300 megawatts of additional**
13 **solar projects that are in your ten-year site plan for**
14 **FPL service territory?**

15 A Would we consider more? I don't know what you
16 mean.

17 MR. BUTLER: I'm going to object to that line
18 of questioning. I think that really gets beyond
19 the scope of his direct testimony because those
20 projects aren't part of our base rate request.

21 MS. CSANK: Thank you. Madam Chair, I'm
22 trying to understand the --

23 The types of options that were available to
24 FPL at the time when it was making these decisions,
25 and there are some -- there -- I'll get to my point

1 shortly, but it does tie into the lines of
2 questions that I have with respect to the gas
3 projects that are part of the rate request.

4 CHAIRMAN BROWN: I'll allow the question.

5 MS. CSANK: Thank you.

6 THE WITNESS: Please restate it.

7 BY MS. CSANK:

8 Q Yes. So I think the point you were making is
9 that there are certain benefits to a larger scale
10 procurement, and that's what took place with respect to
11 the three solar projects that are in your request. And
12 I was simply trying to explore whether FPL tested the
13 bounds of the savings that could be achieved and
14 especially since you anticipate building additional
15 solar in the near future whether you also looked at
16 potentially procuring more parts at this point rather
17 than later in time.

18 I guess it goes back to the whole theme of
19 efficiency that we've been exploring together for
20 several days now.

21 A Following the convention of yes or no or I
22 don't know, let me just say yes and no and then try to
23 explain.

24 There was a lot in that question, and let me
25 just try to explain our approach.

1 Q Okay.

2 A Okay? We love solar. We want to build more
3 solar.

4 It is -- these three projects as we were
5 discussing -- not with Mr. Sundback -- have a customer
6 benefit of \$26 million. That's sensitive to fuel prices
7 and emissions costs, etc.

8 These projects are just now becoming
9 cost-effective in our service territory in part because
10 of how efficient our system is and how low our costs
11 are. It's hard for solar to compete in Florida against
12 the best generation fleet in the country, but we're
13 looking hard. And we're out there trying to find new
14 projects every day. We have a development team that's
15 looking for opportunities. We put a place holder in the
16 ten-year site plan -- that's really not the subject of
17 this testimony, but just as an indication of our
18 commitment to looking for new solar opportunities.

19 Yes. Our approach, when we build new solar or
20 when we develop and then build new solar, will be to try
21 to leverage the expertise of the whole NEE family of
22 companies to provide those benefits to FPL customers
23 that, quite frankly, are not available to most companies
24 because NEE is the leading solar provider in the
25 country. So we would expect to continue to follow this

1 strategy of looking for opportunities to build solar,
2 and then, when we do it, build the best and most
3 cost-effective solar that anybody can build.

4 Q Thank you. And just a follow-up question. At
5 the time when you were procuring the parts -- the 90
6 percent of the parts for the three projects that are in
7 the base rate request, did you explore also procuring
8 parts for the next set of solar projects to achieve
9 greater savings with respect to that next procurement?

10 A No, we did not.

11 Q Thank you. I apologize. I -- so I wanted to
12 go back to your role within the decision-making
13 hierarchy of the company. So I believe you're both on
14 the operating and budget committees; is that right?

15 A That's correct.

16 Q You work closely with Mr. Robo for example?

17 A Yes.

18 Q And he chairs the Operating Committee?

19 A You know, I don't remember the actual
20 structure. He chairs the NEE Operating Committee.
21 There's an NEE Operating Committee. There's an FPL
22 Operating Committee. I think Mr. Silagy may chair the
23 FPL Operating Committee. I don't remember exactly who
24 chairs what, but --

25 Q Okay.

1 A -- we're all there together.

2 Q Got it. Great. And so the committees -- these
3 committees, FPL's Operating Committee and Budget
4 Committee, which you're on, makes recommendations, and
5 the board ultimately makes decisions on larger, major
6 resource changes, capital expenditures like those in the
7 base rate request?

8 A I would say for those large generation upgrade
9 projects, it would go through that progression. It
10 would be -- the Operating Committee typically is a group
11 of -- of individuals that represent the leadership
12 positions in the company. And so when a project is
13 being proposed, whether it be the Peaker, the.05, the
14 solar, it would come to that committee for a vetting, if
15 you will, of all of the risks and all of the benefits of
16 moving forward. It may get approval; it may just be an
17 update, and they may come back later and have refined
18 some things and ultimately get approval to move forward.
19 It would then go to the board typically during the
20 budget cycle.

21 So once it's approved by the Operating
22 Committee, it would then come into the budget cycle
23 where this Budget Review Committee that you alluded to
24 would take it up as part of the -- if it's in the next
25 year's -- or the portion of expenditures that was

1 represented in the next year's budget --

2 **Q Uh-huh.**

3 A -- and the board approves the budget one year
4 at a time. And we have a forecast that goes out further
5 than that. But it's essentially the -- the Board's
6 approving.

7 So in the fall of last year or December of
8 last year, they approved the 2016 budget, and that would
9 have included whatever the '16 level of expenditures
10 were for any of these projects. But the project gets
11 the go or no-go typically from the Operating Committee
12 or, if it's large enough, from the board itself.

13 **Q So with respect to the three projects that**
14 **we're talking about here -- and I should be clear --**
15 **the .05 projects, the Peaker projects, and the solar**
16 **projects, the major capital expenditures that you**
17 **support in your testimony, those decisions would have**
18 **been made by the board in fall of 2015; is that right?**

19 A No. I believe that they -- they would have
20 gone to the board -- well, yes and no. The portion of
21 the spending that was in '16 would have been approved in
22 the budget for '16 approved in December of '15.

