

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR RATE INCREASE BY  
FLORIDA POWER & LIGHT COMPANY.

DOCKET NO. 160021-EI

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

DOCKET NO. 160061-EI

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

DOCKET NO. 160062-EI

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

DOCKET NO. 160088-EI

VOLUME 31  
PAGES 4533 THROUGH 4760

PROCEEDINGS: HEARING

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

DATE: Tuesday, August 30, 2016

TIME: Commenced at 3:08 p.m.  
Concluded at 6:22 p.m.

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

REPORTED BY: ANDREA KOMARIDIS  
Court Reporter

APPEARANCES: (As heretofore noted.)

## 1 I N D E X

## 2 WITNESSES

3 NAME: PAGE NO.

4 RHONDA HICKS

5	Examination by Ms. Leathers	4537
	Prefiled direct testimony inserted	4539
6	Examination by Mr. Moyle	4544
	Examination by Mr. Butler	4553

7

8 ROBERT E. BARRETT, JR.

9	Examination by Mr. Butler	4559
	Prefiled rebuttal testimony inserted	4565
10	Examination by Ms. Brownless	4588
	Continued Examination by Mr. Butler	4589
11	Examination by Mr. Rehwinkel	4594
	Examination by Mr. Moyle	4605
12	Examination by Mr. Sundback	4624
	Examination by Mr. Jernigan	4650
13	Examination by Ms. Csank	4653
	Examination by Mr. Coffman	4667
14	Further Examination by Mr. Butler	4670

15

16 SAM FORREST

16	Examination by Mr. Butler	4676
17	Prefiled rebuttal testimonies inserted	4679
	Examination by Ms. Brownless	4708
18	Examination by Ms. Christensen	4714
	Examination by Mr. Moyle	4735
19	Examination by Mr. Wiseman	4745

20

21 ILIANA PIEDRA

22 Prefiled direct testimony inserted 4536A

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1	EXHIBITS	
2	NUMBER:	ID ADMITTED
3	326 (as identified on comprehensive exhibit list)	4672
4	398 (as identified on comprehensive exhibit list)	4556 (YA) <del>4557</del>
5	735 Errata sheet to Mr. Barrett's rebuttal testimony	4559
6	736 Docket No. 160021-EI Schedule D-4A, 2018 subsequent test year	4625 4672
7	737 Docket No. 120015-EI Schedule D-4A, 2013 test year	4626 4672
8	738 080677-EI MFR D-4A	4630 4672
9	739 Henry Hub natural gas spot prices 1997 through 2015	4716
10	740 Henry Hub natural gas spot price, \$2.75 USD for MMBTU, August 15th, 2016	4717
11	741 Ten-year power plant site plan 2016 to 2025	4729
12	742 FPL Company's petition for approval Cedar Bay	4730
13	743 Data provided by FPL in response to Hospitals POD Document Request No. 40	4749
14	744 FPL 2012 long-term forecast methodology	4749
15	745 FPL 2013 long-term forecast methodology	4749
16	746 FPL 2014 long-term forecast methodology	4750
17	747 FPL 2015 long-term forecast methodology	4750
18	748 FPL 2016 long-term forecast methodology	4750
19	749 Excerpt from S&P Global Platts Gas Daily	4750
20		
21		
22		
23		
24		
25		

## P R O C E E D I N G S

1  
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3  
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(Transcript follows in sequence from Volume 30.)

CHAIRMAN BROWN: All right. Just a few things, a few reminders before we get to the staff witness.

You know, I know it's been a long hearing and we're looking at the end of the road. We have just a few more witnesses until we are finished with this proceeding. But I do want to remind the parties, if they could, please -- for our court reporter's sake, please try not to interrupt each other.

Also, as the pre-hearing order clearly states, the witnesses are allowed an opportunity to answer yes or no as well as give a brief explanation. Again, please be cognizant of these two reminders because it is -- we're getting a little bogged down in that process. So, those are the two reminders.

And at the beginning of this proceeding, we entered in Illiana Piedra, which is the first staff witness -- we entered in her testimony along with her exhibits. So, I just want to note that for the record.

(Prefiled testimony entered into the record as though read.)  
~~Ms. Hicks, you have been sworn in?~~



1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **COMMISSION STAFF**

3                                   **DIRECT TESTIMONY OF ILIANA H. PIEDRA**

4                                   **DOCKET NO. 160021-EI**

5                                   **July 18, 2016**

6 **Q.     Please state your name and business address.**

7 **A.     My name is Iliana H. Piedra. My business address is 3625 N.W. 82nd Ave., Suite**  
8 **400, Miami, Florida, 33166.**

9 **Q.     By whom are you presently employed and in what capacity?**

10 **A.     I am employed by the Florida Public Service Commission (FPSC or Commission)**  
11 **as a Professional Accountant Specialist in the Office of Auditing and Performance**  
12 **Analysis.**

13 **Q.     Briefly review your educational and professional background.**

14 **A.     I received a Bachelor of Business Administration degree with a major in**  
15 **accounting from Florida International University in 1983. I am also a Certified Public**  
16 **Accountant licensed in the State of Florida. I have been employed by the FPSC since**  
17 **January 1985.**

18 **Q.     Please describe your current responsibilities.**

19 **A.     My responsibilities consist of planning and conducting utility audits of manual**  
20 **and automated accounting systems for historical and forecasted data.**

21 **Q.     Have you presented testimony before this Commission or any other**  
22 **regulatory agency?**

23 **A.     Yes. I filed testimony in City Gas Company of Florida's rate case, Docket No.**  
24 **940276-GU, the General Development Utilities, Inc. rate cases for the Silver Springs**  
25 **Shores Division in Marion County and the Port Labelle Division in Glades and Hendry**

1 Counties in Docket Nos. 920733-WS and 920734-WS, the Florida Power & Light  
2 Company's storm cost recovery case in Docket No. 041291-EI, the Embarq's storm cost  
3 recovery case in Docket No. 060644-TL, the K W Resort Utilities Corp. rate case in  
4 Docket No. 070293-SU, the Fuel and Purchased Power Cost Recovery Clause in Docket  
5 Nos. 120001-EI, 130001-EI and 140001-EI, and the Nuclear Cost Recovery Clause in  
6 Docket Nos. 130009-EI, 150009-EI and 160009-EI.

7 **Q. What is the purpose of your testimony today?**

8 **A.** The purpose of my testimony is to sponsor the staff audit report of Florida Power  
9 & Light Company which addresses the Utility's application for a rate increase. This audit  
10 report is filed with my testimony and is identified as Exhibit IHP-1.

11 **Q. Was this audit prepared by you or under your direction?**

12 **A.** Yes, it was prepared under my direction.

13 **Q. What audit period did you use in this audit?**

14 **A.** We audited the historical twelve months ended December 31, 2015. We did not  
15 audit any subsequent year.

16 **Q. Please describe the work you performed in this audit?**

17 **A.** The procedures that we performed in this audit are listed in the Objectives and  
18 Procedures section of the attached Exhibit IHP-1, pages 4 of 12 through 8 of 12.

19 **Q. Please review the audit findings in this audit report.**

20 **A.** The one finding in this audit is found in the attached Exhibit IHP-1, page 9 of 12.  
21 It is summarized below.

22 **Finding 1: Possible Non-Recurring Expense**

23 The Utility has included, in FERC Account 572 – Maintenance of Underground Lines,  
24 \$186,546 related to a cleanup of a dielectric fluid (oil) spill that occurred on June 12,  
25 2015. The Utility explained the oil spill was discovered by FPL in a section of steel pipe

1 housing an FPL subaqueous power cable traversing Biscayne Bay in Miami-Dade  
2 County. The Utility indicated other costs totaling \$221,296 were also recorded on their  
3 books related to this incident. The Utility was made aware of this finding and it is non-  
4 reoccurring. Audit staff did not determine the effect of this finding on the 2017 and 2018  
5 test years.

6 **Q. Does that conclude your testimony?**

7 **A. Yes.**

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A CHAIRMAN BROWN: Ms. Hicks, you have been sworn in? 

1 THE WITNESS: Yes, I have.

2 CHAIRMAN BROWN: Okay. All right.

3 Staff.

4 MS. LEATHERS: Thank you, Madam Chair.

5 EXAMINATION

6 BY MS. LEATHERS:

7 Q Good afternoon, Ms. Hicks. How are you doing?

8 A I'm good.

9 Q Good. Would you please state your full name  
10 and business address for the record.

11 A My name is Rhonda L. Hicks. My address is  
12 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

13 Q And by whom are you employed and in what  
14 capacity?

15 A I am employed by the Florida Public Service  
16 Commission as chief of the Bureau of Consumer Assistance  
17 and the Office of Consumer Assistance and Outreach.

18 Q Have you prepared and caused to be filed in  
19 this proceeding on July 18th, 2016, four pages of  
20 prefiled direct testimony with the attached  
21 Exhibit RLH-1, which is identified as Exhibit No. 398 on  
22 the comprehensive exhibit list?

23 A Yes.

24 Q Do you have any changes or revisions to your  
25 prefiled direct testimony or exhibit?



1           A     No, I do not.

2           **Q     And if I asked you those same questions**  
3     **contained in your testimony today, would your answers be**  
4     **the same?**

5           A     Yes, they would.

6           **Q     And to the best of your knowledge and belief,**  
7     **are the contents of your exhibit true and correct?**

8           A     Yes.

9                   MS. LEATHERS: Madam Chairman, at this time, I  
10                   would ask that the previously-filed testimony of  
11                   Ms. Hicks be inserted into the record as though  
12                   read.

13                   CHAIRMAN BROWN: We will insert Ms. -- the  
14                   prefiled direct testimony of Ms. Rhonda Hicks into  
15                   the record as though read.

16                   MS. LEATHERS: Thank you.

17                           (Prefiled direct testimony entered into the  
18                   record as though read.)

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## DIRECT TESTIMONY OF RHONDA L. HICKS

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Q. Please state your name and address.

A. My name is Rhonda L. Hicks. My address is 2540 Shumard Oak Boulevard;  
Tallahassee, Florida; 32399-0850.

Q. By whom are you employed and in what capacity?

A. I am employed by the Florida Public Service Commission (FPSC) as Chief of the  
Bureau of Consumer Assistance in the Office of Consumer Assistance & Outreach.

Q. Please give a brief description of your educational background and professional  
experience.

A. I graduated from Florida A&M University in 1986 with a Bachelor of Science degree  
in Accounting. I have worked for the Florida Public Service Commission for 30 years,  
and I have varied experience in the electric, gas, telephone, and water and wastewater  
industries. My work experience includes rate cases, cost recovery clauses,  
depreciation studies, tax, audit, consumer outreach, and consumer complaints. I  
currently work in the Bureau of Consumer Assistance within the Office of Consumer  
Assistance & Outreach where I manage consumer complaints and inquiries.

Q. What is the function of the Bureau of Consumer Assistance?

A. The bureau's function is to resolve disputes between regulated companies and their  
customers as quickly, effectively, and inexpensively as possible.

Q. Do all consumers, who have disputes with their regulated company, contact the Bureau  
of Consumer Assistance?

A. No. Consumers may initially file their complaint with the regulated company and  
reach resolution without the bureau's intervention. In fact, consumers are encouraged  
to allow the regulated company the opportunity to resolve the dispute prior to any  
Commission involvement.

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to advise the Commission of the number of consumer  
3 complaints logged against Florida Power & Light Company under Rule 25-22.032,  
4 Florida Administrative Code, Consumer Complaints, from July 1, 2012 through June  
5 30, 2016. My testimony will also provide information on the type of complaints  
6 logged and those complaints that appear to be rule violations.

7 Q. What do your records indicate concerning the number of complaints logged against  
8 Florida Power & Light Company?

9 A. From July 1, 2012, through June 30, 2016, the Florida Public Service Commission  
10 logged 22,452 complaints against Florida Power & Light Company. Of those, 18,955  
11 complaints were transferred directly to the company for resolution via the  
12 Commission's Transfer-Connect Program.

13 Q. What have been the most common types of complaints logged against Florida Power &  
14 Light Company?

15 A. During the specified time period, approximately seventy-three (73%) percent of the  
16 complaints logged with the Florida Public Service Commission concerned billing  
17 issues, while approximately twenty-seven (27%) of the complaints involved quality of  
18 service issues.

19 Q. Do you have any exhibits attached to your testimony?

20 A. Yes. I am sponsoring Exhibit RLH-1.

21 Q. Would you explain Exhibit RLH-1?

22 A. Yes. Exhibit RLH-1 is a summary listing of complaints logged against Florida Power  
23 & Light Company under Rule 25-22.032, Florida Administrative Code. The  
24 complaints, received July 1, 2012 through June 30, 2016, were captured in the  
25 Commission's Consumer Activity Tracking System (CATS). The summary groups the

1 complaints by Close Type and within each Close Type, the complaints are segregated  
2 by Pre-Close Type. The first grouping is Pre-Close types that are still pending. The  
3 remaining groupings are categorized by Close Type codes such as ES-06, ES-23, GI-  
4 02, etc.

5 Q. What is a Pre-Close Type?

6 A. A Pre-Close Type is an internal categorization code that is applied to each complaint  
7 upon receipt. A complaint is assigned a Pre-Close Type based solely on the initial  
8 information provided by the consumer.

9 Q. What is a Close Type?

10 A. A Close Type is also an internal categorization code. It is assigned to each complaint  
11 once staff completes its investigation and a proposed resolution is provided to the  
12 consumer. In some instances, the Pre-Close Type will differ from the Close Type  
13 because staff's investigation reveals facts that were not available upon receipt of the  
14 complaint.

15 Q. A great majority of complaints were resolved as Close Type GI-02, Courtesy  
16 Call/Warm Transfer. Can you explain this Close-Type?

17 A. Yes. Florida Power & Light Company participates in the Commission's Transfer-  
18 Connect (Warm Transfer) System. This system allows the Commission to directly  
19 transfer a customer to the company's customer service personnel. Once the call is  
20 transferred to Florida Power & Light Company, it provides the customer with a  
21 proposed resolution. Customers who are not satisfied with the company's proposed  
22 resolution have the option of recontacting the Commission. While the Commission is  
23 able to assign a Pre-Close Type to each of the complaints in this category, a specific  
24 Close Type is not assigned because the proposed resolution is provided by Florida  
25 Power & Light Company. Consequently, the assigned Close Type allows staff to



1 monitor the number of complaints resolved via the Commission's Transfer-Connect  
2 System.

3 Q. How many of the complaints summarized on your exhibit has staff determined may be  
4 a violation of Commission rules?

5 A. Of the 22,452 complaints, staff determined that five appear to be violations of  
6 Commission rules.

7 Q. What was the nature of the apparent rule violations?

8 A. The apparent rule violations were related to a utility easement violation, and billing  
9 errors.

10 Q. Does this conclude your testimony?

11 A. Yes, it does.

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1 BY MS. LEATHERS:

2 Q Ms. Hicks, would you please give the  
3 Commission a brief -- a brief summary of your direct  
4 testimony?

5 A Yes. My testimony summarizes the number of  
6 consumer complaints filed against Florida Public -- I'm  
7 sorry -- Florida Power & Light Company from July 1st,  
8 2012, through June 30th, 2016, which are captured in the  
9 Commission's consumer-activity tracking system. It also  
10 summarizes the type of complaints logged and those  
11 complaints that appear to be rule violations.

12 Attached to my testimony is one exhibit. The  
13 exhibit is a categorized summary listing the complaints  
14 filed against Florida Power & Light Company from  
15 July 1st, 2012, through June 30th, 2016. This listing  
16 is generated by the Commission's consumer activity-  
17 tracking system.

18 MS. LEATHERS: Thank you, Ms. Hicks.

19 Madam Chair, I tender the witness for  
20 cross-exam.

21 CHAIRMAN BROWN: Thank you.

22 And good afternoon, Ms. Hicks.

23 THE WITNESS: Good afternoon.

24 CHAIRMAN BROWN: It's nice to see you here, in  
25 our building.

1 (Laughter.)

2 CHAIRMAN BROWN: Office of Public Counsel.

3 MR. SAYLER: Thank you, Madam Chair.

4 Ms. Hicks, no questions.

5 CHAIRMAN BROWN: Thank you.

6 FIPUG?

7 MR. MOYLE: Thank you. We have -- we have  
8 some.

9 EXAMINATION

10 BY MR. MOYLE:

11 Q Good afternoon.

12 A Good afternoon.

13 Q The Bureau of Consumer Assistance is  
14 responsible for working to resolve disputes between  
15 regulated companies and their -- and the customers; is  
16 that right?

17 A Yes.

18 Q Okay. Does -- who do you get the most  
19 complaint calls about? Which utility? I assume it's  
20 FPL; is that right?

21 A Because they are probably the largest, I  
22 would -- I would imagine that's correct.

23 Q And then on Page 2 of your testimony, you say  
24 that you had 22,452 complaints against Florida Power &  
25 Light; is that right?

1 A Yes. It's Page 3 of my testimony.

2 Q Okay.

3 CHAIRMAN BROWN: I have Page 2.

4 MR. MOYLE: Yeah, I don't -- I don't know --  
5 as long as -- I have it on Page 2, but as long  
6 as --

7 THE WITNESS: Oh, it's -- it's -- I think it's  
8 numbered -- well, it's Page 3 in what I have, but  
9 okay, it's Page 2.

10 BY MR. MOYLE:

11 Q Okay. So, how many --

12 A The number is correct.

13 Q Okay. And that's 22,452?

14 A Yes.

15 Q And then, you say that a number of 18,955 were  
16 transferred directly to Florida Power & Light. Can you  
17 describe how that process works?

18 A What happens is we get calls and we offer the  
19 customer the opportunity to be transferred to the  
20 utility's executive office to have their complaint  
21 addressed and resolved. And we hit a button. It goes  
22 over into their office. A live person answers the  
23 phone. And we tell them what the customer has said to  
24 us. And we transfer the call.

25 Q So, just so -- I want to understand. So, when



1 you make that warm -- do you know what a warm transfer  
2 is? Is what you described, a warm transfer?

3 A I'm sorry. What --

4 Q Do you know if what you described, where you  
5 transfer the call to FP&L, is -- is used or known by  
6 FP&L as a warm -- warm transfer?