23 **Q Okay.**

24 A The project itself to get the go or no-go
25 would have been whenever it was right for approval.

1 Q What is -- approval by whom?

2 A The board. The Operating Committee and then
3 the board.

4 Q I see. So it went through your process.

5 A Right. We don't just go to the board in
6 December and say, here's all these projects. Approve
7 them. It's whenever we have something that is ready to
8 move forward, we take it to the board --

9 Q I see.

10 A -- for approval.

11 Q And so you have personal knowledge of the --
12 of such recommendations that are made to the board?

13 A Yes.

14 Q And is there a mechanism by which a board
15 decision could be overridden if market changes
16 dramatically change or there's unforeseen circumstances,
17 or, for example, a Commission decision that might not
18 come out the way the company had anticipated at the time
19 it was proposing something to the board and the board
20 made its decision?

21 A Let me be clear. We wouldn't override our
22 board. We would apprise -- we would apprise our board
23 of the changed circumstances, and whatever decision
24 needed to be made in response to those conditions would
25 be taken up with the board with a recommendation for

1 management.

2 Q And so you're familiar with the criteria by
3 which the board evaluates recommendations?

4 A Yes.

5 Q Could you identify those for us?

6 A It's typically -- it's going to be different
7 with each project, but typically the framework would be
8 what are the costs, what are the benefits, and what are
9 the risks, those broad categories.

10 Q Yeah.

11 MS. CSANK: And I -- I posed some questions
12 earlier related to equity, and, again, Madam Chair,
13 I think that equity does fall into this broader
14 prudence review that the Commission has.

15 BY MS. CSANK:

16 Q And so could you tell us anything about how --
17 as the board is being advised of resource changes that
18 the company is proposing and environmental justice
19 considerations are addressed and identified in reverse
20 order?

21 A Yeah. I'm going to need you to break that
22 down --

23 Q Sure.

24 A -- and define environmental justice to me.

25 Q Sure. So there are often in this country

1 lower income, minority communities who, for one reason
2 or another, are disproportionately burdened by industrial
3 pollution, and there are certainly siting decisions with
4 respect to where energy resources go that can exacerbate
5 that or alleviate that. And I'm curious if there's any
6 criteria that the company has adopted in its
7 decision-making criteria that addresses that particular
8 issue.

9 A I would suggest that the environmental
10 attributes of any project are evaluated in terms of
11 risk, in terms of changing regulations or new
12 regulations. Those are vetted, and the -- that's part
13 of the evaluation of a project.

14 Q So for example, when you're deciding whether
15 or not to do a Brownfield project and -- and, for
16 example, retire certain generation and put instead new
17 generation, is that -- is that a consideration about
18 siting there -- and I know there is some economic
19 efficiencies to siting something in a Brownfield, but is
20 that something that's a specific decision-making
21 criteria that you know of for the company?

22 A You're going to need to be more specific than
23 that as far as what criteria are you asking me about?

24 Q Sure. So the environmental -- the teams that
25 studied the environmental attributes of resource

1 changes, do they have access or a practice of reviewing
2 the demographic information of the potential sites and
3 the preferred site that is being put forward by the
4 company?

5 A I believe they probably have access to that,
6 and it gets encapsulated into the recommendations that
7 they make to the Operating Committee.

8 Q That's what I was asking about. And do you
9 know whether that was part of the process with respect
10 to the -- the projects that we've identified here: the
11 Peakers, the .05s, and the three solar projects?

12 A I believe in a general way it was, and
13 typically the way that was captured is looking at the
14 environmental attributes of the -- kind of the -- the
15 situation before versus after. And the Peaker project,
16 for instance, that tremendously reduced emissions
17 profile of the equipment being installed versus being
18 retired. The -- for instance, the reuse of an existing
19 site so that we're not impacting more than we need to on
20 the green field kind of property. So the reuse of an
21 industrial sight is a good environmental thing.

22 Looking at the permit limitations and seeing
23 where we fit with the local community -- and other
24 governmental bodies have suggested are the right permit
25 conditions to meet in making sure that any proposed

1 solution meets all of those permit requirements.

2 **Q Thank you. So I would like to talk a little**
3 **bit further about the three solar projects. Do you know**
4 **exactly when they will come online? Are they going to**
5 **be staggered at all?**

6 A I believe they all come online. Although as I
7 understand it, they kind of come online in modules.

8 **Q What does that mean?**

9 A Well, think about over the three projects
10 there's a million panels and I don't know how many
11 inverters: So I think that we wait until all 74.5
12 megawatts are completed. I'm not certain, but I think
13 they kind of come online as they're completed --

14 **Q Uh-huh.**

15 A -- for that particular site, but it's all
16 going to be this year.

17 **Q Okay. And so presumably all the procurement**
18 **related to those projects is now completed?**

19 A Yeah, yeah. I think all the parts are sitting
20 at the sites being installed.

21 **Q Okay. Great. And do you know is this**
22 **something that's replicable the -- the -- this scale and**
23 **the cost attributes of these three projects?**

24 A Actually, I anticipate and hope that the cost
25 attributes improve over time.

1 **Q** **And the capacity factor. Do you know what the**
2 **capacity factor of these projects are?**

3 A Right around 26 percent. That capacity
4 factor.

5 **Q** **Okay. Does that vary depending on the time of**
6 **year?**

7 A That's an average for the year.

8 **Q** **Okay. Do you know what the -- the ranges?**

9 A I really don't know the profile. I do know
10 that we've determined that about 52 percent of the
11 nameplate capacity is available to meet summer Peak. So
12 those are some of the bounds that I know of.

13 As I understand it, the solar plants actually
14 tend to produce the most between noon and 2:00 or 3:00
15 --

16 **Q** **Right.**

17 A -- and our system is Peaking around 4:00 or
18 5:00. That's why you're not getting the full nameplate
19 capacity on summer Peak. So it's going to have -- and
20 you get almost nothing in the winter; right? Because
21 we're Peaking at 6:00 or 7:00 in the morning, and sun's
22 not even up yet.

23 **Q** **And you already have 110 megawatts of solar**
24 **online?**

25 A We have 110 megawatts through three

1 facilities, 10 megawatt PV facility. It's base cost 25
2 at DeSoto and -- and whatever that leaves -- 75, I
3 think, at Martin.

4 The Martin one is a little bit kind of
5 different technology. It's a solar hybrid facility. It
6 actually creates -- it uses the sun to create steam
7 through a transfer fluid that allows us to back off the
8 gas and the gas turbines of the combined cycle --

9 **Q Uh-huh.**

10 A -- so that's really an efficiency project to
11 lower the heat rate --

12 **Q Right.**

13 A -- of those units.

14 **Q Right. And so those units have been online**
15 **for some time. So you presumably have production data**
16 **that you're starting to analyze?**

17 A Yes.

18 **Q And have you done analysis specifically with**
19 **respect to how the production coincides with summer peak**
20 **demand?**

21 A I believe my team has. That's how we've
22 somewhat informed this notion of the 52 percent --

23 **Q I see.**

24 A -- capacity value.

25 **Q Is that something that you could disclose**

1 **publicly or plan to submit to this Commission?**

2 A I believe we file with the Commission annually
3 what the production profile is.

4 Q Okay. And so the three solar projects are
5 **below avoided cost?**

6 A Yes.

7 Q **What does that mean "below avoided cost?"**

8 A Below the cost of the unit that would have --
9 that is being avoided, and I know that's kind of
10 self-referential, but essentially on our system, if we
11 did not have the units, we would have to add something
12 else --

13 Q Uh-huh.

14 A -- this is cheaper than that.

15 Q **And it's your testimony that FPL's next**
16 **avoided unit is one of the lower-cost units out there;**
17 **so it's a pretty competitive threshold for a solar**
18 **project to meet?**

19 A Yes, it is. And the way we evaluate the
20 solar, as I have it in my testimony, is looking at a
21 life cycle cost on a cumulative present-value basis, and
22 so it's basically dispatching against the system. And
23 so its benefit, obviously, is going to come from fuel
24 savings, emissions savings, et cetera when viewed
25 against our system as a whole.

1 **Q Yeah. And does solar have any water pollution**
2 **impacts? Do you know?**

3 **A Other than washing the panels, I don't -- and**
4 **here in Florida, you get so much rain. I don't think we**
5 **have much of that, but I don't believe so. No.**

6 **Q Is there a way in your analysis that you**
7 **capture that water-related characteristic as opposed to**
8 **fossil generation which has more of a water impact, a**
9 **thermal generation --**

10 **A Yeah. It would be captured in the O and M**
11 **related to the project, but that would be a great**
12 **question for Ms. Kennedy who runs those facilities.**

13 **Q Right. But you oversee the data that Ms.**
14 **Kennedy develops so you would also have personal**
15 **knowledge of whether you have that --**

16 **A Yes. And I don't believe there's really --**
17 **there's no consumptive water use. I don't believe there**
18 **is really any waste water either. As I'm sitting here**
19 **thinking about it, I think what I've been told is that**
20 **we have sufficient rain to keep the panels fairly clean.**

21 **Q Right. No, I appreciate that. And then back**
22 **to my question. When you're looking at the various**
23 **options to meet the company's unmet needs, do you have a**
24 **way of putting a dollar figure on that value of not --**
25 **of having less of an -- a water impact as opposed to**

1 thermal generation which may have a greater impact on
2 the water?

3 A Absolutely. And it comes in the form of the
4 other alternative having that cost.

5 Q And where would that show up? What aspect of
6 the cost? O and M you're saying?

7 A Typically, yes. It's O and M.

8 Q Thank you. And so generally solar has no fuel
9 cost; right?

10 A Correct.

11 Q And the three projects you're proposing are no
12 exception to that?

13 A "Are no exception to that?" Is that what you
14 said?

15 Q They also don't have fuel costs.

16 A Correct.

17 Q And so solar helps avoid fuel costs of other
18 generation; right?

19 A Yes.

20 Q And 70 percent of FPL's current generation
21 burns gas; right?

22 A Depending on the year, it's roughly in that
23 ballpark.

24 Q Okay. And so solar helps manage FPL's gas
25 cost?

1 A I would phrase it a bit differently. Solar
2 helps to avoid the need to burn some gas.

3 **Q Okay. And gas costs money; so it helps.**

4 A Yes, it does.

5 **Q Okay.**

6 A That's part of the justification for building
7 them.

8 **Q Right. And there is volatility in gas prices;**
9 **right?**

10 A Traditionally, there has been. Yes.

11 **Q And so by avoiding burning gas, you're**
12 **managing gas price volatility?**

13 CHAIRMAN BROWN: Ms. Csank, I'm going to kind
14 of focus you a little bit more on his direct
15 testimony. You're really going in a -- in a very
16 broad fashion, a philosophical fashion, rather than
17 directing your questions, your cross to his
18 testimony. So I'm going to have to ask you to
19 please move your cross further along.

20 MS. CSANK: I'm getting there.

21 BY MS. CSANK:

22 **Q So we've established that solar generates**
23 **electricity during peak times when the sun is shining;**
24 **right?**

25 CHAIRMAN BROWN: That's asked and answered.

1 BY MS. CSANK:

2 Q That means that solar electricity reduces the
3 need for other resources during those peak times, and so
4 that generation runs less, fewer hours?

5 A Since -- yes and no. Solar is an intermittent
6 resource. So when it is -- when the sun is shining, and
7 when it is -- when it is generating electricity, it will
8 avoid the need for other units.

9 Q I'm skipping over questions. I'm trying to
10 speed this up.

11 So switching gears a bit towards the -- the
12 options considered with respect to the 48 gas turbines.

13 Can we please turn to 27 of your direct
14 testimony, the last lines which are the sentence that
15 carries over to Page 28, please?

16 A Okay.

17 CHAIRMAN BROWN: Go ahead, Ms. Csank.

18 BY MS. CSANK:

19 Q So there you state that, "FPL's upgrading
20 FPL's gas peaking turbine fleet with new, highly
21 efficient technology is essential for maintaining the
22 reliability of FPL's critical peaking units, given
23 equipment parts availability issues." Did I read that
24 correctly?