7 A That's how we refer to it, as a warm transfer.

8 Q Okay. And -- and so, when you make that  
9 transfer, do you speak to the FPL person without the  
10 customer being part of that conversation initially, and  
11 say, hey, I've got, you know, John Smith on the phone.  
12 He has a problem about this. Can you help him, and when  
13 I hang up, you'll have John Smith? Or is John Smith  
14 part of the three-way call and is part of the  
15 communication you have with -- with FP&L? Or is there  
16 some other way that it's handled?

17 A Well, we tell Mr. Smith that we're going to  
18 transfer the call. Mr. Smith is placed on hold. And we  
19 call FP&L and we tell them that we have Mr. Smith on the  
20 phone. His account number is such and such and such.  
21 His problem is such and such and such. And they say,  
22 okay.

23 And we hit the button. And we say, Mr. Smith,  
24 we have FP&L on the phone, and we're going to go ahead  
25 and transfer you and -- so that they can resolve your

1 complaint.

2 Q Okay. And then do you track how things get  
3 sorted out with -- with FP&L based on the people who  
4 contact you?

5 A As far as warm transfers or just in general?

6 Q Well, warm transfers.

7 A Okay. Warm transfers -- once we hit the  
8 button and we transfer the call, then that's logged as  
9 a -- as a -- as a warm-transfer call. And no, we do not  
10 track that after that.

11 If the customer is not resolved or their  
12 complaint is not resolved, then they have the option to  
13 call us back.

14 Q Right, but you don't -- but you don't track it  
15 to say, well, Mr. Smith called and he had problem, X, Y,  
16 Z. We did the warm transfer to FPL and the problem was  
17 resolved to Mr. Smith's satisfaction or was not resolved  
18 to Mr. Smith's satisfaction. You're not tracking the  
19 end result; is that correct?

20 A Correct.

21 Q And then, you had answered a previous  
22 question -- you said, well -- you know, I asked you  
23 about tracking. And you said, overall -- I assume -- do  
24 you track them overall?

25 A No, we track complaints overall. That's why I

1 asked whether or not it was a warm transfer.

2 Q Okay. Do you, when you warm-transfer the  
3 call, is there -- FPL testified that they had 10 to 20  
4 people that were in the warm-call-receipt center. Do  
5 you ask for a particular person or you just call a  
6 number and say, hi, this is the Florida Public Service  
7 Commission? How do you -- how do you actually connect  
8 Mr. Smith, the customer, with FPL?

9 A We -- we dial FP&L and a person answers the  
10 phone.

11 Q And then you have an understanding that you're  
12 calling FPL in Juno; is that right?

13 A I'm not sure where we're calling.

14 Q Okay. I want to ask you, on Page 4 of your  
15 testimony, you said that you found that there were five  
16 violations of Commission rules; is that right?

17 A Apparent -- well, apparent violations. We  
18 don't make the final decision as far as -- as whether or  
19 not there are rule violations or not.

20 Q So, what -- what do you -- I mean, if you --  
21 in your testimony here, you said, there are five --  
22 appear to be -- violations. How does that get followed  
23 up on if it -- you know, if it does? What's the process  
24 if you are made aware of a rule violation? Can you  
25 describe that for me, please?

1           A       Well, the analysts will look at the complaint.  
2       They determine that they -- that they think that it's a  
3       rule violation. And they would talk to a supervisor  
4       about their complaint and then, you know, make a final  
5       determination whether or not it's a rule violation.

6                   And what happens is we code it as a rule  
7       violation. And if it is one violation, we keep track of  
8       that. And then it -- it appears, of course, in these  
9       proceedings or any type of regulatory proceeding, it --  
10      it becomes available or available for everyone to see.

11                  If it's something that, say, we're getting  
12      numerous amounts of -- of the same rule violations, then  
13      we let -- alert staff, let them know. Sometimes, if  
14      it's a big enough violation that we think is a  
15      violation, we will let staff know.

16                  But we generally confer with staff, let them  
17      know that this occurred. And if they feel the need,  
18      then they will seek legal counsel and go ahead and maybe  
19      do a show-cause docket or whatever they deem  
20      appropriate.

21           **Q       Do you have any information with respect to**  
22      **the five that you testify about in your prefiled**  
23      **testimony, whether -- whether those resulted in any**  
24      **show-cause action or any other official action on behalf**  
25      **of the Commission based on their review?**



1           A     No, I'm not aware of any -- any proceedings  
2     that were opened because of these.

3           Q     Okay.  If a proceeding was opened, would you  
4     be aware of it?

5           A     I think I would.  I think that they would --  
6     they would -- staff would -- would talk with me --

7           Q     Okay.

8           A     -- about anything like that.

9           Q     Okay.  And then, do you have any specific  
10    recollection with respect to any of the five that you  
11    identified, what the -- you know, what the violations  
12    were -- or apparent violations?

13          A     I don't have specifics, but I -- just based on  
14    the -- on my exhibit, they -- they involve back  
15    billing -- well, three were improper -- four were  
16    improper bills and one was quality of service.

17          Q     Okay.  And you -- and what page of your  
18    exhibit are you referencing?

19          A     Page 1 of my exhibit.

20          Q     Okay.  I want to -- I want to turn you to  
21    Page 2 of your exhibit, if I could.

22          A     Uh-huh.

23          Q     There's a category that -- I guess it's  
24    about -- it's on Page 2 and it's a quality-of-service  
25    category.  Do you see that?  It's about a third of the

1 way down where it says total cases for pre-closure-type  
2 quality of service?

3 A Oh, the GIL2, the courtesy-call warm transfer?

4 Q It -- it -- with the number 2,036?

5 A Yes.

6 Q Is that -- is that the --

7 A I see that.

8 Q -- warm transfer?

9 A Uh-huh.

10 Q And so, that's how many calls -- how many  
11 calls you received related to quality of service?

12 A No, what -- what this says is when -- when the  
13 customer called us to lodge a complaint, they did agree  
14 to be warm-transferred. Based on what the customer told  
15 us their problem was, it was categorized as quality of  
16 service.

17 Q Okay. I -- I -- I gotcha. So, you get the  
18 call. It comes in. The customer says, here is what my  
19 issue is. And then you put it into one of these  
20 categories that --

21 A Yes.

22 Q -- that appears on Page 2 of 5.

23 A Yes.

24 Q Do you know how many customers appeared at the  
25 service hearings to talk about FPL's quality of service

1 compared to the 2,036 that, over the span of your  
2 testimony, called to complain about service?

3 A No.

4 MR. MOYLE: That's all I have. Thank you.

5 CHAIRMAN BROWN: Okay. Thank you. Mr. Moyle.  
6 Hospitals?

7 MR. SUNDBACK: Madam Chair, no questions.  
8 Thank you.

9 CHAIRMAN BROWN: Thank you.  
10 Retail Federation?

11 MR. WRIGHT: No questions, Madam Chairman.  
12 Thank you.

13 CHAIRMAN BROWN: Thank you, Mr. Wright.

14 MR. WRIGHT: Nice to see you, Rhonda.

15 CHAIRMAN BROWN: FEA.

16 MR. JERNIGAN: No questions. Thank you,  
17 ma'am.

18 CHAIRMAN BROWN: Thank you.

19 Sierra.

20 MS. CSANK: No questions.

21 CHAIRMAN BROWN: Welcome back.

22 MS. CSANK: Thank you.

23 CHAIRMAN BROWN: Walmart.

24 MR. WILLIAMSON: No questions.

25 CHAIRMAN BROWN: Thank you.

1 AARP.

2 MR. COFFMAN: No questions either.

3 CHAIRMAN BROWN: Thank you.

4 FPL?

5 MR. BUTLER: Hi, just a few. A fun math  
6 exercise here.

7 CHAIRMAN BROWN: Fun?

8 MR. BUTLER: Yes. I'll hopefully make it fun.

9 CHAIRMAN BROWN: Any worksheets?

10 MR. BUTLER: No worksheets, no.

11 (Laughter.)

12 EXAMINATION

13 BY MR. BUTLER:

14 Q Ms. Hicks, I just wanted to put some of the  
15 figures that you had in your testimony into context.  
16 You had about 22,458 -- about -- that number of  
17 complaints were filed in a four-year period regarding  
18 FPL; is that right?

19 A Yes.

20 Q Okay. And do you know -- are you aware that  
21 FPL has about four-and-a-half million customers?

22 A I'll take your word for it.

23 Q Okay. Well, would you agree, if that's the  
24 number of customers, that 22,458 complaints over a four-  
25 year period means that a little less than half a percent

1 of the customers complained at any point during those  
2 four years?

3 A Yes.

4 Q And you also noted that five of the complaints  
5 were categorized by you and your staff as representing  
6 rule violations out of that total of 22,458; is that  
7 right?

8 A Yes.

9 Q Okay. And -- and subject to check, would you  
10 agree that that's only about .02 percent of all of the  
11 complaints were actually about rule violations?

12 A Yes.

13 MR. BUTLER: Thank you. That's all the  
14 questions I have.

15 CHAIRMAN BROWN: Thank you --

16 MR. BUTLER: Appreciate your time.

17 CHAIRMAN BROWN: Thanks, Mr. Butler.

18 Staff, redirect?

19 MS. LEATHERS: We don't have any questions,  
20 Madam Chair.

21 CHAIRMAN BROWN: Okay.

22 Oh, Commissioners, I forgot to get to you.

23 Sorry. I forget to get to us.

24 (Laughter.)

25 Commissioner Brisé.

1 COMMISSIONER BRISÉ: Thank you.

2 Quick question. Of the 22,452 calls, do we  
3 know how many are duplicates?

4 THE WITNESS: Excuse me?

5 COMMISSIONER BRISÉ: Do we know how many are  
6 duplicates?

7 THE WITNESS: Generally we -- we try very  
8 hard -- I don't think that there -- if there are  
9 duplicates, there are very few. We have a -- a  
10 mechanism within the system that basically, once we  
11 entered a complaint, if we entered the same name or  
12 a same phone number, it pops up a flag.

13 And so, we don't -- we try not to -- and I'm  
14 not saying that works all the time, but we do have  
15 a mechanism that -- to avoid duplicates.

16 COMMISSIONER BRISÉ: Sure. And do you track,  
17 of the 18,955 that are warm-transferred or  
18 transferred to the company, how many of those have  
19 to call back to the Commission because they are  
20 dissatisfied with -- with the response from the  
21 company?

22 THE WITNESS: I don't have that available  
23 here.

24 COMMISSIONER BRISÉ: Okay.

25 THE WITNESS: Generally it's not that many

1 simply because a lot of warm transfers sometimes  
2 tend to be almost informational. They call to  
3 maybe ask a question. So, generally they don't  
4 call back.

5 And because of the fact that it's warm  
6 transfer, the company generally works really hard  
7 to go ahead and resolve those -- resolve those  
8 complaints.

9 COMMISSIONER BRISÉ: All right. Thank you  
10 very much.

11 Staff, any re- -- redirect?

12 MS. LEATHERS: No, ma'am.

13 CHAIRMAN BROWN: Thank you.

14 Exhibits? This witness has one exhibit marked  
15 as 398.

16 MS. LEATHERS: Yes, and we would ask that it  
17 be moved into the record at this time.

18 CHAIRMAN BROWN: Seeing no objections, we'll  
19 move 398 into the record.

20 (Whereupon, Exhibit No. 398 was admitted into  
21 the record.)

22 CHAIRMAN BROWN: And Ms. Hicks, you are  
23 excused.

24 THE WITNESS: Thank you.

25 CHAIRMAN BROWN: Have a great afternoon.

1           If y'all heard that, it sounds like there is a  
2           lot of rain.

3           THE WITNESS:   Yes.

4           CHAIRMAN BROWN:  If you have your windows  
5           opened or convertible down, please feel free to use  
6           this time to secure it because we're in for it.

7           All right.  Now, we are moving on to rebuttal.

8           Are there any housekeeping items before we get  
9           to rebuttal?

10          All right.  Mr. Butler?

11          MR. BUTLER:  We would call Mr. Barrett as our  
12          first rebuttal witness.

13          MR. MOYLE:  Madam -- Madam Chair, while he's  
14          taking the stand, there is a rumor that -- that you  
15          prefer early dinners, but I didn't know if that was  
16          true or not.

17          (Laughter.)

18          CHAIRMAN BROWN:  I do prefer early dinners.  
19          That is true.  I'm thinking we're going to break  
20          somewhere between 6:00 and 6:30, see where there is  
21          a natural stopping point.

22          MR. SUNDBACK:  And Madam Chair, that would be  
23          for the day?

24          CHAIRMAN BROWN:  Yes, for the day.

25          MR. SUNDBACK:  Not just for dinner.



1 CHAIRMAN BROWN: We're not coming back.

2 MS. CSANK: Madam Chair, I just had an  
3 observation, which was that, I believe, Witness  
4 Kennedy has not yet completed the review of her  
5 deposition. And I just wanted to confirm that with  
6 FPL's counsel at this time.

7 CHAIRMAN BROWN: Mr. Litchfield?

8 MR. LITCHFIELD: I personally cannot confirm  
9 that, but we will get that confirmed --

10 CHAIRMAN BROWN: Okay.

11 MR. LITCHFIELD: -- as soon as possible.

12 CHAIRMAN BROWN: Okay. Sounds good.

13 MS. CSANK: Thank you.

14 CHAIRMAN BROWN: Any other housekeeping items?  
15 Welcome back.

16 THE WITNESS: Thank you.

17 CHAIRMAN BROWN: I know you missed us.

18 THE WITNESS: I did.

19 MR. BUTLER: Madam Chair, we are handing out  
20 an errata sheet for Mr. Barrett's testimony,  
21 rebuttal testimony.

22 CHAIRMAN BROWN: Thank you. And we are at  
23 735.

24 MR. BUTLER: Thank you.

25 CHAIRMAN BROWN: Would you like that marked

1 for identification purposes?

2 MR. BUTLER: Yes, please.

3 CHAIRMAN BROWN: Okay. We're marking it as  
4 735, errata sheet for Robert Barrett.

5 (Whereupon, Exhibit No. 735 was marked for  
6 identification.)

7 MR. BUTLER: Thank you. And Mr. Barrett has  
8 been reminded that he is still under oath.

9 CHAIRMAN BROWN: Thank you.

10 EXAMINATION

11 BY MR. BUTLER:

12 Q Mr. Barrett, would you please state your name  
13 and business address for the record.

14 A Robert E. Barrett, Jr, 700 Universe Boulevard  
15 in Juno Beach, Florida.

16 Q By whom are you employed and in what capacity?

17 A I'm vice president of finance for Florida  
18 Power & Light Company.

19 Q Have you prepared and caused to be filed 25  
20 pages of prepared rebuttal testimony in this proceeding?

21 A I have.

22 Q Do you have before you a copy of what's been  
23 marked as Exhibit 735, errata sheet to your rebuttal  
24 testimony?

25 A Yes.

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

3           A     No, I don't.

4           Q     Okay. With the changes on the errata sheet  
5     and subject to the adjustments addressed in Exhibits  
6     KO-19 and KO-20, if I asked you the questions contained  
7     in your rebuttal testimony, would your answers be the  
8     same?

9           A     Yes.

10           MR. BUTLER: Madam Chair, I would ask that  
11     Mr. Barrett's rebuttal testimony be inserted in the  
12     record as though read.

13           MR. MOYLE: Madam -- Madam Chair, I would like  
14     to ask a clarifying question and possibly object.

15           The errata sheet that was just handed out  
16     that's been marked as 735 makes a number of changes  
17     from one dollar figure to the next that looks  
18     strikingly similar to some of the changes that have  
19     been made with respect to the -- OPC's decision to  
20     withdraw Mr. Jack Pous' testimony.

21           So, if these relate to Jack Pous, we would  
22     have an objection. If they don't, it would help if  
23     Counsel or the witness could just say, these don't  
24     have anything to do with Mr. Pous.

25           CHAIRMAN BROWN: Well, first, I guess, before

1 we turn to Mr. Butler, we're not entering that  
2 exhibit in at this time. Okay? So, just to be  
3 clear. We've marked it as -- as 735 for  
4 identification purposes, so -- just to be clear.

5 Mr. Butler?

6 MR. BUTLER: I will confirm that the changes  
7 relate to -- literally, they relate to the changes  
8 in Mr. Smith's testimony that include, but as you  
9 heard the other night, weren't limited to Mr. --  
10 the withdrawal of Mr. Pous' testimony. But they  
11 are purely responsive to the changes we received  
12 from Public Counsel, and the -- on the exhibits  
13 that Mr. Barrett had referenced from Mr. Smith's  
14 testimony.

15 CHAIRMAN BROWN: Okay.

16 Public Counsel?

17 MR. MOYLE: So, that would be a yes.

18 CHAIRMAN BROWN: I don't think it was a yes.

19 MR. MOYLE: To -- with respect to Mr. Pous --  
20 said through Mr. Smith or -- I mean --

21 MR. BUTLER: Yes, it certainly includes that.  
22 The only reason it's a little bit more complicated  
23 than yes is, if you were listening the other night,  
24 you heard that we had revisions to Mr. Smith's  
25 testimony that related to other than just the

1 withdrawal of the Pous testimony.

2 And I think the figures that are wrapped up  
3 here would kind of pick up whatever it was that was  
4 changed in Mr. Smith's testimony. But we're simply  
5 reflecting the revisions that were made to  
6 Mr. Smith's testimony.

7 CHAIRMAN BROWN: And -- and Mr. Moyle, if I  
8 can encourage you to hold off on your objections  
9 until we get to addressing the exhibits as part of  
10 this witness' testimony.

11 MR. MOYLE: The only reason I objected is  
12 because when he said, what are your changes and he  
13 identified them, he said, we now want to insert  
14 your testimony as filed with -- I thought with the  
15 changes. So, I don't want to waive my objection.  
16 I'm trying to be diligent.