25 A You did.

1 Q And is it your testimony then that parts
2 availability is partly what's driving this proposal to
3 the Commission?

4 A Yes. Ultimately reflecting itself in cost.

5 Q Ms. Kennedy described to us, with respect to
6 the Fort Myers Unit 8 that's retiring, that one of the
7 parts that was problematic could have been -- I think
8 she -- she noted that it could be reverse engineered,
9 but it would take many months. Are you familiar with
10 that?

11 A I did not hear her testify.

12 Q You weren't here? Okay. But does that
13 generally sound true to you that for parts that are --
14 may be malfunctioning, when a replacement is not readily
15 available, they could be reverse engineered for example?

16 A I suppose so. That's a hypothetical. I'll
17 defer to Ms. Kennedy's engineering expertise.

18 Q Okay. But your testimony relies pretty
19 heavily on the availability of the parts. So I'm
20 curious to learn more about your knowledge of these
21 parts and what they look like and what the availability
22 issues are. Do you know the source of that?

23 A No. As my testimony clearly says, I rely on
24 Witness Kennedy and her attestation to that being the
25 case.

1 Q Okay. Well, then let's go further down to
2 Line 4 where you state, "The new units" -- and I assume
3 that's referring to the seven new combustion turbines at
4 Fort Myers and Fort Lauderdale. "The new units will
5 also alleviate the replacement parts availability issue
6 on the existing 45-year-old equipment." Could you
7 please clarify what you're referring to when you say,
8 "existing 45-year-old equipment?" What does that refer
9 to?

10 A The existing GT fleet of 48.

11 Q But those 48 units aren't all 45 years old;
12 are they?

13 A Hold on a second. I think the ones in
14 Everglades and Lauderdale are, and I think the ones in
15 Fort Myers are, like, 42 and 43 years old. So, no.
16 They're not all 45 years old.

17 Q Okay. And that's an important difference, is
18 it not, that there is a couple years at least between
19 the different sights that not all the 48 units are the
20 same vintage?

21 A I don't know that that's an important
22 difference or not. That's a great question for Ms.
23 Kennedy. I can't imagine that a difference of two years
24 on 45 or 42-year-old equipment makes that much of a
25 difference.

1 Q Well, I think you told Mr. Moyle that you're
2 hanging on to at least a couple of units Blackstar
3 capability. So presumably they don't have as pressing
4 availability -- parts availability issues?

5 A I believe it's our plan to keep a couple of
6 the units that are being retired for parts so that we
7 don't have to reengineer, reverse engineer, go to the
8 third-party aftermarket providers. We can cannibalize
9 some units that would otherwise be retired -- or that
10 will be retired from the books but be a source of some
11 spare parts.

12 Q Do you have any analysis to present to this
13 Commission that identifies how many of the units you
14 could keep around in that way? In other words, did you
15 look at keeping around four instead of two or six?

16 In other words, I'm getting a little bit more
17 of a -- putting a finer point on Mr. Moyle's line of
18 questioning on incremental changes to the Peaking fleet
19 instead of the one fell swoop approach that you've
20 proposed?

21 A No. I don't believe we've that analysis.

22 Q Thank you. One moment please. If I may, I'd
23 like to go back over the history a little bit here and
24 understand the alternatives that the company
25 contemplated in 2013. Do you recall those in the

1 **Environmental Cost Recovery Docket --**

2 A Generally.

3 Q -- with respect to the Peaker projects? Okay.
4 Would you agree that one of the contemplated options by
5 the company was -- looks very much like the Peaker
6 projects that are in this request?

7 A Yes.

8 Q They're virtually identical. Is that a fair
9 characterization?

10 A They're essentially equivalent. It's 8 CTs
11 then; it's 7 now because they are a little bit bigger.

12 Q Okay. What's little bit bigger?

13 A The new CTs.

14 Q The capacity? The new CTs as compared to the
15 2013?

16 A Yes.

17 Q Okay. What accounts for that size difference?
18 Was there a reliability analysis identifying the need
19 for bigger?

20 A I think it was just working with the vender
21 and finding out what was the best technology for the
22 application, and it turned out that 231 megawatts was
23 the latest technology and that was the best solution for
24 the -- the application for these units.

25 Q Okay. And so it's your testimony that

1 essentially the proposal, the retirement of a certain
2 number of the gas turbines and the procurement and
3 installation of seven new, large -- larger combustion
4 turbines produces costs savings, and that's why the
5 company's including it -- pursuing it and including it
6 in this request?

7 MR. BUTLER: I would object. That's been
8 asked and answered a lot of times.

9 CHAIRMAN BROWN: Objection sustained. Okay.

10 BY MS. CSANK:

11 Q Mr. Barrett, would you agree that the seven
12 new combustion turbines were not identified as something
13 the company needed because of a violation of reserve
14 margin requirements?

15 A I would agree with that.

16 Q In other words, there is no analysis that says
17 that -- that really identifies and pins down what the --
18 what the reliability attributes of these projects are?

19 A I don't know what you mean by "the reliability
20 attributes."

21 Q So I guess maybe -- maybe a better way to put
22 it is the installations -- let's take it one at a time.

23 The installation of the seven new combustion
24 turbines. Do you know what their impact is on the
25 company's ability to meet the -- meet its reserve margin

1 requirements?

2 A It essentially has no impact. We're retiring
3 and replacing. We're essentially in the same situation
4 after that we were before.

5 Q And in the spirit of continuous improvement,
6 did you look at maybe smaller project that could cost
7 even less and get you to where you needed to be?

8 A We have a 20 percent reserve margin. If we
9 were to not have replaced all of the megawatts that we
10 were retiring, we would be shorter that reserve margin.
11 In fact, our current ten-year sight plan, I believe,
12 shows small purchases in 2017 and 2018 until Okeechobee
13 comes in, in 2019 to keep us from falling short of the
14 20 percent reserve margin.