17 And respectfully, it would be helpful to the  
18 extent that, if other witnesses got up and had  
19 changes related to Mr. Pous' depreciation issue, if  
20 they would just say, I have some changes related to  
21 Mr. Pous' depreciation issue as compared to --

22 CHAIRMAN BROWN: Okay.

23 MR. MOYLE: -- you know, making me look at  
24 everything and ask these questions.

25 CHAIRMAN BROWN: Well, I want to be clear,

1 we're not moving his errata sheet into the record  
2 right now. Okay?

3 So, Mr. Butler, I think you're at the point  
4 where you would like to insert Mr. Barrett's  
5 prefiled rebuttal testimony --

6 MR. WRIGHT: Madam Chairman?

7 CHAIRMAN BROWN: Yes.

8 MR. WRIGHT: I apologize for taking your time,  
9 but I just want to be clear what's going on.

10 CHAIRMAN BROWN: Sure.

11 MR. WRIGHT: When Mr. -- and we don't have an  
12 objection either way. I want to be clear as to  
13 what's being entered. Is it going to be the  
14 corrected testimony as reflected on the -- on the  
15 are errata pages that we, now, see as Exhibit 735?  
16 Or is it going to be his original prefiled rebuttal  
17 testimony? I just want to know what's going in  
18 right now.

19 Thank you, ma'am.

20 CHAIRMAN BROWN: His prefiled rebuttal  
21 testimony. We're going to deal with the exhibit at  
22 the conclusion of this witness.

23 MR. WRIGHT: Thank you, ma'am.

24 CHAIRMAN BROWN: All right. Mr. Butler?

25 MR. BUTLER: Yes, I would have like to have it

1 inserted into the record as though read, please.

2 CHAIRMAN BROWN: Thank you. We will insert  
3 Mr. Barrett's prefiled rebuttal testimony into the  
4 record as though read.

5 (Prefiled rebuttal testimony inserted into the  
6 record as though read.)

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Robert E. Barrett, Jr. My business address is Florida Power &  
5 Light Company (“FPL” or “the Company”), 700 Universe Boulevard, Juno  
6 Beach, Florida 33408.

7 **Q. Did you previously submit direct testimony in this proceeding?**

8 A. Yes.

9 **Q. Are you sponsoring any rebuttal exhibits in this case?**

10 A. Yes. I am sponsoring the following rebuttal exhibit:

- 11
  - Exhibit REB-15 Illustrative MFR C-37 with Revised Inflation Factor

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is: (1) to explain why the Florida Public  
14 Service Commission (“FPSC” or “Commission”) should reject the arguments of  
15 AARP’s witness Michael Brosch, Florida Industrial Power Users Group’s  
16 (“FIPUG”) witness Jeffry Pollock and the South Florida Hospitals and  
17 Healthcare Association’s (“SFHHA”) witness Lane Kollen that the 2017 and  
18 2018 revenue requirements forecasts are unreliable; (2) to explain why the  
19 Commission should reject the recommendation of the OPC, AARP, FIPUG and  
20 SFHHA witnesses that the Commission should not approve the Company’s  
21 proposed 2018 Subsequent Year Adjustment (“2018 SYA”); (3) to explain why  
22 the Commission should reject the arguments of the OPC, AARP and SFHHA  
23 witnesses against the need for the Okeechobee Limited Scope Adjustment



1 (“Okeechobee LSA”); (4) to explain why the Commission should reject the  
2 arguments of OPC, AARP and SFHHA witnesses that FPL’s four-year proposal  
3 is not in the best interest of customers; (5) to explain why the recommendation  
4 of OPC witness Helmuth Schultz to return the remaining reserve amortization to  
5 customers should be rejected; (6) to demonstrate that the recommendation of  
6 OPC witness Dismukes to update FPL’s inflation factor for the benchmark  
7 O&M calculation does not produce a meaningful change in the results; (7) to  
8 rebut SFHHA witness Richard Baudino’s claim that commitment fees for short  
9 term debt should be excluded from the cost rate for that debt and collected as  
10 O&M; (8) to address non-recurring costs identified in Staff witness Iliana  
11 Piedra’s testimony and audit report; and (9) to explain why the Commission  
12 should approve the framework for the transfer of the Martin-Riviera (“MR-  
13 RV”) Lateral to Florida Southeast Connection (“FSC”).

14 **Q. Please summarize your rebuttal testimony.**

15 A. FPL filed two full sets of Minimum Filing Requirements (“MFRs”): one set for  
16 the 2017 Test Year and a separate set for the 2018 SYA. Both sets of MFRs  
17 were the result of the same rigorous forecasting process. The Company’s  
18 forecasts of revenue requirements included in these MFRs are reasonable and  
19 reliable for setting base rates in 2017 and 2018 in this proceeding. The forecasts  
20 were based on work prepared by internal and external subject experts all of  
21 which was reviewed and approved by management using a thorough process.  
22 The forecasting process produces reasonable results that have proven to serve as  
23 a reliable basis for setting base rates in the past.

1 The Commission has approved the use of base rate adjustments in years  
2 subsequent to the test year on multiple occasions. Use of the Company's  
3 proposed 2018 Subsequent Year to approve a SYA in this proceeding is  
4 appropriate under the Commission's Rule 25-6.0425 and represents an efficient  
5 and reasonable basis upon which to establish rates for the Company. Moreover,  
6 the Company's forecast of revenue requirements for the 2018 Subsequent Year  
7 is sound and reasonable. The forecast of revenue requirements contained in the  
8 Company's 2018 SYA MFRs demonstrates that the level of revenue  
9 requirements for the 2017 Test Year are not reflective of the revenue  
10 requirements the Company will incur in 2018, demonstrating that the 2018  
11 SYA is necessary and appropriate. The Company followed the same rigorous  
12 process for 2018 as it did for 2016 and 2017. The underlying work and support  
13 for each of these forecasts share a common platform and approach, equally  
14 appropriate for 2018 as for 2016 and 2017. Finally, the Commission's monthly  
15 surveillance of the Company's earnings ensures that customers are adequately  
16 protected. OPC's, AARP's, FIPUG's and SFHHA's opposition to the 2018  
17 SYA should be rejected.

18

19 The Okeechobee LSA is an appropriate and effective way to implement the  
20 recovery of the base revenue requirements for the previously approved  
21 Okeechobee generating unit. The fuel benefits that the unit provides will be  
22 passed automatically to customers through the fuel clause, and it is appropriate  
23 for FPL to begin recovering the base revenue requirements for the unit at the

1 same time. The Okeechobee LSA functions in all material respects like the  
2 Generation Base Rate Adjustment (“GBRA”) mechanism that the Company has  
3 successfully used in the past, including most recently for the modernizations of  
4 the Cape Canaveral Energy Center, Riviera Beach Energy Center and Port  
5 Everglades Energy Center. Like the GBRA, the Okeechobee LSA protects  
6 customers through: (1) its timing of the base rate increase to coincide with the  
7 commencement of commercial operations of the unit; (2) its cost true-up  
8 mechanism; and, (3) helping to reduce the need for lengthy base rate  
9 proceedings for all parties. The Commission should reject as unfounded OPC’s  
10 and SFHHA’s assertion that the Okeechobee LSA undermines the  
11 Commission’s regulatory scrutiny.

12  
13 FPL’s four-year rate proposal offers customers base rate stability and certainty  
14 through at least January 2021. It is an asymmetric proposal that has the  
15 Company bearing the risk of revenue and cost uncertainties, while continuing to  
16 afford customers the protection of the Commission’s oversight of the  
17 Company’s earnings. Additionally, it provides a four-year period of regulatory  
18 certainty allowing management to continue its focus on improving the  
19 Company’s performance in service delivery and realizing additional efficiencies  
20 in its operations to an extent that is unlikely if base rate filings are necessary  
21 every year. The Commission should reject as unfounded OPC’s, AARP’s and  
22 SFHHA’s argument that the proposal is not in the best interest of customers.

23

1 FPL disputes the recommendation of OPC witnesses that adjustments proposed  
2 for 2017 should be applied to 2016 and that any remaining reserve amount  
3 should be refunded to customers over two years, as well as OPC's assertion that  
4 the Commission should utilize a different inflation factor in developing its  
5 forecast and the O&M benchmark analysis reflected in MFR C-37.

6  
7 FPL disagrees with the recommendation of SFHHA witness Baudino to remove  
8 commitment fees from the cost of the debt and include in base O&M. Doing so  
9 would be inconsistent with the Commission's past practice and contrary to the  
10 Generally Accepted Accounting Principles ("GAAP"), which require that  
11 commitment fees be recorded to interest expense.

12  
13 Finally, FPL's proposal to transfer the MR-RV lateral to FSC provides for  
14 customer savings and reduced operational risk over the life of the asset versus  
15 FPL maintaining ownership and recovery within base rates. The Commission  
16 should reject the recommendation of SFHHA's witness that the transaction be  
17 conditioned on FPL filing a NGA Section 5 rate case. FPL's proposal is already  
18 contingent upon a demonstration of customer benefits.

## II. FINANCIAL FORECASTS

1

2

3 **Q. Are the Company's forecasts for 2017 and 2018 reasonable and reliable for**  
4 **setting rates in this proceeding?**

5 A. Yes. The bases and process used in developing the 2017 and 2018 forecasts are  
6 robust and reasonable, and the resulting forecasts of revenue requirements can  
7 be relied upon for rate setting. FPL's forecasts are the products of a rigorous  
8 process involving a multi-year planning horizon and have proven to be accurate  
9 in setting rates in the past.

10 **Q. Witnesses Brosch, Kollen, and Pollock each contends that FPL has a strong**  
11 **incentive to over-estimate its forecast of expenses. Do you agree with that**  
12 **position?**

13 A. No, I do not. Contrary to the assertions of these intervenor witnesses, FPL does  
14 not pessimistically forecast its operating costs nor does it have a strong  
15 incentive to do so. FPL must provide evidence sufficient to defend its cost  
16 projections to this Commission and presenting a pessimistic forecast would not  
17 serve that purpose. Witness Brosch points to FPL's forecast of O&M expenses  
18 in both the 2010 and 2013 test years compared to actual performance, noting  
19 that FPL's actual O&M performance was lower than the forecast and drawing  
20 the conclusion that the Company must have been pessimistically forecasting  
21 those expenses. However, this conclusion is unwarranted.

1 **Q. What factors led to actual O&M expenses in 2010 being \$97 million less**  
2 **than the amount included in the 2010 Test Year in Docket No. 080677-EI?**

3 A. The variance in 2010 is primarily the result of FPL's response to the Great  
4 Recession that was officially declared by economists in December 2008 and  
5 was not determined to be over until the fall of 2010. The O&M forecast utilized  
6 in the 2009 Prior Year and the 2010 Test Year was prepared in late 2008, before  
7 FPL, or economists in general, had even determined we were in a recession or  
8 how severe the impact would be to the Florida economy. During this period of  
9 uncertainty in 2009 and 2010, FPL had a decline in customer count for the first  
10 time in its history and began to look for ways to manage down its costs in  
11 anticipation of softening revenues as the recession continued to deepen.  
12 Because the recession was not even declared to be over until late 2010, FPL  
13 operated in 2010 in a very uncertain cost and revenue environment. FPL's  
14 effective response to the extraordinary economic conditions at that time does  
15 not demonstrate that FPL's forecasting process was pessimistic.

16 **Q. What factors led to the actual O&M in 2013 being \$130 million less than**  
17 **the amount included in the 2013 Test Year?**

18 A. After the 2012 Settlement Agreement was approved by the Commission, FPL  
19 significantly increased its efforts to create productive efficiencies in the  
20 business that would deliver sustainable value for customers. This was an  
21 important benefit of the 2012 Settlement Agreement, in that it allowed  
22 management to increase the Company's focus on finding ways to improve  
23 productivity rather than preparing, filing and defending rate cases annually.

1 This was made possible, in part, through a feature of the 2012 Settlement  
2 Agreement, the flexible amortization of the Reserve Amount, which allowed the  
3 Company to absorb near-term fluctuations in revenues and expenses while  
4 working to identify and implement longer-term productivity gains. The main  
5 catalyst for FPL's productivity improvement initiatives has been Project  
6 Momentum, which has become an important part of FPL's annual planning  
7 process. Project Momentum kicked off in early 2013. Through this process the  
8 Company was able to generate incremental productivity improvements that  
9 allowed for immediate cost reductions in 2013, and has generated additional  
10 savings in each successive planning cycle, savings that are reflected in FPL's  
11 forecasts for 2017 and 2018.

12

13 Thus, these cost reductions are now benefiting customers in the current rate  
14 case, with FPL having a test-year O&M significantly below the Commission  
15 benchmark in each of the cost categories. Again, this was a special opportunity  
16 that presented itself in 2013 but which cannot be realistically repeated year after  
17 year and which does not suggest pessimistic forecasting.

18 **Q. Given the Company's actual performance in both 2010 and 2013 as**  
19 **compared to the test year forecast, can the Commission rely on the O&M**  
20 **forecast for the 2017 Test Year and 2018 Subsequent Year?**

21 A. Yes. As with the O&M forecasts in both the 2010 and 2013 test years, FPL's  
22 2017 Test Year and 2018 Subsequent Year represent FPL's best estimate of the  
23 resources required to run the business as the Company plans to run it. It is

1 unrealistic to expect that the circumstances leading to lower actual O&M  
2 expenses in 2010 and 2013 would repeat themselves in 2017 or 2018.  
3 Moreover, FPL's base O&M forecasts reflect only very modest growth over the  
4 2016-2018 period: a decrease of 0.1% in 2016, and increases of only 2.2% in  
5 2017 and 4.1% in 2018, for an average annual increase of only 2.0% for the  
6 three years that is well below the average annual expected inflation of 2.4% for  
7 the period. In addition, FPL's base O&M cost in 2017 is forecasted to be *lower*  
8 than the 2013 *actual* performance and in fact *lower* than actual base O&M cost  
9 incurred by the Company in 2010, clearly demonstrating that FPL has made  
10 unprecedented productivity gains and has included the results of its productivity  
11 discipline in its current forecast. This effective cost management has  
12 contributed to FPL being the best-in-class non-fuel O&M performer amongst its  
13 peers and saving customers nearly \$2 billion annually versus average  
14 performance as explained by FPL witness Reed.

15 **Q. Witness Brosch states that FPL's financial forecasts do not "include any**  
16 **assumed new future productivity gains." Is it appropriate to include**  
17 **incremental, unknown productivity improvements in the calculation of**  
18 **revenue requirements?**

19 A. No. FPL included all productivity improvements in its financial forecasts for  
20 both 2017 and 2018 that were known and quantifiable at the time those forecasts  
21 were made. Despite witness Brosch's assertions, FPL has continued to look for  
22 opportunities to improve its cost position, but has experienced diminishing cost  
23 reductions with each annual review. Project Momentum has become an integral



1 part of our annual planning process and will continue to provide cost  
2 improvement opportunities. FPL has just completed its 2016 Project  
3 Momentum process and the preliminary FPL base O&M reductions to the 2017  
4 Test Year revenue requirements are estimated to be \$10.0 million and an  
5 incremental reduction of \$7.3 million on the 2018 Subsequent Year revenue  
6 requirements. The FPSC-adjusted amounts of these reductions are estimated to  
7 be \$9.7 million and \$7.0 million in 2017 and 2018, respectively. Even though  
8 this represents an update to just one of many forecast assumptions, FPL is  
9 reducing its requested revenue increase in both years by those amounts. At this  
10 point, FPL has identified and quantified all known future efficiency gains  
11 affecting the Test Year and Subsequent Year.

12

### 13 III. 2018 SUBSEQUENT YEAR ADJUSTMENT

14

15 **Q. Has the Commission previously approved the use of subsequent year**  
16 **adjustments?**

17 A. Yes. Order Nos. 13537, PSC-92-1197-FOF-EI and PSC-93-0165-FOF-EI are  
18 examples of instances in which the Commission approved the use of “two fully  
19 projected test years” in rate cases for FPL, Florida Power Corporation and  
20 Tampa Electric Company, respectively.

21

1 **Q. FIPUG witness Pollock states that it is not common practice for utility**  
2 **commissions to allow utilities to propose multi-year rate plans. What is**  
3 **your reaction to his assertion?**

4 A. His assertion misses the point entirely. The real question is whether such a  
5 proposal is appropriate in Florida. The answer to that question is, yes. FPL's  
6 SYA is a necessary component of the proposal, as without rate relief in 2018,  
7 FPL's ROE is projected to decrease by greater than 100 basis points. In  
8 addition, as noted in my summary, the Commission has determined it has the  
9 ability to utilize a subsequent year adjustment.

10 **Q. Witness Pollock further asserts that any changes made to FPL's 2017**  
11 **revenue request, for example if the Commission reduces FPL's 2017 cost of**  
12 **capital, could cause the revenue need in 2018 to be minimal or non-existent.**  
13 **Do you agree with his assertion?**

14 A. No, I do not. Witness Pollock is mistaken in his assertion that a reduction in the  
15 2017 cost of capital would have a commensurate impact on the 2018 revenue  
16 need. On the contrary, FPL's revenue need in 2018 will not be materially  
17 different than it is currently projected to be if FPL were awarded a different cost  
18 of capital for 2017. It is important to understand that the 2018 SYA reflects the  
19 incremental revenue requirements for 2018, which are independent of those in  
20 2017.

1 **Q. Witnesses Kollen, Pollock and Brosch assert that the 2018 SYA should be**  
2 **rejected by the Commission and FPL can file another base rate proceeding**  
3 **in 2017 if it believes it has a revenue deficiency. Do you believe that would**  
4 **be an efficient and effective process?**

5 A. No. Although the Company can indeed file another case in 2017 for rates to be  
6 effective in 2018 if the subsequent year increase is not granted, the Company  
7 will expend significant time and resources in developing and defending that  
8 filing – time that could be spent continuing to find additional ways to create  
9 value for FPL’s customers. Furthermore, the cost in time and resources will not  
10 only be borne by FPL, but also the Commission, its staff, and all other interested  
11 parties.

12  
13 The Company’s forecast of 2018 is reliable, and intervener witnesses have not  
14 presented any credible reason why the 2018 forecast cannot reasonably be relied  
15 upon for setting rates, other than it is one year further out in time than 2017.  
16 More frequent proceedings are administratively burdensome and costly for all  
17 parties.