15 So, I mean, the analysis was pretty simple to
16 us. It was, if we're going to retire 1600 megawatts, we
17 need 1600 megawatts from a reliability perspective.
18 Additionally, talking about reliability attributes --
19 let me just continue about reliability attributes.
20 These particular machines provide a duty for the
21 services of electric service for our customers in that
22 they have that quick-start capability. So they cannot
23 be replaced with solar.

24 Q Uh-huh.

25 A They cannot be replaced with other combined

1 cycle because combined cycle plants don't have that same
2 quick-start capability. They would be base loaded. So
3 there's a specific application for this technology, and
4 this is basically trading out a 40-year-old car for a
5 new car and saving money on it.

6 Q I appreciate that, and I think that's why the
7 history is interesting because in 2013, when you were
8 before the Commission, I believe one of the alternatives
9 that the company was putting forward was the so-called
10 "Retire Plan." Do you recall this?

11 A Yes.

12 Q I think that entails retiring the 48 gas
13 turbines and implementing some transmission enhancements
14 and accelerating a three-by-one combined cycle unit that
15 at the time planned in 2025 so it wasn't showing up in a
16 2013 ten-year sight plan because a 2013 plan would only
17 go out to 2024. But at the time of the proposal to this
18 Commission that would be accelerated to 2019. Do you
19 recall that?

20 A If I recall correctly, that plan was about 870
21 worse than the plan we're pursuing.

22 Q Regardless I guess I'm just trying to --

23 A That's a big "regardless."

24 Q Well, we can come back to that in a moment,
25 and we can talk about how much a combined cycle costs

1 and how that unit compares to Okeechobee, but the thing
2 that I wanted to ask you was whether any such
3 alternative was analyzed and put before the Commission
4 as part of this request?

5 A No.

6 Q And do you recall in 2013, in the
7 Environmental Cost Recovery Docket, that there were
8 other interveners that were proposing other
9 alternatives?

10 A Yes.

11 Q And the merits -- the merits of that -- of
12 those alternatives relative to FPL's were never
13 adjudicated. The Commission never reached the merits;
14 is that right?

15 A It's my understanding we withdrew our
16 petition.

17 Q Okay. And then time passed, and since then
18 this proposal hasn't been before this Commission; is
19 that right? For approval?

20 A Which proposal?

21 Q Sorry. The seven Peakers.

22 MR. BUTLER: I'm going to object to this line
23 of questioning.

24 It's extremely repetitive. This has been
25 covered by multiple other counsel extensively. I

1 don't think you're adding to the record at this
2 point.

3 CHAIRMAN BROWN: I couldn't agree more.
4 Objection sustained. Ms. Csank, please move along
5 to a separate distinguished set of questions that
6 directly reflect his prefiled testimony.

7 MS. CSANK: Yes.

8 BY MS. CSANK:

9 Q So let's turn to the.05 projects.

10 A Okay.

11 Q Could you remind us, please, the company had
12 before this the.04 projects I believe; right?

13 A Yes.

14 Q And those concerned the same units? Do you
15 know?

16 A I'm sorry?

17 Q Were the.04 projects changes, upgrades to the
18 same units that the.05 projects are for? Do you know?

19 A Yes. As I understand it, the.04 related to
20 the combustor part of the CT engine.

21 Q Do you know, when did the.04 projects -- have
22 they been completed?

23 A I don't know if all of the.04 outages have
24 been completed yet or not.

25 Q So in other words, those upgrades are about to

1 be finished and you're about to start the next round of
2 upgrades?

3 A Yes. It's a completely different part of the
4 CT engine. I mean, the.05 is the compressor part of the
5 engine.

6 Again, great questions for Ms. Kennedy, if you
7 wanted to find out how a CT works, but these are
8 completely different parts of the combustion turbine.

9 Q What I'm really interested in and why I'm
10 putting the question to you is -- is cost savings and
11 efficiency. So if you're going to undertake some
12 modification and I have some outages, I would presume
13 there would be efficiencies and you can sort of
14 anticipate some of the -- I think this is what FPL
15 prides itself on is really being efficient. And so I
16 just wanted to understand whether the.05s were something
17 that you couldn't anticipate back when you were doing
18 the.04s.

19 A That's my understanding is a.05 upgrade became
20 available after the.04.

21 Q And Witness Kennedy was describing to us the
22 -- the capacity expansion of natural gas burning
23 capacity that the.05 projects represent. Are you aware
24 of those?

25 A I'm aware that at summer Peak it's about 26

1 megawatts, and at 75 degrees it's about 600 megawatts.

2 Q And so that grows, at least temporarily the
3 company's reliance on natural gas despite the energy
4 efficiency and heat rate improvements that are involved?

5 A I wouldn't characterize it that way.

6 Q How would you?

7 A You can't say "despite the heat rate
8 improvement." It is the very heat rate improvement that
9 is going to make us use less gas than the old
10 technology --

11 Q Your --

12 A -- so we're becoming less reliant on natural
13 gas.

14 Q Well, but instead of retiring the gas and
15 moving on to another resource, you're going to continue
16 burn gas for the next 30 years which is the booklife of
17 the project, no?

18 A That's correct.

19 Q So in that way, you're extending the company's
20 reliance on natural gas?

21 A No. These are -- let me just explain what
22 we're doing here.

23 We're basically taking -- I love car
24 analogies. So you've got a car and someone offers you
25 an upgrade to the fuel injection system that's going to

1 improve your miles per gallon. You have a car; you're
2 going to always have a car. This just makes it more
3 efficient. That's what we're giving Ms. Kennedy in
4 doing this project as a more efficient fleet. The
5 option was not retire the combined cycle fleet we just
6 built.

7 **Q Okay. And so just to really pin this down,**
8 **did you consider any other technology that could meet**
9 **the five-star capability or characteristics that you --**
10 **that is your testimony the company needs in these**
11 **locations?**

12 A Are we back on the Peakers, or are we still on
13 the.05?

14 **Q We're back on the Peakers.**

15 A I thought so.

16 MR. BUTLER: I'm going to object to that line
17 of questioning. I believe that we had completed --
18 that it had been fully explored.