18  
19 Additionally, FPL has been able to prepare, file and execute base rate  
20 proceedings occurring infrequently (every three or four years), in addition to its  
21 daily business operations. The Company has been able to do this without  
22 building a large permanent staff devoted to processing rate cases, in part  
23 because the filings have been infrequent. Moreover, a stable regulatory

1 environment has allowed FPL and its customers to benefit from a business  
2 model that is highly customer-focused and operationally driven. This has been  
3 a highly successful model generating significant customer value. If base rate  
4 proceedings were to become an annual requirement this business model  
5 undoubtedly would be altered, to the detriment of customers.

6 **Q. Do you agree with the calculation presented on page 42, lines 5 through 7 of**  
7 **OPC witness Smith's testimony with regard to the revenue requirement for**  
8 **the 2018 SYA?**

9 A. No, I do not. Witness Smith incorrectly estimates the incremental revenue  
10 requirements in 2018 and therefore incorrectly asserts that there is no need for a  
11 2018 SYA. His Exhibit RCS-3, Schedule A-1 indicates a recommended  
12 revenue requirement reduction in 2018 of \$604 million. However, witness  
13 Smith's calculation of the incremental need in 2018 is in error, even based on  
14 his own conclusions for 2017. If the OPC's recommended revenue reduction in  
15 2017 were to be adopted (\$807 million plus sales growth to get to \$812 million,  
16 Page 43, Line 1), then the incremental need in 2018, using witness Smith's  
17 math, would be a \$208 million *increase*.

18  
19 Witness Smith argues, "the test year is supposed to be representative of rates on  
20 a going-forward basis. If the test year is chosen appropriately, there should be  
21 no reason for another rate adjustment so shortly after original test year." Once  
22 witness Smith's error is corrected, it is clear that even his own calculations,  
23 assuming all adjustments recommended by OPC's witness, show that the

1 proposed 2017 revenues are insufficient for 2018 resulting in a \$208 million  
2 *deficiency*. Per the Company's filing, the deficiency is properly estimated to be  
3 \$262 million. Thus OPC effectively concedes a significant *incremental revenue*  
4 *deficiency* in 2018 irrespective of the outcome for 2017.

5  
6 Witness Smith refers to Order No. PSC-10-0153-FOF-EI, in which the  
7 Commission observed that “[i]f the test year is truly representative of the future,  
8 then the utility should earn within the allowed range for at least the first 12  
9 months of new rates.” However, the Commission went on to state, “[w]e  
10 believe that back-to-back rate increases should only be allowed in extraordinary  
11 cases.” Thus the passage cited by witness Smith *does* allow for subsequent year  
12 adjustments in “extraordinary cases,” which necessarily include circumstances  
13 when the Company is expected to earn outside of its allowed range in the year  
14 following the first 12 months of new rates even with the requested rate relief.  
15 That is exactly the case here where the Company projects its ROE in 2018 to be  
16 more than 100 basis points (“bps”) lower than its ROE in 2017. Witness  
17 Smith's arguments are unfounded.

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#### IV. OKEECHOBEE LIMITED SCOPE ADJUSTMENT

**Q. Witnesses Kollen and Brosch assert that FPL’s proposed Okeechobee LSA ignores the business environment that may exist in 2019 and is instead “piecemeal, single-issue ratemaking.” Please comment on this assertion?**

A. The assertion appears intended to create controversy where there should be none. Limited Proceedings, authorized in Section 366.076(1), Florida Statutes and implemented in Commission Rule 25-6.0431, are intended precisely to address even a single issue such as the Okeechobee LSA. The Okeechobee LSA deals with the single issue of appropriately matching the revenue collected with the underlying revenue requirements associated with the new power plant; therefore, it is exactly the appropriate application of a limited scope adjustment.

In 2012, witness Kollen testified in Docket 120015-EI that the requested step increase for the Cape Canaveral Energy Center -- which is substantially the same as the Okeechobee LSA -- is earnings neutral because the revenue increase is calculated to earn the authorized midpoint ROE. Further, the Okeechobee LSA matches the increased revenue requirements associated with the plant with the offsetting fuel savings generated by that plant. Thus, for the single issue the Okeechobee LSA addresses, it appropriately “considers the cost reductions that the Company” achieves with respect to that issue.

1 **Q. Witness Smith recommends that the Okeechobee LSA not be approved as**  
2 **he is “skeptical of the accuracy and reasonableness of FPL’s 2019-2020**  
3 **projections.” Do you agree with his assertion?**

4 A. No, and Mr. Smith’s skepticism regarding the Company’s financial projections  
5 is an insufficient reason to deny the Company’s requested recovery of the  
6 revenue requirements reflected in the Okeechobee LSA.

7  
8 The Okeechobee LSA is calculated to earn the authorized ROE (i.e., the “mid-  
9 point” of the Commission’s allowed range). It is mid-point seeking in that it  
10 will move the Company’s overall earnings toward the mid-point irrespective of  
11 where those earnings would otherwise be before the addition of the revenue  
12 requirements and revenue increase for that given plant. If earnings prior to this  
13 are below the mid-point, the Okeechobee LSA will move earnings toward the  
14 midpoint but never exceed the mid-point. Likewise, if earnings prior to this are  
15 above the mid-point, this will move earnings toward the mid-point but not fall  
16 below the mid-point. As noted previously, SFHHA witness Kollen has  
17 previously testified before this Commission that this type of base rate  
18 adjustment is earnings neutral.

1 **V. FOUR-YEAR PROPOSAL**

2

3 **Q. FIPUG witness Pollock, AARP witness Brosch and SFHHA witness Kollen**  
4 **all contend that the assumptions underlying FPL’s four-year proposal are**  
5 **speculative and contain “massive uncertainties.” Do you agree with that**  
6 **position?**

7 A. No. In addition to the detailed forecasts for 2017 and 2018 included within its  
8 MFR filings, FPL has provided a high level base projection of 2019 and 2020.  
9 This projection was prepared utilizing the Company’s detailed financial model  
10 and uses input assumptions that are consistent with this rate filing and all other  
11 official Company filings (i.e., TYSP). The base projection indicates that FPL  
12 will fall outside of the allowed ROE range during the four years even if each of  
13 the base rate requests contained in the Company’s four-year proposal are  
14 granted in full, requiring the Company to find ways to manage the business to  
15 earn an acceptable ROE during that four-year period.

16

17 Additionally, whatever uncertainties exist will affect the parties asymmetrically.  
18 If the proposal is agreed to, FPL has offered to refrain from filing for new base  
19 rates to be effective until at least January 2021. Accordingly, FPL bears all of  
20 the risk of uncertain cost increases. On the other hand, if revenues and expenses  
21 deviate from those assumed by FPL, for instance if FPL continues to improve  
22 upon its best-in-class cost performance, such that earnings exceed the top of the  
23 approved range of ROE, the Commission or any party can seek a review of



1 FPL's rates for a potential reduction. This is the same protection afforded all  
2 parties without the four-year stay-out proposal. And of course, the Commission  
3 can, at any time, seek to review the Company's base rates.

4 **Q. Do you agree with witness Brosch's assertion, in arguing against the four-**  
5 **year proposal, that one would expect fluctuating earnings under a balanced**  
6 **multi-year plan yet FPL's earnings have not fluctuated?**

7 A. No. Witness Brosch misunderstands or misinterprets the features of the rate  
8 case settlement agreements specifically designed to mitigate volatility in  
9 earnings. A key component of the past settlement agreements, particularly the  
10 2012 Settlement Agreement, has been the reserve amortization mechanism  
11 which has allowed the Company to manage uncertainty in revenues and  
12 expenses over the settlement period. This non-cash mechanism, designed to  
13 keep the Company within its authorized range of ROE, has benefitted customers  
14 by allowing the Company to refrain from base rate filings for four years.  
15 Without the reserve amortization contained in the 2010 and 2012 Settlement  
16 Agreements, earnings would have exhibited the variability expected by witness  
17 Brosch and FPL would not have committed to a multi-year base rate plan.

18 **Q. Witness Brosch asserts that FPL's rate case expenses are less than half of**  
19 **one percent of FPL's cumulative revenue request and as such, it is more**  
20 **advantageous for customers to have annual rate cases as opposed to the**  
21 **Commission approving the four year proposal. Do you agree with that**  
22 **assertion?**

23 A. No. Witness Brosch significantly understates the cost to customers of litigating

1 a rate case every year by focusing only on the incremental \$4.9 million the  
2 Company has reported as the direct costs for this case. The bigger cost is the  
3 diversion of time and attention of management and employees to plan, prepare,  
4 file and defend annual rate cases. Customers have benefitted greatly from the  
5 multi-year settlements because they have allowed the Company to increase its  
6 focus on improving productive efficiency during the settlement period, instead  
7 of having to prepare, file and defend more frequent rate requests.

8 **Q. Witness Brosch contends that the four-year proposal is not in the best**  
9 **interest of customers. Do you agree with that position?**

10 A. No, I do not. Witness Brosch acknowledges the benefits of a multi-year plan  
11 (page 14, lines 1 through 20 of his testimony) and refers to a report, Future Test  
12 Years: Challenges Posed for State Utility Commissions. In discussing the  
13 positive side of regulatory lag, which is built into FPL's four-year proposal, the  
14 report states on page 33 that "[e]conomic theory predicts that the longer the  
15 regulatory lag, the more incentive a utility has to control its  
16 costs....Commissions rely on regulatory lag as an effective tool for motivating  
17 utilities to act efficiently." Locking in the 2017 Test Year increase, the 2018  
18 SYA and the Okeechobee LSA today, with no opportunity to reset base rates  
19 again until January 2021, constitutes significant regulatory lag, with its  
20 attendant incentive for FPL to control costs.

21

22 Accordingly, FPL's four-year proposal meets witness Brosch's own test that the  
23 customers "are better off under the plan" (page 10, lines 13 through 16),

1           securing no base rate increases other than those contained in the four-year  
2           proposal through at least 2021, while giving up none of the protections against  
3           over earning that FPL customers currently retain. FPL is willing to offer this  
4           asymmetric option fully understanding that it will need to manage rising cost  
5           pressure within a fixed base rate environment.

6

7

## VI. RESERVE AMORTIZATION

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9   **Q. Do you agree with the recommendation of OPC witness Schultz that any**  
10   **unamortized Reserve Amount remaining at the end of 2016 be refunded to**  
11   **customers over a two-year period?**

12   A. No. Witness Schultz suggests that his 2017 proposed adjustments imply an  
13   overstatement of FPL's expenses in 2016 and as such may result in some  
14   remaining unamortized Reserve Amount at December 2016. This suggestion is  
15   without merit because it is speculative, and any attempt to apply those 2017  
16   adjustments to 2016 would violate the terms of the 2012 Settlement Agreement.  
17   The Reserve Amount is a mechanism of the 2012 Settlement Agreement and  
18   any unamortized amount should remain in the reserve where it serves as a  
19   reduction to rate base.

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**VII. INFLATION**

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**Q. OPC witness Dismukes recommends a different inflation factor be utilized in developing forecasted cost increases and in preparing the Commission O&M benchmark calculation (MFR C-37). Do you agree with his recommendation?**

A. No, I do not. As noted in the rebuttal testimony of FPL witness Morley, FPL utilized what it believed to be an appropriate measure of CPI for preparing its forecasts. However, even if FPL were to utilize the inflation factor recommended by witness Dismukes, it would have a negligible impact on FPL's forecasts. The Company does not use a formulaic process, such as the application of a specific rate of inflation across the board to its historical costs, to develop its forecasts, but rather utilizes CPI as a benchmark reference to assist with their preparation. In addition, it is worth noting that FPL's 2017 Test Year O&M would still be significantly below the Commission benchmark and no one category would exceed the benchmark if witness Dismukes recommended inflation factors were adopted. Exhibit REB-15 shows MFR C-37 using the inflation factors suggested by witness Dismukes.

## VIII. COMMITMENT FEES

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2

3 **Q. Please respond to SFHHA witness Baudino's claim that commitment fees**  
4 **for short term debt should be excluded from the cost rate for that debt and**  
5 **collected as O&M.**

6 A. FPL records the cost of commitment fees to interest expense to comply with the  
7 reporting requirements of GAAP. Therefore, it is more appropriate to treat the  
8 commitment fees as part of the cost rate of the debt rather than include within  
9 O&M consistent with the Commission's past practice. As noted in the  
10 testimony of witness Kollen (page 59, line 9), there is zero net effect on the  
11 revenue requirements associated with witness Baudino's proposal.

12

## IX. FPSC STAFF AUDIT REPORT

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14

15 **Q. The audit report sponsored by Staff witness Piedra identifies specific**  
16 **expenses related to a cleanup of an oil spill in 2015 and states that they are**  
17 **non-recurring. The report goes on to state that Staff did not determine**  
18 **whether those expenses affected the 2017 Test Year or 2018 Subsequent**  
19 **Year forecasts. Were these expenses excluded from development of the**  
20 **2017 Test Year and 2018 Subsequent Year forecasts?**

21 A. Yes. The expenses identified by Staff witness Piedra were recognized by FPL  
22 as non-recurring costs and therefore were appropriately excluded from  
23 development of the 2017 Test Year and 2018 Subsequent Year forecasts.

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**X. TRANSFER OF MARTIN-RIVIERA LATERAL**

**Q. Do you agree with SFHHA witness Kollen’s recommendation that the transfer of the MR-RV natural gas lateral be conditioned upon FPL filing a NGA Section 5 rate case against both FSC and Sabal Trail?**

A. No. FPL’s proposal is simple – the Commission should approve moving the ownership and operation of the MR-RV natural gas pipeline from FPL to FSC to lower the total cost and operational risks that today are approved as the responsibility of FPL’s customers. Witness Kollen’s suggestion that the transfer be conditioned upon a NGA Section 5 rate review at FERC ignores the fact that FPL’s proposal contains a provision requiring that the Company file a petition with an updated transportation tariff reflecting any relevant assumptions decided in this rate proceeding. That petition will demonstrate that the costs to FPL customers of transportation on the MR-RV natural gas lateral are projected to be lower after the transfer to FSC than they would be under continued FPL base rate recovery or the Company will not seek approval. The Commission can determine, at the time of the petition for transfer, whether or not the savings to FPL customers are sufficient to justify the transaction.

**Q. Does this conclude your rebuttal testimony?**

A. Yes.

1 BY MR. BUTLER:

2 Q Mr. Barrett, do you have an exhibit that was  
3 identified as REB-15 attached to your rebuttal  
4 testimony?

5 A Yes.

6 Q Was this exhibit prepared under your direction  
7 and supervision?

8 A Yes.

9 MR. BUTLER: Okay. I would note that that's  
10 been premarked as Exhibit 326.

11 CHAIRMAN BROWN: So noted.

12 Staff --

13 MR. BUTLER: I don't believe -- Suzanne, do  
14 you have --

15 CHAIRMAN BROWN: Okay.

16 EXAMINATION

17 BY MS. BROWNLESS:

18 Q And did you prepare Exhibit 522?

19 A Yes.

20 Q And is it true and correct, to the best of  
21 your knowledge and belief?

22 A Yes.

23 Q If you were asked the same responses today as  
24 you were at the time you prepared it, would your answers  
25 be the same?

1 A Yes.

2 Q **Is Exhibit 522 confidential?**

3 A I don't believe so. Can you hold on one  
4 second?

5 Q **Yes, sir.**

6 A I do not believe it is. No.

7 MS. BROWNLESS: Thank you. That's all I have.

8 CHAIRMAN BROWN: Thank you.

9 Mr. Butler?

10 MR. BUTLER: Thank you.

11 CONTINUED EXAMINATION

12 BY MR. BUTLER:

13 Q **Mr. Barrett, would you please give your**  
14 **rebuttal summary?**

15 A Yes. Madam Chair and Commissioners,  
16 intervenors in this proceeding have challenged the  
17 accuracy and the reasonableness of FPL's financial  
18 forecasts used for setting rates. They've challenged  
19 the necessity of FPL's 2018 subsequent-year adjustment  
20 and limited-scope adjustment for the Okeechobee plant,  
21 which I will refer to as the Okeechobee LSA.  
22 Additionally, they dispute the value and appropriateness  
23 of FPL's four-year rate proposal.

24 My rebuttal testimony demonstrates that FPL's  
25 financial forecasts are reasonable and reliable and that



1 the company's four-year proposal provides value to  
2 customers and should be approved. Specifically, my  
3 rebuttal testimony addresses four primary issues raised  
4 by intervenor -- intervenor witnesses as well as several  
5 additional minor points.

6 First, Witnesses Brosch, Pollock, and Kollen  
7 have all challenged the reasonableness of FPL's  
8 financial forecasts for 2017 test year and the 2018  
9 subsequent year and asserted FPL has a strong incentive  
10 to overestimate its forecast of operating expenses.

11 These witnesses are wrong. FPL's forecasts  
12 contain no inherent bias and they are used for all  
13 official filings with this Commission and decision-  
14 making in the company. FPL's financial forecasts are  
15 the result of a rigorous planning and review process  
16 that can be relied upon to set rates in this proceeding.

17 As an example, the forecasted base O & M  
18 contained in our 2017 MFRs is lower than the actual  
19 amount incurred in 2013 at the beginning of our current  
20 settlement agreement. In fact, our 2017 base O & M is  
21 lower than the amount incurred by the company in 2010.

22 This sustained level of cost performance  
23 clearly demonstrates that FPL is a cost leader, to the  
24 benefit of customers. The fact that FPL has fully  
25 reflected these productivity gains its in 2017 forecast

1 should remove any concerns regarding upward bias in the  
2 forecast.

3           Second, several intervenor witnesses contend  
4 that the Commission should reject the 2018 subsequent-  
5 year adjustment without providing any credible evidence  
6 why FPL's 2018 forecasts cannot reasonably be relied  
7 upon for setting rates.

8           OPC Witness Smith, in performing his  
9 calculations of revenue requirements, confirms that  
10 FPL's 2018 revenue requirements are significantly higher  
11 than FPL's 2017 revenue requirements; thus supporting  
12 FPL's position that the 2018 subsequent-year adjustment  
13 is necessary. FPL projects that, regardless of the  
14 level of rate increase approved for 2017, the ROE for  
15 2018 will drop more than 100 basis points without  
16 incremental revenues.