19 CHAIRMAN BROWN: Yes. Objection sustained.
20 Please move along. I also want to remind the
21 witness that, although I give great latitude to
22 your ability to clarify your answer, you also can
23 answer very succinctly too.

24 THE WITNESS: I'm trying.

25 CHAIRMAN BROWN: Thank you. Ms. Csank, please

1 proceed.

2 MS. CSANK: I'd like to pass out an exhibit,
3 please.

4 CHAIRMAN BROWN: Sure. Staff? Ms. Csank, I
5 want to confirm that these are all the exhibits.
6 This is the only exhibit?

7 MS. CSANK: For now, yes.

8 CHAIRMAN BROWN: All right. Well, we're at
9 639.

10 MS. CSANK: Thank you. So at this time I
11 would like to mark Exhibit 639.

12 CHAIRMAN BROWN: Can you please speak up for
13 the record so that our court reporter can
14 accurately transcribe it?

15 MS. CSANK: Yes. I would like to mark Exhibit
16 -- September 30, 2015, GreenTech Media article,
17 "NextEra on Storage Post 2020 There May Never Be
18 Another Peaker Built in the U.S."

19 CHAIRMAN BROWN: All right. We will mark that
20 as September 30th, 2015, Greentech Media article.
21 639.

22 (Whereupon, Exhibit No. 639 was marked for
23 identification.)

24 BY MS. CSANK:

25 Q Mr. Barrett, do you have a copy of it in front

1 of you?

2 A Yes, I do.

3 CHAIRMAN BROWN: Okay. Ms. Csank, please
4 proceed with your questions.

5 MS. CSANK: Thank you, Madam Chair.

6 BY MS. CSANK:

7 Q Mr. Barrett, are you familiar with the fast
8 track capability of battery storage?

9 A Generally speaking.

10 Q Okay. Is that something the company has any
11 experience with?

12 A I didn't catch the first part of that.

13 Q Does the company have experience with battery
14 storage projects?

15 A We're starting to get some experience with it,
16 yes.

17 Q Yes. So FPL has some pilots, right?

18 A I'm sorry?

19 Q FPL has some --

20 MR. BUTLER: I'm going to object. Unless I am
21 misunderstanding where she's going with this, given
22 the title, this seems to be more testimony about
23 the peaker projects. It's an alternative to the
24 peaker projects apparently she wants to explore.

25 MS. CSANK: Yes, this is -- actually goes to

1 the question of the -- the CPVRR analysis, the cost
2 savings testimony that Mr. Barrett is providing.
3 So if you'll just permit me a little bit of
4 latitude, I'll get to that as --

5 COMMISSIONER PATRONIS: Let's get there
6 quickly.

7 BY MS. CSANK:

8 Q So, Mr. Barrett, you were saying that FPL has
9 some nascent experience with some battery storage
10 projects?

11 A Yes. We have some pilot projects or R&D
12 projects, if you will, to try to ascertain how they work
13 on our system.

14 Q Okay. And NextEra has growing levels of
15 experience with this technology; right?

16 A That's my understanding, yes.

17 Q And you're familiar with Mr. Robo's remarks
18 last fall with respect to the potential for this -- for
19 battery storage technology to obviate the need for new
20 gas combustion turbines as a -- as a way to meet peak
21 load?

22 A I'm familiar with these comments in general.

23 Q So you did not attend the analyst conference
24 last fall where Mr. Robo made certain remarks comparing
25 the value of national gas combustion turbines relative

1 to other alternatives?

2 A That -- if I followed your question, no, I did
3 not attend that conference.

4 Q Okay. Could you please turn -- well,
5 actually, let's -- do you read Greentech's Media? Is
6 that a news source that you're familiar with?

7 A I'm familiar with it.

8 Q Okay. And this particular news article is
9 dated September 30, 2015. Do you see that --

10 A Yes.

11 Q -- on Page 2 of the document? Okay. And the
12 title is "NextEra on storage 'Post-2020 there may never
13 be another peaker built in the U.S.'"

14 Did I read that correctly?

15 A Yes.

16 Q And then subtitle is "Energy storage just got
17 a big vote of confidence from one of the world's largest
18 utilities."

19 Do I have that right?

20 A Yes.

21 Q And then the last --

22 COMMISSIONER PATRONIS: Please get to the
23 question.

24 MS. CSANK: I'm getting there. Thank you.

25

1 BY MS. CSANK:

2 Q The -- the third -- the last sentence on this,
3 second page reads that Mr. Robo said "We're starting to
4 make very good progress in our energy storage business."
5 And then the quote ends, and it goes on to say that he
6 noted that energy storage is one of "three growth
7 platforms at NextEra."

8 Is that -- do you have any reason to doubt the
9 accuracy, the authenticity of that statement?

10 A No.

11 Q And then -- I'm almost done. The next page.
12 Do you see where there's another quote from Mr. Robo
13 stating "battery storage is the holy grail of the
14 renewable business. If we can deliver from power to
15 renewable customers at a cost-effective rate, you'll see
16 renewables explode even faster than they already are."

17 A Yes.

18 Q So you were saying that the board was making
19 decisions about these peaker projects in the fall of
20 2015?

21 A I mean, obviously the peaker projects had been
22 around for a couple of years before that, but that was
23 when it would have been the 2016 -- actually let me back
24 up.

25 We got board approval for the peaker project

1 in February of '15.

2 Q Do you have documentation of that in the
3 record?

4 A I'm telling you that's when it was.

5 Q Okay. Do you know when the analysis was
6 performed that informed Mr. Robo's remarks here?

7 A No.

8 Q Okay. Madam Chair, I just need a moment to
9 consult my notes before I --

10 CHAIRMAN BROWN: Okay.

11 BY MS. CSANK:

12 Q Do you know, Mr. Barrett, whether the cost
13 savings that you identify in your CPVRR analysis with
14 respect to the peakers, Exhibit REB 9 to your direct
15 testimony, did you do any analysis to see whether the
16 timing of the projects would make any difference on
17 that? In other words, could you achieve even more
18 savings had the projects been done sooner, and would
19 those savings still -- well, let's start with that
20 before I --

21 MR. BUTLER: Madam Chair, I object to the line
22 of questioning. It's continuing down the same path
23 of exploring the peaker projects that I think we
24 had concluded. It's past her time.