17           Third, Witnesses Kollen and Brosch assert that  
18 Okeechobee LSA represents single-issue ratemaking and  
19 that FPL is ignoring the business environment that may  
20 exist in 2019. Limited-scope proceedings, such as the  
21 Okeechobee LSA, are authorized under state statutes and  
22 Commission rules. And they are intended to address  
23 single issues such as the Commissioning of a previously-  
24 approved generating facility and the revenue  
25 requirements associated with that facility.

1 FPL is seeking to recover only the revenue  
2 requirements of the Okeechobee plant; however, it's  
3 important to note that the fuel savings grant --  
4 generated by the Okeechobee plant will help offset those  
5 requested revenue requirements.

6 Finally, several intervenor witnesses argue  
7 that FPL's four-year proposal is not in the best  
8 interest of customers. Witness Brosch asserts that  
9 multi-year proposals create significant regulatory lag  
10 and that lag offers incentive to the company to further  
11 improve its operating costs.

12 That's true, and exactly the point of the  
13 company's proposal. FPL's performance under the current  
14 four-year settlement is a perfect illustration. The  
15 flexible-reserve amortization that the company was  
16 allowed to take under the 2012 settlement gave FPL the  
17 ability to absorb near-term fluctuations in revenues and  
18 expenses so that we could focus our attention, instead,  
19 on identifying and implementing longer-term productivity  
20 gains. This culminated in project momentum, which has  
21 become an important part of our planning process.

22 Our four-year rate proposal in this  
23 proceeding, again, offers this bill stability and  
24 certainty while giving FPL an opportunity to focus on  
25 further improvements in our cost position. Witness

1 Brosch fails to recognize the benefits of asymmetric  
2 risk-sharing under our four-year proposal.

3 To further explain this asymmetry and risk-  
4 sharing, if FPL's request in this proceeding is granted  
5 in full, FPL agrees not to request any additional base-  
6 rate increases to be effective before January of 2021.  
7 This commitment requires the company to bear the risks  
8 of uncertain costs increases and changes in the economy;  
9 however, customers give up none of their current  
10 protections.

11 If FPL were to improve upon its best in-class  
12 performance such that it earned above the top of the  
13 range, the Commission or any party could initiate a  
14 review of our rates. Conversely, if we fall below the  
15 bottom of the allowed range, the company has committed  
16 not to file for new base rates to be effective before  
17 2021.

18 This clearly demonstrates that customers are  
19 protected over the four-year period. This Commission  
20 has been innovative in this approach to ratemaking, and  
21 the results are obvious.

22 FPL's customers have low bills, high  
23 reliability.

24 CHAIRMAN BROWN: Thank you. Mr. Barrett.

25 THE WITNESS: Thank you.

1           MR. BUTLER: I tender the witness for cross-  
2           examination.

3           CHAIRMAN BROWN: Thank you.

4           Mr. Rehwinkel?

5           MR. REHWINKEL: Thank you, Madam Chairman.

6           And I have just a few questions.

7                                   EXAMINATION

8   BY MR. REHWINKEL:

9           Q     **Good afternoon, Mr. Barrett.**

10          A     Good afternoon, Mr. Rehwinkel.

11          Q     **I'm going to direct you to your rebuttal**  
12 **testimony at Page 15 and 16. And I want to start on**  
13 **Line 6 of Page 15. If you can, turn there.**

14          A     Okay.

15          Q     **And I want to try something that hopefully**  
16 **will not stir Mr. Moyle.**

17          MR. BUTLER: That will be a challenge.

18                   (Laughter.)

19          Q     **Yeah. And I want to ask you some questions**  
20 **about the numbers that are in Lines 12 and 15.**

21          A     Are we going to go with the prefiled numbers?

22          Q     **Yes. And this is the convention I would like**  
23 **to see if I could get you to agree to for the purposes**  
24 **of this cross.**

25                   You have, in the errata that was identified as

1 735, proposed some changes to incorporate the changes  
2 that flowed to -- that were proposed in Mr. Smith's  
3 revised Exhibit A1 for 17 and 18; is that right?

4 A Yes.

5 MR. MOYLE: Object -- so, here's -- here's my  
6 problem is that I don't want there to be a waiver  
7 of any objection FIPUG may have with respect to new  
8 numbers coming in. So, as I understand appellate  
9 case law, I need to object whenever an effort is  
10 made to do that.

11 I know you've ruled repeatedly that,  
12 Mr. Moyle, we're going to handle this Thursday  
13 morning, cool your jets.

14 CHAIRMAN BROWN: I did say "cool your jets,"  
15 didn't I?

16 MR. MOYLE: I think maybe, but that was the  
17 message.

18 So, I just want to object and not have any  
19 waiver related to the numbers that are changing as  
20 a result of Mr. Pous's disqualification. And I  
21 know he's trying to do it indirectly, but if he's  
22 saying, hey, this number is changing because of  
23 Mr. Pous, I think I need to object.

24 CHAIRMAN BROWN: Okay.

25 MR. MOYLE: So, I'm doing so on the grounds I

1 have previously articulated.

2 MR. REHWINKEL: Madam Chairman.

3 CHAIRMAN BROWN: Yes.

4 MR. REHWINKEL: I am not intending to try to  
5 get numbers in. I want to talk about a convention  
6 for asking questions.

7 And just for clarification, there was no  
8 disqualification of Mr. Pous.

9 MR. MOYLE: I'm sorry.

10 MR. REHWINKEL: He was just not offered.

11 CHAIRMAN BROWN: Okay. Before you proceed,  
12 just a second. I would like staff to be able to  
13 respond to Mr. Moyle's objection.

14 MS. BROWNLESS: If I understand what Mr. Moyle  
15 is saying, is that -- and please correct me if I'm  
16 misstating your objection. You are objecting to  
17 any change in the rebuttal testimony of Mr. Barrett  
18 that is a direct result of the fact that Mr. Pous  
19 did not testify and that Mr. Pous' original  
20 testimony was not inserted in the record; is that  
21 correct?

22 MR. MOYLE: I would say yes, with a slight  
23 modification: direct or indirect.

24 MS. BROWNLESS: Okay. And the basis for your  
25 objection -- this is the part I'm not clear about.

1           What is the basis for that objection?

2           MR. MOYLE: Well, because the -- you know,  
3           this is rebuttal. And the purpose of rebuttal is  
4           to meet testimony filed by intervenors. So, to the  
5           extent testimony has disappeared filed by an  
6           intervenor, there is no need to meet the testimony  
7           of the intervenor because it's not in the record.

8           So, I don't think it's proper, given the  
9           withdrawal of Mr. Pous' testimony, for this witness  
10          to come in and say, yeah, well, now that Mr. Pous's  
11          testimony is withdrawn, I've got a bunch of changes  
12          we need to make in this record.

13          I asked the FEA witness, who has a  
14          depreciation study filed, whether his depreciation  
15          study was in any way dependent on Mr. Pous. He  
16          said no. So, I am trying to move forward with the  
17          record not encumbered or tainted or impacted by a  
18          decision to -- a tactical decision to withdraw  
19          Mr. Pous' testimony.

20          I don't want to have to -- have to deal with  
21          new record evidence coming in about how the changes  
22          flow, what they mean --

23          CHAIRMAN BROWN: Okay.

24          MR. MOYLE: -- all those things.

25          CHAIRMAN BROWN: Okay.



1 MS. BROWNLESS: And with regard to this line  
2 of questioning, I'm looking at the question and the  
3 question references OPC's Witness Smith. If I  
4 understand this correctly, Witness Smith relied in  
5 part upon Witness Pous.

6 So, since I believe that OPC has the  
7 unilateral right to withdraw any witness -- that's  
8 No. 1 -- I believe it is reasonable for the  
9 Commission to consider legitimate modifications  
10 that need to be made to everybody's testimony to  
11 reflect that because, in fact, that is the most and  
12 best information, based upon the record that we  
13 have before us.

14 CHAIRMAN BROWN: I appreciate you providing  
15 some -- some comments to Mr. Moyle's objection.

16 Mr. Moyle, your objection is noted for the  
17 record.

18 Mr. Rehwinkel, you may continue.

19 MR. REHWINKEL: Thank you, Madam --

20 MR. MOYLE: Ma'am, would -- would you prefer  
21 that I have a standing objection -- maybe I just  
22 need to object. I don't want to burden the record  
23 with a million objections. So, what's your --  
24 what's your preference so I'm not --

25 CHAIRMAN BROWN: Well, my --

1 MR. LITCHFIELD: I think it's too late for  
2 that.

3 (Laughter.)

4 My legal advisers have advised me about  
5 standing objections and they -- they do not support  
6 that. So, you're going to have to object every  
7 time, apparently -- am I correct, staff?

8 STAFF ATTORNEY: Yes.

9 CHAIRMAN BROWN: Thank you.

10 MR. MOYLE: I'll do so softly.

11 CHAIRMAN BROWN: Please -- your soft, though,  
12 they could still hear you, I'm sure. Thank you.  
13 Please proceed.

14 MR. REHWINKEL: Thank you, Madam Chairman.

15 BY MR. REHWINKEL:

16 Q So, only discussing the numbers that are in  
17 your testimony that you filed on August 1st,  
18 Mr. Barrett --

19 A Okay.

20 Q -- I want to ask you -- these numbers relate  
21 to total revenue requirements proposed by the Public  
22 Counsel; is that right?

23 A Yes and no. I mean, they -- the numbers in my  
24 testimony relate to what he determines to be a revenue  
25 deficiency.

1 Q Okay. But --

2 MR. MOYLE: I'm going to object.

3 CHAIRMAN BROWN: Noted.

4 BY MR. REHWINKEL:

5 Q So, Mr. -- you, in your -- Mr. Barrett, in  
6 your testimony that you filed on August 1st, on Line 12,  
7 you reference 604 million.

8 A Correct.

9 Q And that is the number that Mr. Smith included  
10 in his original RCS-3 in Column B, revenue  
11 deficiency/ -- I mean, parentheses -- sufficiency and --  
12 of amount of a negative 603, 852 million; is that right?

13 A That's correct.

14 Q Okay. And in Line 15, you reference  
15 \$807 million plus sales growth to get to 812 million.  
16 And you reference Mr. Smith's originally-filed testimony  
17 at Page 43, Line 1. And that corresponds also to his  
18 RCS-2, Schedule A1; is that right?

19 A I believe that's the case, yes.

20 Q So, when you state on Line -- and the  
21 convention that I want to ask you about that started all  
22 this is that, if after Mr. Moyle has had his chance to  
23 argue and the Commission accepts, for the record, the  
24 adjustments that are proposed in Mr. Smith's testimony,  
25 with or without Mr. Shultz's payroll-related adjustment,

1 the -- the numbers, 604 million, 807, and 812 on this  
2 page would have to change to some degree; is that right?

3 MR. MOYLE: Objection for the reasons noted  
4 previously.

5 CHAIRMAN BROWN: Thank you.  
6 Continue.

7 THE WITNESS: Can I answer?

8 CHAIRMAN BROWN: Yes.

9 THE WITNESS: Yes, they would change.

10 BY MR. REHWINKEL:

11 Q Okay. So, I want to -- I want to walk you  
12 through this -- these revenue requirement, revenue-  
13 deficiency numbers on Pages 15 and 16, with the  
14 understanding that they may change, but they -- and if  
15 they do change, the -- the math would have to just  
16 accommodate the substitution of the new numbers. Does  
17 that make sense to you?

18 MR. MOYLE: Objection.

19 CHAIRMAN BROWN: Noted.

20 Continue.

21 THE WITNESS: Yes.

22 BY MR. REHWINKEL:

23 Q Okay. Thank you.

24 All right. So, I have a question on Line 13.  
25 You use the word "error."

1 A Yes.

2 Q Now, are you contending there is a math error  
3 or you disagree with Mr. Smith's assumptions that are  
4 embedded in his presentation of the Public Counsel's  
5 position?

6 A I guess I would say both. And if I may  
7 explain by what I mean by both because I -- I think he  
8 just made a fundamental error in assumption that  
9 resulted in bad math.

10 If you look at his exhibit, he has a -- on  
11 Line 10 -- this, again, is --

12 Q Which exhibit?

13 A RCS-3, Page 2 of 20.

14 Q Okay. That's A -- his A1.

15 A Okay. Yeah --

16 Q All right.

17 A Yes. Line 10.

18 Q Uh-huh.

19 A And out under the column called "reference,"  
20 where he says: None if Line 8 is less than zero --  
21 that's just an errant assumption. And if I could  
22 explain why. What he's basically said is when he  
23 calculates 2018, he calculates a 600-million rate  
24 reduction. Well, he's also calculated an \$812-million  
25 revenue impact from 2017.

1           So, in effect, once you've lowered rates by  
2   812 million in '17, then the fact that you're 600 short  
3   in '18 means you have an increase of almost -- of  
4   \$208 million.

5           So, the 600 million was kind of calculated in  
6   a vacuum for '18, but it needs to reflect the fact that  
7   rates were lowered in '17.

8           **Q    Okay.**

9           A    And that -- that comment out to the side is  
10   kind of a throw-away. You can't just ignore the fact  
11   that it's less than zero. I mean, that's the point.

12          **Q    You would agree that his -- his testimony is**  
13   **that, because of the deficiency, he believes that there**  
14   **should be no rate increase for '18, if it's looked at on**  
15   **a completely stand-alone basis; is that right?**

16          A    That's not what his calculations do.

17          **Q    Okay. But -- okay.**

18                The revenue on Line 9, the revenue deficiency  
19   of \$812 million, 811, 834 -- that is the 807 for -- that  
20   the Public Counsel originally recommended for 2017,  
21   adjusted for customer growth; is that right?

22          A    For sales growth, yes.

23          **Q    Sales growth, yeah. Right.**

24                So, what Mr. Smith has done is -- is he  
25   presents here on Line 8 in the revenue deficiency,

1 sufficiency line under Column B, 603, 852,000,000; is  
2 that right?

3 A Yes.

4 Q Okay. Now -- so, what he has presented here  
5 shows that, if -- he is showing that he agrees that  
6 there is a revenue -- the revenue-requirement target, if  
7 you will, is a negative 603 million --

8 A Correct.

9 Q -- which is \$208 million above where he shows  
10 that the -- that revenues will be in 2018 if the 2017  
11 rate-setting occurs as the Public Counsel proposes; is  
12 that right?

13 A Yes, that's the point of my testimony.

14 Q Okay. So, he shows the -- the numbers there  
15 that the 208 million can be derived from.

16 A Yes.

17 Q Okay. So, isn't it true that the blank area  
18 under the 811, 834 is a philosophical approach that the  
19 Public Counsel presents through his testimony about  
20 whether a rate increase should be granted on a stand-  
21 alone basis for 2018?

22 A No, I disagree that it's philosophical. It's  
23 just an error.

24 MR. REHWINKEL: Okay. All right. Thank you,  
25 Mr. Barrett. Those are all the questions I have.

1 CHAIRMAN BROWN: Thank you, Mr. Rehwinkel.  
2 Mr. Moyle?

3 MR. MOYLE: Thank you.

4 EXAMINATION

5 BY MR. MOYLE:

6 Q Good afternoon, Mr. Barrett.

7 A Good afternoon.

8 Q None of those questions you just answered had  
9 anything to do with the change or the withdrawal of  
10 Mr. Pous' testimony, correct?

11 A Correct.

12 Q And the purpose of your rebuttal is to respond  
13 to positions taken by intervenor witnesses, correct?

14 A That's correct.

15 Q Okay. And -- and you understand that the  
16 Commission has ruled that your responses are -- should  
17 be limited to your rebuttal testimony, correct?

18 A My responses today?

19 Q Yes, sir.

20 A Yes.

21 Q Okay.

22 A Or whatever -- wherever you take me.

23 Q Right.

24 CHAIRMAN BROWN: If allowed.

25 THE WITNESS: If allowed.



1 BY MR. MOYLE:

2 Q So, in your summary, you know, you were  
3 talking about a lot of things that I recall from your  
4 direct case, but I don't really recall, you know, being  
5 part of the four things or five things that you said  
6 you're taking issue with based on intervenor testimony;  
7 is that -- is that right?

8 A No, that's not right -- well, I mean, I  
9 don't -- it may be right that that's what you recall.  
10 But my summary addresses my rebuttal testimony, which is  
11 somewhat redundant with my direct testimony because  
12 that's what the intervenors took issue with.

13 Q Yeah, but I think -- I mean -- never mind.

14 So, there is the issue about forecasts. And I  
15 think we've established that it's harder to forecast  
16 something further out in time as compared to closer in  
17 time; is that right?

18 A I think we've -- we've discussed that, yes.

19 Q And you're asking this Commission to make a  
20 decision based on forecasts, not only for '17, but '18.

21 A That's correct. I think that we've talked in  
22 my direct about why I believe our forecast is  
23 reasonable.

24 Q Okay. How far out into the future do you --  
25 do you think you can go with respect to providing

1 forecasts upon which one would base rates?

2 MS. BROWNLESS: I'm going to object to this  
3 line of questioning. Where in Mr. Barrett's  
4 rebuttal testimony does it tie back?

5 CHAIRMAN BROWN: Mr. Moyle?

6 BY MR. MOYLE:

7 Q Sir, in your -- your rebuttal testimony, do  
8 you respond with respect to the forecast and the 2018  
9 forecasts being something that you believe this  
10 Commission can rely on?

11 A I do.

12 MR. MOYLE: Well, given -- given that one of  
13 the issues is how far out in time can forecasts be  
14 relied on -- he's asking to rely on '18. I think I  
15 should be able to ask him how far out in time he  
16 thinks they can go. It goes to his judgment and  
17 credibility. If he says they can go to 2030 --

18 CHAIRMAN BROWN: Not to help you out here, but  
19 I believe it's on Page 8 of his rebuttal where it  
20 talks about the forecasting. If you can, contain  
21 your questions to that line as it --

22 MR. MOYLE: Okay.

23 CHAIRMAN BROWN: -- relates to his rebuttal  
24 testimony.

25 MR. MOYLE: Sure. Thank you.

1           So, can I pose the pending question, which is,  
2           how far out in time?

3           CHAIRMAN BROWN: I'll allow it.

4           THE WITNESS: I would say that the time frames  
5           that are addressed in my rebuttal testimony  
6           certainly can be relied upon by this Commission.

7 BY MR. MOYLE:

8           **Q     Right. But that wasn't the question. The**  
9           **question was: How far out in time do you believe a**  
10           **forecast could go with respect to asking a Commission to**  
11           **rely on that forecast to set rates?**

12           MS. BROWNLESS: Objection. Asked and  
13           answered --

14           MR. BUTLER: How about --

15           THE WITNESS: I don't know.

16           MR. BUTLER: I'm sorry.

17           MR. MOYLE: Okay. That's an -- that's an  
18           answer.

19 BY MR. MOYLE:

20           **Q     So, you don't know, but you know 2018 works.**

21           A     Yes.

22           **Q     Did F- -- did FPL consider filing a subsequent**  
23           **rate adjustment for 2020?**

24           A     No.

25           **Q     So, even though it's a four-year proposal,**

1     **there was no consideration given to filing a -- for**  
2     **rates in 2020? Is that your testimony?**

3           A     That's my testimony.

4           Q     **You didn't look at it, see what the cost might**  
5     **be?**

6                   CHAIRMAN BROWN: Asked and answered.

7                   MR. REHWINKEL: Asked -- asked and answered.

8                   CHAIRMAN BROWN: Hey --

9                   MR. MOYLE: Got it.

10    BY MR. MOYLE:

11           Q     **The Okeechobee unit -- that's going into**  
12     **service in 2019; is that right?**

13           A     That's correct.

14           Q     **And the convention that's used there, as I**  
15     **understand it, is -- is that you're not asking**  
16     **ratepayers to pay for it until it is placed into service**  
17     **and is used and useful; is that right?**

18           A     That's correct.

19           Q     **Okay. Do you have an understanding of the**  
20     **phrase "used and useful"?**

21           A     Yes.

22           Q     **What is it?**

23           A     It's sort of self-defining. It's when an  
24     asset is providing something that is of use for  
25     customers.

1           **Q**     Okay.  And -- and why should customers only  
2     **pay for something at that point in time as compared to**  
3     **beforehand.**

4           MR. BUTLER:  I'm going to object.  I'm not  
5     seeing how this is connected to Mr. Barrett's  
6     rebuttal testimony.

7           CHAIRMAN BROWN:  And I would agree, but the  
8     door is opened.  So, I'll --

9           MR. MOYLE:  Thank you.

10          CHAIRMAN BROWN:  I'll overrule that objection.  
11         You may answer.

12          THE WITNESS:  Okay.  Could you repeat the  
13         question, please?

14         BY MR. MOYLE:

15           **Q**     You said you had familiarity with the concept  
16     **used and useful, and that that means that ratepayers pay**  
17     **for something when they are getting a benefit from it.**

18           Why -- why should ratepayers -- why would it  
19     be not consistent with regulatory policy to have  
20     ratepayers pay for something for which it -- the asset  
21     was not used and useful?

22           A     I guess I would say with reference to  
23     Okeechobee, which was the context of the question, we  
24     were asking for rates to go into effect when the plant  
25     goes into service, which is, then, when it would be

1 useful for providing electric service. That's kind of  
2 my layman's understanding.

3 **Q Okay. Would that policy apply to everything**  
4 **related to Okeechobee, in your judgment?**

5 A I believe so.

6 **Q Including -- including the land?**

7 A No, the land has been part of future use,  
8 which has been -- it's in rate base. And we would ask  
9 that it be considered part of rate base for setting  
10 rates because it was procured in advance so that we  
11 could begin the development and construction of the  
12 plant. That's been the convention. So, I would say  
13 that it is already useful, if you will, as we begin  
14 construction.

15 **Q You say useful, useful to FPL?**

16 A For customers.

17 **Q What is your understanding of a rate case in**  
18 **the context of Florida's regulatory system?**

19 MS. BROWNLESS: Objection, Your Honor.

20 Can you point us to what point of his rebuttal  
21 testimony you're seeking to question on?

22 CHAIRMAN BROWN: I would -- Mr. Moyle, can  
23 you?

24 MR. MOYLE: Well, he -- he appears to  
25 criticize the role that rate cases play on Page 14.

1 He's asked the question, do you believe that would  
2 be an efficient and effective process, and is  
3 talking about another rate-case proceeding being  
4 filed. So, I think I want to ask him why --

5 CHAIRMAN BROWN: Repeat the --

6 MR. MOYLE: -- a rate-case proceeding is bad  
7 or inefficient. And I wanted to preface it, a  
8 little foundation, to say rate cases are what we do  
9 here sometimes, you know?

10 CHAIRMAN BROWN: Well, it does talk about an  
11 efficient and effective process. So, I'll allow  
12 it.

13 MR. MOYLE: Okay.

14 THE WITNESS: Can you restate the question,  
15 please.

16 BY MR. MOYLE:

17 **Q Are rate cases bad in your judgment? I mean,**  
18 **they're something that should be avoided? You don't**  
19 **want to -- you don't want to have rate cases where the**  
20 **utilities come in and show their books to the regulators**  
21 **and the regulators look and say, good, bad, or**  
22 **indifferent?**

23 CHAIRMAN BROWN: Maybe restate the question.

24 MR. REHWINKEL: Madam Chairman, I would like  
25 to object. Mr. Moyle has his standing objections.

1 And I -- I raised an objection early this morning  
2 or early in the -- I don't even know what time it  
3 is right now.

4 (Laughter.)

5 CHAIRMAN BROWN: Afternoon.

6 MR. REHWINKEL: We have a pending motion. And  
7 I have asked that -- that the record be clear  
8 that -- that the issues that were raised in direct  
9 stay in direct.

10 CHAIRMAN BROWN: Uh-huh.

11 MR. REHWINKEL: And the issues that are on  
12 rebuttal, not be imported back into direct.

13 CHAIRMAN BROWN: Exactly. Mr. -- Mr. Moyle --

14 MR. MOYLE: Okay.

15 CHAIRMAN BROWN: I'm giving you some latitude  
16 on this question, line of questions as it relates  
17 to Page 14 of his rebuttal. Can you restate the  
18 question?

19 MR. MOYLE: Sir, is the -- I'll -- I'll try.

20 BY MR. MOYLE:

21 **Q Is the suggestion that you're trying to make**  
22 **on Page 14 with respect to FPL filing another rate case**  
23 **that every effort should be made to avoid having FPL**  
24 **file another rate case?**

25 A I think that's a fair characterization. I



1 mean, I -- rate cases like we're in right now are a  
2 necessary part of the process, but when they can be  
3 avoided for an extended period of time, where the  
4 Commission is surveilling the company's earnings and  
5 satisfied the company is within a reasonable range of  
6 earnings and customers' bills are stable, we've shown  
7 over the past 17 years and five settlement agreements  
8 that extended periods between rate cases can provide  
9 real value to customers.

10 **Q So -- so, with respect to a rate case -- FPL**  
11 **doesn't necessarily seek to avoid a rate case; is that**  
12 **right? All other things being equal.**

13 A Yes and no. I mean, I guess I would say, to  
14 the extent we can not have to come in for a rate case --

15 **Q Just if -- if I could get a yes.**

16 A I said yes and no, I believe.

17 MR. MOYLE: I'll withdraw the question.

18 CHAIRMAN BROWN: Mr. Butler?

19 MR. BUTLER: I think he's entitled to answer  
20 the question. He can't withdraw it once you start  
21 not liking what you get.

22 MR. MOYLE: It's like Mr. Pous. I wanted to  
23 take it away.

24 (Laughter.)

25 CHAIRMAN BROWN: No. No.

1           Mr. Barrett, you're allowed to finish your  
2           answer.

3           THE WITNESS: I was just going to suggest  
4           that, to the extent that we have the opportunity to  
5           stay out of a rate proceeding, I think all parties  
6           benefit. The Commission has all their oversight  
7           over us. And to the extent we can focus on running  
8           the business more efficiently and more effectively  
9           and avoid the need to come in for rate cases, I  
10          think all parties are benefited.

11         BY MR. MOYLE:

12           **Q     So, that's -- that's what you're saying with**  
13           **respect to --**

14           CHAIRMAN BROWN: Asked and answered.

15           **Q     -- testimony on Line 14?**

16           Nobody in this case is suggesting that rate  
17           cases become an annual requirement, correct?

18           A     I -- I don't recall, but I believe there is  
19           that inference in a few of the intervenor witnesses that  
20           it wouldn't be a bad thing to come in every year.

21           **Q     Maybe make it like a clause proceeding?**

22           A     That was not the analogy that they used.

23           **Q     So, you have some testimony about limited**  
24           **proceedings, correct?**

25           A     With respect to Okeechobee, yes.

1 Q 17 -- Page 17, Line 7?

2 A Yes.

3 Q And you're not a lawyer, correct?

4 A That's correct.

5 Q Do you have an understanding with respect to  
6 limited proceedings and points in time?

7 A Could you be more specific?

8 Q What's your understanding as to when a limited  
9 proceeding can be filed? If you have one.

10 A I've never thought about it. I presume that  
11 it would be for a future period.

12 Q Is it -- do you have a copy of the statute  
13 available to you or handy? I'm sure your counsel may  
14 have one.

15 A I'm looking.

16 CHAIRMAN BROWN: Mr. -- Mr. Moyle, he said he  
17 wasn't a lawyer.

18 MR. MOYLE: Right, but he's still talking  
19 about the statute. So, he's given us a non-legal  
20 opinion about it.

21 CHAIRMAN BROWN: Continue.

22 THE WITNESS: I don't seem to find one. I  
23 thought I might have -- oh, yes, I do actually have  
24 it.

25 The -- the statute or the rule?

1 BY MR. MOYLE:

2 Q Statute.

3 A 366.076(1)? I have it.

4 Q Does it say anything in this statute about  
5 filing a petition for future assets being placed into  
6 service in the future?

7 A Can I just have a moment to read it?

8 Q Sure.

9 MS. BROWNLESS: I'm going to object to that  
10 because the statute speaks for itself. And we're  
11 getting in an area of --

12 CHAIRMAN BROWN: Yes.

13 MS. BROWNLESS: -- legal interpretation that I  
14 do not think this witness is qualified to render.

15 CHAIRMAN BROWN: Objection sustained.

16 MR. MOYLE: Okay.

17 CHAIRMAN BROWN: Please move along.

18 MR. MOYLE: I would just like to make a  
19 proffer that, to the extent that the Commission  
20 relies on his testimony with respect to a limited  
21 proceeding, that -- that there is nothing in the  
22 statute that talks about doing a limited proceeding  
23 for this year out, that year out in the future,  
24 future years. I think -- I think it's real time  
25 for limited proceedings as compared to not.

1           So, I'll just follow up briefly on that.

2   BY MR. MOYLE:

3           **Q     Sir, are you familiar with limited proceedings**  
4   **that have been filed by other utility companies in**  
5   **Florida?**

6           A     No.

7           **Q     You didn't look at that at all?**

8           A     No.

9           **Q     Page 17, Line -- 17, Line 17.**

10          A     Okay.

11          **Q     You talk about -- to earn the authorized**  
12   **mid-point ROE.**

13          A     Yes.

14          **Q     Do you see that?**

15          A     Uh-huh.

16          **Q     Do you agree that mid-points are -- are not**  
17   **static; that they move around over time as market**  
18   **conditions change?**

19          A     No, I don't agree with that.

20          **Q     You think they are static and they don't vary?**

21          A     I think they don't vary until the Commission  
22   changes it.

23          **Q     When the Commission changes it, does the**  
24   **Commission -- do you have an understanding -- do they**  
25   **consider market conditions?**

1           A       I'm not the ROE witness, but I think they  
2 consider lots of evidence.

3           **Q       Including market conditions?**

4           A       Yes.

5                   MR. MOYLE: May I just have a minute?

6                   CHAIRMAN BROWN: Sure.

7 BY MR. MOYLE:

8           **Q       Okay. A few more pieces of your testimony I**  
9 **want to -- I want to ask you about.**

10                   Page 19, Line 8.

11           A       Yes.

12           **Q       On Page 8, you use the phrase "high level" --**

13           A       I'm sorry. Page 8?

14           **Q       I'm sorry. Page 19, Line 8.**

15           A       Yes.

16           **Q       Do you see the use of the word "high level"?**  
17 **You say that FPL has provided a high-level base**  
18 **projection of 2019 and '20, right?**

19           A       Yes.

20           **Q       What do you mean by high level?**

21           A       It wasn't subjected to the same rigorous  
22 budget process to develop all of the assumptions. There  
23 were some high-level assumptions made regarding growth  
24 and expenses and such.

25           **Q       So, would it be fair that high level means it**

1 doesn't have the detail or specificity as compared to  
2 the other budgeting process that you just described?

3 A It -- yes, that's -- that's true in terms of  
4 the development of the assumptions. The model output,  
5 itself, has the same level of detail.

6 Q Yet -- yet, the high-level projection is what  
7 you're asking this Commission to base revenue decisions  
8 on; is that right?

9 A No.

10 Q Yes? No?

11 A No, that's not true at all. We're asking the  
12 Commission to look at 2017 MFRs and 2018 MFRs to set  
13 rates and the 2019 LSA for Okeechobee to set rates.  
14 This was merely provided to give some kind of context  
15 for '19 and '20.

16 Q Page 20, Line 2, you say: And of course, the  
17 Commission can, at any time, seek to review the  
18 company's base rates; is that your testimony?

19 A That's my understanding, yes.

20 Q Okay. It's been decades since the Commission  
21 has done that, hasn't it?

22 A I don't know.

23 Q You just don't have any information one way or  
24 the other?

25 CHAIRMAN BROWN: Asked and answered.

1           Q     The settlement agreement in 2012 -- you would  
2 agree that document speaks for itself, would you not?

3           A     I would.

4           Q     And did you do a non-legal analysis to  
5 determine that there was a violation of terms of the  
6 2012 settlement?

7           MR. BUTLER: I would ask Mr. Moyle to point to  
8 where he is referring in Mr. Barrett's testimony.

9           CHAIRMAN BROWN: Thank you.

10          Mr. Moyle, I'm -- I'm struggling to find that  
11 language --

12          MR. MOYLE: Okay. So, I just want to ask --

13          CHAIRMAN BROWN: Point me to the language,  
14 please.

15          MR. MOYLE: Okay. It's on Page 22, Line 16.  
16 And it's the witness' testimony. I mean...

17          MR. BUTLER: Mr. Moyle, you asked about a  
18 violation, present tense. This says "would  
19 violate." It's a subjunctive construction, what  
20 would happen if something -- some contingency  
21 occurred.

22          CHAIRMAN BROWN: Mr. Moyle, can you restate  
23 the question?

24          MR. MOYLE: Sure. And I don't know what that  
25 subjective contingency was, but --



1 BY MR. MOYLE:

2 Q The question I want to ask you, sir, is: Have  
3 you done an analysis to inform you, with respect to your  
4 testimony, that there would be a violation of the 2012  
5 settlement agreement? Yes? No?

6 A Yes. I've done a layman's read of the  
7 settlement agreement. And it's my opinion that, as  
8 someone who has lived with the settlement agreement for  
9 the past four years, that what is suggested here would  
10 be a violation of that agreement.

11 Q Did you speak to any other -- the other  
12 parties who negotiated that settlement agreement to get  
13 their opinion as to how the settlement might apply with  
14 respect to their view?

15 A No, I didn't.

16 Q And you would agree that, to the extent that  
17 there was a dispute with respect to whether a settlement  
18 agreement was violated or not, that you wouldn't be the  
19 ultimate decider of that?

20 A I agree. I'm sure it would be litigated.

21 MR. MOYLE: Thank you. That's all I have.

22 CHAIRMAN BROWN: Okay. Thank you, Mr. Moyle.

23 Mr. Sundback.

24 MR. SUNDBACK: Madam Chair.

25 Good to see you again, Mr. Barrett. Let's

1 look at your rebuttal testimony, Page 4, Lines 22  
2 and 23, please.

3 CHAIRMAN BROWN: Thank you.

4 MR. SUNDBACK: Madam Chair, we're having  
5 distributed, now, the packets of materials. And we  
6 would ask the same convention be observed with  
7 Mr. Barrett's rebuttal testimony as was with his  
8 direct.

9 CHAIRMAN BROWN: Okay.

10 MR. SUNDBACK: That he turn sequentially when  
11 we refer to the document.

12 CHAIRMAN BROWN: Yes. Mr. -- Mr. Barrett --  
13 he's being instructed.

14 MR. SUNDBACK: Okay.

15 CHAIRMAN BROWN: Would you like them marked at  
16 this time or would you like to wait?

17 MR. SUNDBACK: Can we do it sequentially?

18 CHAIRMAN BROWN: Yes. And we'll be starting  
19 at 736.

20 MR. SUNDBACK: 736. Okay. Thank you.

21 CHAIRMAN BROWN: Please proceed when you're  
22 ready.

23 MR. SUNDBACK: I always have to check to make  
24 sure that the reference to starting isn't the  
25 actual time rather than the exhibit, so --

1

## EXAMINATION

2 BY MR. SUNDBACK:

3 Q Mr. Barrett, are you at Page 4, Lines 22 and  
4 23, please?

5 A I am.

6 Q And there, you say that: The forecasting  
7 process FPL has used produces reasonable results proven  
8 to serve as a reliable basis for setting base rates in  
9 the past. Do you see that?

10 A I do.

11 Q And you make comparable statements like that  
12 in other portions of your testimony. Would you accept  
13 that, subject to check?

14 A Yes.

15 Q Okay. Let's look at Page 19, Line 19, if we  
16 could. There, you make the assertion that FPL -- FPL  
17 bears all the risk of uncertain cost increases. Do you  
18 see that?

19 A Yes.

20 Q Okay. You sponsored FPL's financial forecast  
21 in FPL's last two base-rate cases; is that not correct?

22 A That's correct.

23 Q Okay. Let's look at, hopefully, the first  
24 item in your package. And that should be an excerpt  
25 from the MFRs, Schedule D-4A, 2018 subsequent test year.