25 STAFF COUNSEL: Staff would agree.

1 CHAIRMAN BROWN: Thank you. Please move on,
2 Ms. Csank. Objection sustained.

3 MS. CSANK: Okay. I'm just confirming if I
4 have any final questions, and I'll be brief.

5 No further questions. Thank you.

6 CHAIRMAN BROWN: Thank you, Ms. Csank. All
7 right. Moving on to Walmart. Ms. --

8 MS. ROBERTS: We have no questions for this
9 witness.

10 CHAIRMAN BROWN: Thank you. Okay. Moving on
11 to AARP, Mr. Coffman.

12 EXAMINATION

13 BY MR. COFFMAN:

14 Q Good evening, Mr. Barrett.

15 A Good evening, Mr. Coffman.

16 Q I'm Mr. Coffman representing AARP, and I
17 wanted to ask you some questions about the proposal for
18 a multiyear plan.

19 A Yes.

20 Q And, you know, Florida is a future test-year
21 state, and that's the way you've proposed your -- your
22 case. And as you know, some states use a historical
23 test year where some use a future and some use a hybrid.
24 Are you familiar with the variation?

25 A Generally, yes.

1 **Q You spent your entire career with Florida**
2 **Power & Light; is that correct?**

3 A I have.

4 CHAIRMAN BROWN: Can I -- Mr. Coffman can you
5 speak a little bit closer into the mic.

6 MR. COFFMAN: Sure. I'll move that and get my
7 mouth closer to the mic.

8 CHAIRMAN BROWN: Thanks. Don't knock it off
9 though.

10 BY MR. COFFMAN:

11 **Q So if -- if you can't audit actual numbers**
12 **through a historical test year, how can the Public**
13 **Service Commission be certain that your projections are**
14 **accurate and are going to be reasonable going forward?**
15 **What are the protections that they can rely on to assure**
16 **the reasonableness of your company's projections?**

17 A Well, they can listen to the testimony of
18 witnesses that are propounding the evidence that would
19 support the forecasts that are going into the test year
20 revenue requirements. They could look at past accuracy.
21 They could -- they've also adopted a band around the
22 approved ROE midpoint that allows for there to be, you
23 know, things that fluctuate in the business, either up
24 or down, that are still considered to be a reasonable
25 return to prevent there being frequent needs to come

1 back in and adjust rates. So that's been an effective
2 mechanism to make sure that a forward test year can be
3 relied upon.

4 Q So one of the ways that you can test the
5 reliability of the projections that you mentioned is to
6 look at past projections and see how accurate those
7 were. Is that fair?

8 A I think that's fair. Yes.

9 Q And Florida Power & Light has not always been,
10 you know, accurate in its projections in past cases, has
11 it?

12 A I'm not sure I would necessarily agree with
13 that.

14 Q Would you agree -- and within the last couple
15 of cases, Florida Power & Light has been somewhat more
16 pessimistic about how costs would increase and somewhat
17 more optimistic about how revenues would increase?

18 A No, I wouldn't agree with that.

19 Q Okay. Would you agree that there is a
20 built-in incentive for a utility to overestimate costs
21 and underestimate revenues?

22 A Absolutely not.

23 Q Why -- why not?

24 A Because I have to stand before this Commission
25 and affirm my forecast. I mean, I'm not going to have

1 any credibility. If I'm always forecasting high on
2 costs or Dr. Morley is always forecasting low on
3 revenues, we're not going to be accepted as credible
4 witnesses. So our incentive is to come in here and be
5 credible.

6 Q Okay. Well, I won't -- I won't go into the
7 past projections, but you would agree with me that this
8 Commission can look at those past projections and use
9 those as a guide as to how reliable your projections are
10 in this case?

11 A Yes. And I would hope the Commission would
12 put them in their proper context of what was going on in
13 the world or in the state at that time.

14 Q And would you agree with me at least that the
15 further out that you're projecting, the less reliable a
16 projection is?

17 A I would say it depends. In a very stable
18 environment, that may not be the case. In a volatile
19 environment, the further out you go, there's obviously
20 going to be harder to kind of pin things down.

21 Q Well, I -- I would agree with you that there
22 are certain times and certain items that are much easier
23 to predict and are better known, but I'm just saying,
24 all other things being equal, being able to predict a
25 cost for, say -- project a cost for 2017 is going to be

1 more reliable than your ability to project a cost for
2 2018 to some degree?

3 A Not necessarily. I mean, they're pretty close
4 in proximity to time.

5 Q Well, would you agree --

6 A I mean, the inflation rates are roughly the
7 same, and the way we run our business has been projected
8 by our operating witnesses. We're not projecting any
9 huge changes in that.

10 Q Okay.

11 A So absent something major happening -- like
12 the recession. That was the greatest recession since
13 the depression. Nobody saw that coming. So, yes,
14 obviously that's going to affect things.

15 Q Well, I thought there was a truism, but would
16 you at least agree with me that it's easier to predict
17 or to make a projection for 2017 than it would be to
18 project some -- costs for 2020?

19 A And I guess I would say not necessarily.

20 Q Okay. You -- in your testimony, you claim
21 that the -- that adopting a multiyear rate plan would
22 provide for more stability --

23 A Yes.

24 Q -- in rates. And that would definitely
25 provide more revenue certainty for FPL, wouldn't it,

1 **than a one-year --**

2 A It would provide --

3 **Q -- rate --**

4 A -- certainty for both parties, customers and
5 the company.

6 **Q Well, to the extent that it would be more**
7 **revenue certainty over a longer period to the utility**
8 **company, that would allow the utility to have less risk**
9 **going forward. You'd agree with that; right?**

10 A No, I wouldn't agreed with that because risk
11 is a very complicated and full concept. The way our
12 proposal is put together, we're taking a lot of risk in
13 '19 and '20.

14 **Q So you're saying that a one-year rate decision**
15 **is just as -- just as risky, not more risky, than a**
16 **four-year rate decision to the company?**

17 A No, I don't think I said that.

18 **Q So I'm just asking about the concept of a**
19 **multiyear rate --**

20 A Mm-hmm.

21 **Q -- decision versus a one-year rate decision.**
22 **Which is -- which provides more certainty to the utility**
23 **company?**

24 A Probably the one-year rate decision.

25 **Q Okay. And why is that?**

1 A Because you are only locking in what's going
2 to happen next year. Anything can happen in years 2, 3,
3 and 4. Whereas a 4-year proposal we have to endure
4 whatever happens in those four years.

5 **Q Yeah. Of course, if -- under your rate**
6 **proposal, would Florida Power & Light be allowed to file**
7 **another rate case if its revenues fell below -- far**
8 **below what was authorized?**

9 A Under our proposal, our commitment was to not
10 file for rates to be effective before 2021.

11 **Q Even if your revenues -- or your earnings fell**
12 **below authorized levels?**

13 A Yes.

14 **Q Okay.**

15 A It's been our experience that if we have a
16 long runway, we're pretty good at figuring out how to
17 make cost-effective decisions and improve the productive
18 efficiency of the company, and that's what we're asking
19 for is the opportunity to do that so that customers will
20 benefit from that.

21 **Q And you think that -- you think customers**
22 **should be happy about a multiyear plan? You think that**
23 **customers should welcome a multiyear plan?**

24 A Absolutely.

25 **Q And so does it surprise you that consumer**

1 advocates aren't in love with that idea?

2 A It doesn't surprise me that consumer advocates
3 are opposed to us, no.

4 Q Okay. So is -- so are the people who are
5 actually representing consumers here, are we just --
6 just don't fully appreciate, I guess, the value here?

7 A That might be a way to characterize it.

8 Q Well, would you agree that a multiyear rate
9 plan creates some risk that rates are going to be higher
10 than they would otherwise be under -- under a
11 year-by-year review?

12 A I suppose that's possible.

13 Q Let me direct you to your testimony on Page --
14 Page 12 of your direct testimony -- I want to make sure
15 I got it here -- and Lines 3 through 7 of your
16 testimony. You --

17 A I have it.

18 Q -- talk about how great this rate increase is
19 going to be -- this proposal is for consumers and that
20 it's expected to produce total residential consumer
21 bills that grow roughly in line with inflation through
22 2020 based on current fuel curves.

23 A Correct.

24 Q -- correct? Now, can you tell me what
25 inflation assumption you were using to make that

1 **statement?**

2 A As Dr. Morley testified, I think it's roughly
3 two and a half percent, 2.6 maybe.

4 Q So the assumption was two and a half percent
5 each year for four years?

6 A It's different each year, but I think the
7 average is about two and a half.

8 Q And I believe that there is an assumption of
9 6.3 percent from 2014 to 2017?

10 A Yes.

11 Q But I wasn't able to find in your testimony
12 where the inflation assumption was stated specifically
13 for 2016 to 2020. Do you know what that number is?

14 A Hold on one second. See if I can find it.

15 Q Is that what I assume as being -- that there's
16 an assumption about 2016 to 2017 until 2020?

17 A That's correct. I've got the assumptions. I
18 don't know if it's in testimony, but I can read them to
19 you.

20 Q But -- yeah. Just what is the assumption of
21 what inflation will be over the four-year period of your
22 proposed plan?

23 A '17 would be 2.5.

24 Q Okay.

25 A '18, 2.6. '19, 2.5. And '20, 2.7.

1 Q Okay. Now, that -- I assume that that's
2 compounded too. So I can't --

3 A Those are just annual --

4 Q -- just add these numbers up and --

5 A Do you want me to compound it for you?

6 Q Yes, if you don't mind.

7 A So you want an average annual?

8 Q Yes. I want to know what the two numbers are
9 you're comparing to say that total residential bills are
10 roughly in line with inflation until 2020?

11 CHAIRMAN BROWN: And while you're doing that,
12 my -- I was trying to get through this witness
13 before we adjourned for our dinner break. How many
14 more questions --

15 MR. COFFMAN: I don't -- I don't have many
16 more.

17 CHAIRMAN BROWN: Okay. And then Mr. Skop.

18 MR. SKOP: Yes, I have some -- I'm sorry.
19 Yes, Madam Chair, I have about ten to 15 --

20 CHAIRMAN BROWN: Okay. I think this is a nice
21 stopping point, and we could get to your -- unless
22 you want him to answer.

23 MR. COFFMAN: That's fine. We can --

24 CHAIRMAN BROWN: Okay.

25 MR. COFFMAN: -- start up again --

1 THE WITNESS: I have a number if you want me
2 to give it to him.

3 CHAIRMAN BROWN: Give it to him.

4 THE WITNESS: 2.58.

5 MR. COFFMAN: Okay. Thank you.

6 CHAIRMAN BROWN: All right. So it's 7 --
7 roughly 7 o'clock. We will reconvene here about
8 7:25. Actually at 7:25. So you've got 25 minutes
9 to grab something quick to eat around the area and
10 drink, stretch your legs, and we'll see you back.

11 (Whereupon there was a short break.)

12 (Transcript continues in sequence in Volume
13 14.)

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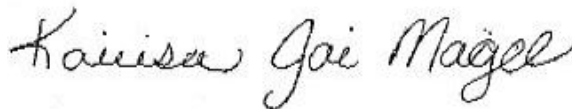
STATE OF FLORIDA)
COUNTY OF LEON)

I, KAIRISA JOI MAGEE, 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.



KAIRISA JOI MAGEE
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