1 Do you see that?

2 A I do.

3 Q Okay. And then the second --

4 CHAIRMAN BROWN: Would you like that -- would  
5 you like that marked at this time?

6 MR. SUNDBACK: Yes. Thank you, Madam Chair.

7 CHAIRMAN BROWN: All right. We will mark that  
8 as Exhibit 736. And just so the record is clear,  
9 that's Docket No. -- the title would be Docket  
10 No. 160021-EI. And that is Schedule D-4A. And  
11 that's 2018 subsequent test year; is that correct,  
12 Mr. Sundback?

13 MR. SUNDBACK: That is correct. Thank you,  
14 Madam Chair.

15 CHAIRMAN BROWN: Okay.

16 (Whereupon, Exhibit No. 736 was marked for  
17 identification.)

18 BY MR. SUNDBACK:

19 Q Okay. You'll see there are many different  
20 pretty colors on the second page. Let's start with the  
21 yellow, if we could, please. That represents a  
22 projection that FPL will make five issuances of long-  
23 term debt starting in March 2016 -- excuse me -- through  
24 November of 2018; is that correct?

25 A Yes. You said five, correct?

1           **Q     Yes, sir, I should have, if I didn't.**

2           A     I believe you did.

3           **Q     Okay. Thank you.**

4                     And those are shown on what are numbered  
5 Lines 2, 3, 4, 26, and 27, right?

6           A     Correct.

7                     MR. SUNDBACK: Okay. Now, as we established,  
8 you were the witness presenting the company's  
9 budget forecasts in the last two rate case -- rate  
10 cases. Could you turn to the second item in your  
11 package, which we would ask be designated  
12 Exhibit 737, Madam Chair?

13                    CHAIRMAN BROWN: That's correct. And that  
14 would be the 2013 test year?

15                    MR. SUNDBACK: Yes, Madam Chair, from the  
16 Docket No. 120015-EA [sic] docket.

17                    CHAIRMAN BROWN: Okay. I'm just going to give  
18 it a title so it's clear for the record. 737 will  
19 be Docket No. 120015-EI. And that's Schedule D-4A,  
20 2013 test year.

21                    MR. SUNDBACK: Thank you, Madam Chair.

22                             (Whereupon, Exhibit No. 737 was marked for  
23 identification.)

24 BY MR. SUNDBACK:

25           **Q     Okay. Now, as you can see, in the corner of**

1 the second page, this corresponded to the 2013 test year  
2 in the 2012 base-rate case, right?

3 A Yes.

4 Q And that would have been, as a result,  
5 filed -- this document would have been filed in  
6 March 2012, right?

7 A Yes.

8 Q Okay. Let's look at Line 18 --

9 A Okay.

10 Q -- at one of the three lines colored in green.  
11 And you'll see you projected in April 2012 a long-term  
12 debt issuance at 4.85 percent, right?

13 A Yes.

14 Q Okay. For 30 years. And on Line No. 20, an  
15 interest rate of 5.05 percent; and on Line 21, an  
16 interest rate of 5.09 percent; is that right?

17 A That's correct.

18 MR. BUTLER: What -- I'm sorry. I would point  
19 out that, in both instances, both 736 and 737, the  
20 sponsoring witness for the MFR that Mr. Sundback is  
21 questioning about is Mr. Dewhurst, not Mr. Barrett.  
22 I wasn't too sure where he was going with it, but  
23 if it's intended to ask about detail in these  
24 exhibits, it seems like Mr. Dewhurst would be the  
25 better witness for that.

1 CHAIRMAN BROWN: Okay.

2 MR. SUNDBACK: Madam Chair, we established  
3 that Mr. Barrett is responsible for attesting to  
4 the reliability of the budget-forecasting process  
5 and looking forward into the future to establish a  
6 level of cost on which FPL's rates should be set as  
7 they are asking to. He's the one that brings it  
8 all together and proposes numbers. He's the one  
9 who has attested -- volunteered.

10 CHAIRMAN BROWN: You can continue.

11 MR. SUNDBACK: Thank you.

12 Mr. -- Mr. Moyle needed to knock me on my  
13 shoulder to tell me to stop before that.

14 (Laughter.)

15 BY MR. SUNDBACK:

16 Q Okay. If we look back at what's been marked  
17 as Exhibit 736, we'll see that, in May 2012, FPL  
18 actually issued debt at 4.05 percent, right?

19 A Yes.

20 Q And that's about 80 basis points less than was  
21 predicted on Line 19 of the second page, Exhibit 737,  
22 right?

23 A Line 18, I believe.

24 Q I'm sorry. Thank you, sir.

25 A Yes.

1           Q     And that prediction was two months, at most,  
2     out from the date the filing was made, right?

3           A     Yes. And if I could just explain a little bit  
4     about how these forecasts are pulled together. And  
5     again, to Mr. Butler's point, Witness Dewhurst could  
6     elaborate at much greater length than I.

7                     But it's my understanding that we use Blue  
8     Chip forecasts for interest rates. And so, when we put  
9     the forecasts together, in any particular forecasts,  
10    we're looking at what all of the market data would  
11    suggest at that point in time would be appropriate for  
12    future issuances of debt.

13                    And of course, markets are going to change and  
14    such, but I would -- I would still contend that this was  
15    a reasonable forecast based on the information that was  
16    available to us at the time.

17           Q     Okay. And similarly, if we look at  
18    **Exhibit 737, again, Page 2, Line 21, you were**  
19    **forecasting for February 2013 an interest rate of 5.09**  
20    **percent, right?**

21           A     I see that.

22           Q     Okay. But nonetheless, you didn't actually  
23    **issue any debt in this period at a rate that was above**  
24    **4.05 percent; isn't that correct?**

25           A     That's correct.



1           MR. SUNDBACK: Okay. Let's turn, now, to the  
2           third item in your packet, if we could, Madam  
3           Chair.

4           CHAIRMAN BROWN: Sure. And I just want to  
5           make sure that, when you give the witness an  
6           opportunity to answer the question, that that  
7           witness does have an opportunity to explain it.

8           So, if Mr. Barrett wanted to finish -- it  
9           sounded like you were cut off.

10          THE WITNESS: I just would make the same  
11          observation that, when we put those forecasts  
12          together, it's using the best-available market  
13          information that we have at the time. And as we  
14          move down the road, things change up or down.  
15          That's just an observation.

16          CHAIRMAN BROWN: Okay.

17          MR. SUNDBACK: Thank you, Madam Chair.

18          Okay. Mr. Barrett, let's look at the next  
19          document, which is identified as 080677-EI, MFR  
20          D-4A, and we would ask that that be marked as 738.

21          CHAIRMAN BROWN: We will mark it as such.

22          (Whereupon, Exhibit No. 738 was marked for  
23          identification.)

24          BY MR. SUNDBACK:

25           **Q     Okay. And you will see in the upper right-**

1 hand corner that that reflects a projected test year of  
2 2011 on Page 2; is that correct?

3 A Yes, that's correct.

4 Q Okay. Let's look at the not-so-attractive  
5 orange highlighting on this page, if we could. There  
6 you will see there is a projection of five debt  
7 issuances from October of 2009 through the end of 2011,  
8 correct?

9 A Yes.

10 Q And those estimated interest rates, just to  
11 move this along, were anywhere from 6-point -- almost  
12 6.9 percent to 7.1 percent, right?

13 A Correct.

14 Q Okay. Now, let's turn back to what's been  
15 marked as Exhibit 736, if we could. Okay. In that time  
16 period, the projected time period that we were just  
17 looking at, the company actually made four debt  
18 issuances; is that right?

19 A Subject to check, those were the ones that  
20 you've highlighted in orange on this exhibit as well, I  
21 believe.

22 Q Right. And the interest rates there range  
23 from 4.125 to 5.69 percent, right?

24 A Correct.

25 Q So, for instance, in the March 2009 issuance,

1 that was projected off of what's been marked as  
2 Exhibit 738 down to the actual issuance cost on Line 20  
3 of Page 2 of Exhibit 736, we're talking about a 300-  
4 basis-point reduction, correct?

5 A I'm sorry. I didn't see the first one that  
6 you mentioned. The March of 2009?

7 Q So, if we look at --

8 A Which line number?

9 Q I'm sorry. If we look at -- we can look at  
10 either October of 2009 or December 2009.

11 A Okay. I've got it.

12 Q On Exhibit No. 738, Page 2. And we'll see a  
13 7.1 percent interest rate, right?

14 A I see it, yes.

15 Q Okay. And if we look at Line 20 of  
16 Exhibit 736, we'll see that the interest rate associated  
17 with the issuance there was 4.1 percent, right?

18 A Yes.

19 Q Okay. So, given these materials, you couldn't  
20 identify for us any instance in the last two rate cases  
21 when FPL underestimated interest rates projected for its  
22 debt issuances, correct?

23 A Based on this information, no, that's correct.  
24 This has been a period of -- where we've been able to  
25 get more-attractive rates than what had been projected,

1 again, based upon the projections that we obtained from  
2 the marketplace.

3 Q And so, to the extent that you assert that FPL  
4 bears all the risks of uncertain cost increases, it also  
5 captures the benefit of rate reductions on these debt  
6 issuances if its rates are set based on those  
7 projections, correct?

8 A I would agree that -- that the risk is  
9 symmetrical in regard to costs going up or costs going  
10 down. I would offer that -- and again, Witness Dewhurst  
11 can get into much more detail about this, but you know,  
12 the rates that we have right now would appear to be  
13 fairly -- only one way to go. And that would be up,  
14 which would be a risk that we're bearing.

15 In fact, I read last week that Chairman Yellen  
16 suggested that it was time for rates to start going back  
17 up.

18 MR. SUNDBACK: Madam Chair, we would move to  
19 strike the last two sentences. Those, by  
20 definition, reference Mr. Dewhurst's testimony. I  
21 wasn't aware that Mr. Barrett had adopted  
22 Mr. Dewhurst's testimony. And to that extent, it's  
23 beyond the scope of his testimony, certainly his  
24 rebuttal testimony and, therefore, should be  
25 stricken.

1           As to the first part of the answer, we are not  
2           moving to strike it.

3           CHAIRMAN BROWN: Okay.

4           Mr. Butler, any comments?

5           MR. BUTLER: Yes. I think his testimony was  
6           appropriate. I had pointed out at the beginning of  
7           this line that Mr. Dewhurst would be the better  
8           witness to answer these questions. Mr. Barrett has  
9           referred to that in several instances.

10           Nonetheless, Mr. Sundback has persisted in  
11           examining Mr. Barrett about it, and I think it's  
12           fair for Mr. Barrett to respond with what  
13           information he has available to him.

14           CHAIRMAN BROWN: We will not strike that.

15           MR. SUNDBACK: Thank you, Madam Chair.

16           BY MR. SUNDBACK:

17           **Q All right. Mr. Barrett, let's turn back to**  
18           **what's been marked as Exhibit 738, if we could.**

19           CHAIRMAN BROWN: Okay.

20           **Q I just -- I want to walk through this to make**  
21           **sure I understand the derivation of it. Let's -- let's**  
22           **look at the -- well, actually, maybe a better -- a**  
23           **better way to do this is to look at what's been marked**  
24           **as Exhibit 736, which is the MFR in this case, if we**  
25           **could.**

1           A     Okay.

2           Q     Okay. We had talked a little bit about the  
3     4.05 interest rate that's shown, for instance, on  
4     Line 22. Do you see that?

5           A     I do.

6           Q     And if we go over to Column 11, that shows the  
7     total annual costs. So, basically that's the coupon  
8     rate times the face value of the bond; is that right --  
9     I'm sorry -- that's Column 10.

10           And Column 11 adds what's in Column 10 to the  
11     amortization costs; is that correct?

12           A     Appears to be correct, yes.

13           Q     Okay. And all those costs are then summed in  
14     Column 11 on the second page at \$561 million  
15     approximately, right?

16           A     Yes. And again, I would say this is Witness  
17     Dewhurst's MFR, but I will agree with you that that's  
18     what the sum shows.

19           Q     Okay. And -- but you're -- you included these  
20     results in your projections, right?

21           A     We included these debt issuances in our  
22     financial model, yes.

23           Q     Okay. On Line 23 of that page, you've  
24     calculated an effective interest rate of 4.82 percent,  
25     right?

1 A I see that.

2 Q Okay. If we go to what's been marked as  
3 Exhibit No. 738, on the second page, we'll see at  
4 Line 43 a 5.78-percent interest rate, right?

5 A Yes.

6 Q Okay. Now, if the embedded cost of long-term  
7 debt shown on Line 43 of the 2009 MFR was still the  
8 embedded cost of debt in the current MFR, would you  
9 accept that the annual cost of that debt would be about  
10 \$110 million higher than it actually is today?

11 A I don't -- I don't know that.

12 Q Would --

13 A How did you calculate that?

14 Q Well, you would take the face value of the  
15 \$561 million that we saw on Line 19, Column 11, and  
16 multiply that by the -- and that was from  
17 Exhibit No. 736 -- and multiply that by the 5.78 percent  
18 from Exhibit No. 738, Line 43, Column 5, right?

19 A I just want to make sure I follow you. You  
20 said to take 561 --

21 Q Yes.

22 A -- from Column 11 on --

23 Q Oh, no. No. No. No. I'm sorry. We need to  
24 take the total on Line 22, the net under Column 5 on  
25 Exhibit 736, the 11,640,000,067. I gave you a bum steer

1     **there. I'm sorry, Mr. Barrett. Okay?**

2           A     I knew you were off. I wanted to give you a  
3 chance to correct yourself --

4           **Q     Thank you for letting me rehabilitate myself.**

5                   (Laughter.)

6                   So, we're looking at the 11,000,000,640  
7 number?

8           A     I've got it.

9           **Q     Okay. So, if we multiply that times the**  
10 **5.78 percent that we see on Exhibit No. 738, Line 43, we**  
11 **would have another 110, \$111 million of costs. It's**  
12 **basically a hundred-basis-point additional interest on**  
13 **the \$11 billion, right? I mean, that's not -- even a**  
14 **lawyer can do that math, I think.**

15          A     I think you got the math right.

16          **Q     All right. Hooray. The profession -- the**  
17 **profession moves forward. Very good.**

18                   Let's look at your rebuttal, Page 25, if we  
19 could, Lines 8 and 9. You speak of lowering the total  
20 cost by virtue of transferring the Martin lateral to  
21 FSC. Do you see that?

22          A     I do.

23          **Q     And you're also claiming to lower the**  
24 **operational risks that are borne by FPL, right?**

25          A     Yes.



1           Q     Wouldn't that transfer also potentially  
2     deprive FPL of any benefit associated with the continued  
3     ownership of the lateral?

4           A     No, I do not believe so.

5           Q     Oh, okay. Now, Page 7 of your rebuttal,  
6     Line 14 through 19 -- actually, I think we can narrow it  
7     to Pages -- Lines 14 and 15. You talk about customer  
8     savings and reduced operational risk over the life of  
9     the asset. Do you see that?

10          A     I do.

11          Q     Okay. So, your -- your comparison that you're  
12     presenting to the Commission is not over the life of a  
13     contract; it's over the life of the asset; is that -- is  
14     that how we should understand your analysis?

15          A     I believe it's over the life -- the book life  
16     of the asset. I think right now the book life of the  
17     pipeline is about 40 years. That's part of the Riviera  
18     plant. And I believe -- it's my understanding that's  
19     what we would seek for a contract.

20          Q     Okay. So, you've estimated the total -- here,  
21     you have -- on Page 25 -- I'm sorry to jump back and  
22     forth -- Line 8, you mention the total cost. And you  
23     estimated that on a CPVRR basis at about \$270 million,  
24     right?

25          A     Can you point me to there, on 25?

1           Q     I'm sorry. Page 25, Line 8, to lower the  
2     total cost.

3           A     Yeah, I didn't see the number that you just  
4     mentioned.

5           Q     Well, the total cost you computed is about  
6     \$270 million on a CPP -- CPVRR basis, right?

7           MR. BUTLER: And where are you finding that in  
8     his rebuttal testimony?

9           CHAIRMAN BROWN: Yeah, I don't see that  
10    anywhere. Where is that?

11          MR. SUNDBACK: Madam Chair, that's one of his  
12    calculations in his earlier testimony. And he's  
13    referred to total costs here. I want to establish  
14    he's using the same term, same metric here that  
15    he's using before.

16          If he has a different value, I would like to  
17    know about it. I think we're all entitled to know  
18    about that.

19          MR. BUTLER: He already asked considerable  
20    questions about this topic back in direct  
21    testimony. He's trying to pull the direct-  
22    testimony references here back into the rebuttal  
23    testimony. I don't think it's appropriate.

24          MR. SUNDBACK: Madam Chair, first of all, to  
25    the extent that the witness' measure has changed,

1 of total cost, we should know what that's supposed  
2 to be.

3 CHAIRMAN BROWN: Well, then -- then you're  
4 going to need to rephrase it.

5 MR. SUNDBACK: Okay.

6 BY MR. SUNDBACK:

7 Q Mr. Barrett, is it correct that your reference  
8 to total cost is intended to represent -- well, tell us  
9 what your understanding of the total cost is on a CPVRR  
10 basis -- or, for that matter, on a nominal-cost basis  
11 that you're referencing at this portion of your  
12 testimony?

13 A Yeah. What I'm referencing here is that we  
14 would expect -- if we were to go forward with this --  
15 with this petition after the conclusion of this case,  
16 that we would expect to be able to demonstrate to the  
17 Commission that the fixed tariffs that were provided by  
18 FSC resulted in a lower cost to customers than the  
19 continued cost of ownership.

20 That's what's reflected -- that's what's meant  
21 by that statement.

22 Q So, you don't have any particular number in  
23 mind when you refer to the total cost; is that your  
24 testimony?

25 A It's my testimony, as I said in direct, that

1 we won't know that total cost until the outcome of this  
2 rate case because one of the primary components of that  
3 cost is the cost of capital.

4 **Q Is your reference to total cost inclusive of**  
5 **any fuel costs?**

6 A Yes.

7 **Q Okay. As it -- you referenced the fixed**  
8 **tariffs by FSC. Is it your understanding that the cost**  
9 **of the fuel would be treated in accordance with that**  
10 **tariff?**

11 A I don't know.

12 **Q Would it be treated in accordance with the**  
13 **cost of a negotiated rate agreement entered into between**  
14 **FSC and FPL?**

15 A I believe that's the case, but that will be  
16 presented as part of the petition after this case. I'm  
17 not getting into the details of that in my rebuttal  
18 testimony.

19 **Q Well --**

20 A We're not asking the Commission to actually  
21 transfer it right now; just to entertain the idea so  
22 that, when we come back in January, we're not surprising  
23 everyone.

24 **Q Well, to make an informed decision, shouldn't**  
25 **the Commission have some notion about whether, for**

1 instance, fuel is included and how it might be  
2 calculated?

3 A They will have all that information when we're  
4 asking them to make a decision about the transfer.

5 Q Uh-huh. You had referenced the fixed tariffs  
6 between FSC and FPL. A pro forma version of that was  
7 contained in FSC's filing with the FERC, right?

8 A No, there has been nothing regarding this  
9 pipeline.

10 Q Okay. Is it your testimony, then, that the --  
11 whatever form of agreement was entered into between FSC  
12 and FPL and -- or proposed to be entered into between  
13 those two parties and attached to the FSC certificate  
14 application is not the form of agreement that would, at  
15 least, be the starting point for an arrangement  
16 regarding the Martin lateral?

17 A I don't know. Mr. Sundback, we'll file all of  
18 that when we decide to make a petition to the  
19 Commission.

20 Q You didn't -- you didn't consider whether, for  
21 instance, that would be a good starting place?

22 MR. BUTLER: Objection. Asked and answered.

23 CHAIRMAN BROWN: Yes, Mr. Sundback. Please  
24 move along.

25 MR. SUNDBACK: Okay.

1 BY MR. SUNDBACK:

2 Q Are you aware -- well, are you familiar with  
3 whether FSC's certificate application represented that  
4 there's more than 8,000 megawatts of new natural-gas-  
5 fired generation in Florida that's anticipated to be  
6 built in the coming decade?

7 MR. BUTLER: Objection. I don't think this  
8 goes to the scope of Mr. Barrett's rebuttal  
9 testimony.

10 CHAIRMAN BROWN: Mr. Sundback?

11 MR. SUNDBACK: Madam Chair, we just discussed  
12 with the witness his opinion that, by the transfer,  
13 we would have lower total costs and shift  
14 operational risks away from FPL. And when asked  
15 whether that would also deprive FPL's ratepayers of  
16 benefits of ownership of the pipeline, he said no.

17 And so, we're investigating that right now.  
18 This is a critical component of the benefits of  
19 owning an interstate pipeline. It's an effort to  
20 deprive ratepayers of over a hundred million  
21 dollars in benefits. And it's appropriate to be  
22 considered now, not down the line.

23 CHAIRMAN BROWN: Mr. Butler --

24 MR. BUTLER: Mr. -- Mr. Sundback has  
25 fundamentally misrepresented Mr. Barrett's

1 testimony. He seems to be persisting with the  
2 misunderstanding, we have it -- we don't have a  
3 contract or a tariff or anything else with FSC for  
4 this lateral. We don't have a sort of form that's  
5 intended to be that contract.

6 We are presenting a conceptual proposal here  
7 that, if the Commission feels we should go ahead,  
8 and if the numbers work after we see what the  
9 outcome of the rate case is, we would come back to  
10 you with that information.

11 CHAIRMAN BROWN: Okay.

12 MR. SUNDBACK: Madam Chair --

13 CHAIRMAN BROWN: Yes.

14 MR. SUNDBACK: -- I asked the witness whether  
15 this would also take benefits of ownership of the  
16 pipeline away from the ratepayers. And the witness  
17 could have said, I don't know, could have said,  
18 yes. Instead, he said no. We're entitled to  
19 challenge and test that.

20 CHAIRMAN BROWN: Okay. Thank you for the  
21 objection and thank you for the response.

22 Ms. Brownless.

23 MS. BROWNLESS: I appreciate where South  
24 Florida is coming from. And I do think the page  
25 and cite that they refer to on Page 7 about

1 customer savings and reduced operational risks over  
2 the life of the asset is so vague as to allow this  
3 testimony and these questions.

4 However, I guess I would urge Counsel to be  
5 more succinct in making his point. So, I guess I'm  
6 saying that, although I think it is relevant, I  
7 think he's almost beat this horse to death.

8 CHAIRMAN BROWN: Okay. And I appreciate the  
9 advice as well. Thank you.

10 Objection overruled.

11 Mr. Sundback, please take Counsel's -- our  
12 staff Counsel's advice to heart and move along as  
13 much as you can.

14 MR. SUNDBACK: Certainly, Madam Chair. Thank  
15 you. I believe there is a question pending.

16 CHAIRMAN BROWN: Can you restate it? Because  
17 I already forgot it. I don't know about the  
18 witness, but I've already forgot it.

19 BY MR. SUNDBACK:

20 **Q I believe the question was: Are you aware**  
21 **that FSC's certificate application to the FERC**  
22 **represent's that there is projected to be more than**  
23 **8,000 megawatts of new natural-gas-fired generation in**  
24 **Florida in the coming decade?**

25 MR. BUTLER: I'm going to reassert that



1 objection. That just has nothing do with  
2 Mr. Barrett's testimony on Page 25 or Page 8.

3 CHAIRMAN BROWN: Ms. Brownless?

4 MS. BROWNLESS: And I agree with that.

5 CHAIRMAN BROWN: Okay. Overruled -- I mean,  
6 sustained. Objection sustained.

7 Please move along, Mr. Sundback.

8 BY MR. SUNDBACK:

9 Q The Martin lateral doesn't have any  
10 compression on it, now, does it Mr. Barrett?

11 A I don't know.

12 Q Okay. You're aware that this Commission has  
13 stated that through-put volumes of selected projects are  
14 easily increased using compression, right?

15 A I don't know.

16 Q Okay. When you prepared your direct and  
17 rebuttal -- well, just your rebuttal testimony, did you  
18 ask anybody at FPL -- at FPL whether there were scale  
19 economies that could be associated with expanding the  
20 Martin lateral?

21 A No.

22 Q Okay. And you didn't prepare any calculation  
23 on your own of the scale-economy benefits of expanding  
24 the Martin lateral through compression additions, did  
25 you?

1 A Correct.

2 Q Okay. Presume the following hypothetical with  
3 me. You've got a total of -- total cost -- at Page 25,  
4 Line 8, of \$300 million for the Martin lateral.

5 You can add compression --

6 CHAIRMAN BROWN: Excuse me. Mr. Sundback, I  
7 don't see that figure that you are referencing on  
8 Page 25, Line 8.

9 MR. SUNDBACK: We're asking him to presume  
10 hypothetically that that's the number --

11 CHAIRMAN BROWN: Okay.

12 MR. SUNDBACK: Since he's not willing to take  
13 any particular number, we want to have an  
14 illustrative example. We're not saying it's --

15 CHAIRMAN BROWN: I just want to be clear.

16 MR. SUNDBACK: Yes. Thank you.

17 BY MR. SUNDBACK:

18 Q Let's presume that it's 300 million on a CPVRR  
19 basis and, if you add compression, it becomes, say,  
20 \$350 million total. Okay? You understand that?

21 A Yes.

22 Q Okay. Now, is it your proposal that the rate  
23 to FPL will be fixed in the contract with FSC?

24 A I don't know. I believe so, but we do not  
25 have a contract yet. We will come back in January with

1 a full proposal to be vetted and argued before this  
2 Commission and all of you fine friends.

3 Q Well, I'm sorry, Mr. Barrett. I thought you  
4 told me at the outset, when we first visited this  
5 phrase, that you would be getting a fixed tariff  
6 provided by FSC. That's the phrase I copied down. Is  
7 that not correct?

8 A That's my understanding, but we don't have  
9 anything yet.

10 Q Okay. Good. So, let's presume that you have  
11 a fixed-rate agreement with FSC.

12 MR. BUTLER: I object to the relevance of  
13 this. I mean, Mr. Barrett has said numerous times  
14 that we don't have the details. We're going to  
15 come back to you with them.

16 I don't see what exploring a hypothetical of  
17 one out of many, many possibilities of what those  
18 details might turn out to be is productive.

19 MR. SUNDBACK: Madam Chair --

20 CHAIRMAN BROWN: Just a second. My legal  
21 counsel has advised me that you have beat this  
22 subject matter a little much; is that -- is that a  
23 fair assessment?

24 MS. BROWNLESS: Yes, ma'am. And I would  
25 concur in the objection.

1 CHAIRMAN BROWN: Okay. Objection sustained.  
2 Please move along.

3 MR. SUNDBACK: Okay.

4 BY MR. SUNDBACK:

5 Q Let me -- let me see if I understand this from  
6 your proposal. You don't have a specific proposal --  
7 you don't have specific notion at this point when you  
8 were preparing your rebuttal testimony regarding how  
9 fuel would be treated for service on behalf of FPL on  
10 the Martin lateral; is that correct?

11 A That's correct. And if I could just -- maybe  
12 this will help. We have a whole fuels department that  
13 negotiates these contracts with interstate shippers --  
14 or with interstate pipelines. Sam Forrest heads that  
15 up. I understand he's not the witness on this issue in  
16 this case.

17 I'm fully confident that Mr. Forrest is going  
18 to -- to get the best deal for customers that he can  
19 when he negotiates with FSC for whatever this is that we  
20 bring forward in January -- so, I would defer all of the  
21 details to that to when we actually have the details and  
22 bring them back to this Commission.

23 MR. SUNDBACK: Thank you, Madam Chair.

24 Thank you, Mr. Barrett. Those are all of our  
25 questions.

1 CHAIRMAN BROWN: Okay. Moving on -- moving on  
2 to Retail Federation. Mr. Wright.

3 MR. WRIGHT: No questions. Thank you, Madam  
4 Chairman.

5 CHAIRMAN BROWN: FEA.

6 MR. JERNIGAN: Just a few questions, ma'am.

7 EXAMINATION

8 BY MR. JERNIGAN:

9 Q Mr. Barrett, could you pull out Exhibit 735  
10 and -- I'm hoping not to cause Mr. Moyle to push his  
11 button too often here, but I'm going to ask a couple of  
12 questions.

13 (Laughter.)

14 A I'm trying to find 735.

15 Q I believe that's your -- the errata sheet --

16 A Oh, yes.

17 Q -- that you provided.

18 A I have it.

19 Q Okay. My understanding is that several of  
20 these numbers that you have changed are with regards to  
21 the change of -- is it Mr. Smith's testimony; is that  
22 correct?

23 A It is.

24 Q Okay. And it's your understanding Mr. Smith's  
25 testimony was altered as the result of Mr. Pous'

1 **testimony not being entered into the record.**

2 A That's my understanding.

3 Q Okay. And I see roughly one, two, three,  
4 **four, five -- eight --**

5 MR. MOYLE: We would --

6 Q -- alternate -- alterations in this sheet.

7 A I'm --

8 CHAIRMAN BROWN: I'm sorry. There is a lot --

9 MR. MOYLE: That's --

10 CHAIRMAN BROWN: -- talking over each other.

11 And it's so hard for the court reporter to hear.

12 Mr. Jernigan, can you restate your question?

13 BY MR. JERNIGAN:

14 Q **And I see roughly eight alterations listed on**  
15 **the first page; is that correct?**

16 A I believe it's --

17 MR. MOYLE: We would like to object for the  
18 grounds that we've previously stated with respect  
19 to this change of testimony that's related to  
20 Mr. Pous.

21 CHAIRMAN BROWN: Thank you.

22 Objection overruled.

23 Please continue.

24 BY MR. JERNIGAN:

25 Q **When did you receive the information with**

1 regard to Mr. Smith's proposed alterations?

2 A Over the weekend. I don't recall when  
3 exactly.

4 Q Sometime over the weekend?

5 A I believe it was -- or maybe Monday. I -- I  
6 don't recall when the e-mail came across that had the --  
7 the updates.

8 Q Okay. Once you received it, how long did it  
9 take you to come up with what we have here with this  
10 errata sheet?

11 A A few minutes, half an hour.

12 Q A few minutes? And these are all calculations  
13 that you have made in the past and have done -- fairly  
14 familiar with and fairly quickly can repeat on your own,  
15 in your expertise, correct?

16 A I would say that most of these were just  
17 lifting these numbers and replacing with his numbers.  
18 I -- I believe the only calculation was the ones on  
19 Page 15, Lines 17, and 16, Line 1.

20 Q So, you didn't evaluate whether his  
21 calculations were correct.

22 A We looked through his calculation and  
23 determined that -- well, I should say that we accepted  
24 it as it -- as it was. It's his to validate, but we  
25 don't find any errors in his calculation, other than

1 what I discussed with Mr. Rehwinkel.

2 Q So, your evaluation of all of this -- how long  
3 did it take you total? You said a couple of minutes,  
4 but if you evaluated his process, I'm guessing that's  
5 not the case.

6 A I -- there were several of us all looking at  
7 it. And it probably took half an hour each --

8 Q So, several of you --

9 A -- kind of simultaneously.

10 Q -- half an hour -- all of which are very  
11 familiar with this information -- were able to produce  
12 this in about a half hour?

13 A And verify it and be ready to mark up my  
14 testimony. Maybe an hour. I really don't know. I'm  
15 just kind of guessing at this point.

16 MR. JERNIGAN: Okay. Thank you.

17 CHAIRMAN BROWN: Thank you, Mr. Jernigan.

18 Sierra Club, Ms. Csank.

19 MS. CSANK: Yes, Madam Chair, a few questions.

20 CHAIRMAN BROWN: Okay.

21 EXAMINATION

22 BY MS. CSANK:

23 Q Hello, Mr. Barrett.

24 A Hi.

25 Q Sir, you deny that FPL overestimates its



1 **expenses on Page 3 of your prefiled rebuttal testimony,**  
2 **Line 8?**

3 A I'm sorry? Page 3 -- where?

4 **Q Line 8.**

5 A I'm sorry. Page 3, Line 8 has the word "yes"  
6 on it in my prefiled rebuttal.

7 **Q I may have gotten the wrong side.**

8 (Examining document.) I think it may have  
9 been Page 8.

10 MS. BROWNLESS: Perhaps Lines 10 through 12?

11 MS. CSANK: Those would be the right lines.

12 Thank you.

13 BY MS. CSANK:

14 **Q So, we're on Page 8, Lines 10 through 12.**

15 A Okay.

16 **Q So, it's your testimony that FPL does not**  
17 **overestimate its expenses, correct?**

18 A My specific testimony says that FPL has --  
19 that I do not agree that we have a strong incentive to  
20 overestimate our forecasts.

21 **Q And you insist that the company's forecasted**  
22 **revenue requirements in 2017 and 2018 are reasonable and**  
23 **reliable on Pages 3 and 4 of your testimony?**

24 A Yes, I absolutely believe they are --

25 **Q You say these -- sorry. Please continue.**

1           A     I was just going to say that, I mean,  
2     particularly when you look at one of the largest  
3     expenses in our -- in our forecast, our non-fuel O & M,  
4     we are projecting for -- for the years '16, '17 -- first  
5     of all, 2015 was our best year ever in terms of our  
6     O & M performance per megawatt hour.

7                     We're projecting over '16, '17, and '18 an  
8     average of about 2-percent growth, which is compared to  
9     inflation of about 2-and-a-half percent. So, we're  
10    actually saying that we're going to beat inflation over  
11    the next few years. So, I don't have any way that -- I  
12    don't know any way anybody could characterize that as  
13    overestimating.

14           **Q     So, you say that the company's base revenue**  
15    **forecasts capture the work of internal-external, quote,**  
16    **unquote, subject experts; is that right?**

17           A     Can you point me to that?

18           **Q     That's Page 4, I believe Lines 19 to 21.**

19           A     Yes.

20           **Q     And management reviews and approves this work,**  
21    **using, in your words, a thorough process.**

22           A     Correct.

23           **Q     In fact, you were on the management team**  
24    **responsible for reviewing and approving the company's**  
25    **forecasted revenue requirements.**

1 A I am.

2 Q This includes the gas power plants and their  
3 costs that we previously discussed?

4 A It does.

5 MR. BUTLER: I'm going to object to this line  
6 of questions if it goes any further into specify --  
7 the specifics of the gas power plants. That was  
8 the topic addressed in some detail in Mr. Barrett's  
9 direct testimony and in cross of him, but it's not  
10 something that he addresses in his rebuttal  
11 testimony.

12 MS. CSANK: May I be heard?

13 COMMISSIONER EDGAR: You may.

14 MS. CSANK: Mr. Barrett, in his rebuttal  
15 testimony, avers that the company's forecasts at  
16 large with respect to the base-revenue requirements  
17 are reliable and reasonable. And so, I would  
18 submit that that's a pretty broad assertion and  
19 is --

20 COMMISSIONER EDGAR: I'll allow it.

21 MS. CSANK: Thank you.

22 BY MS. CSANK:

23 Q So, the cost that I just identified with  
24 respect to certain generation that we've previously  
25 discussed are among the primary drivers, in fact, of the

1     **company's revenue requirements in this case.**

2           A     Among, but not the majority.

3           Q     **And the Commission should have the benefit of**  
4     **reliable forecasts for those costs?**

5           A     Absolutely. And I believe they do.

6           Q     **And you're back on the stand today to help**  
7     **with that, to help assess the reliability of those**  
8     **particular costs?**

9           A     I'm sorry? I missed the first part of that.

10          Q     **Oh. You're back on the stand today to help**  
11     **with assessing the reliability of the company's**  
12     **forecasts with respect to those specific costs?**

13          A     With respect to the forecast in general.

14          Q     **Right.**

15          A     There were no specific costs that were  
16     rebutted or the subject of the intervenors that I was  
17     rebutting.

18          Q     **But it could be --**

19          A     It was the forecast process in general.

20          Q     **And as we identified at the top, the**  
21     **intervenors' contention is that FPL has certain**  
22     **incentives to overstate its expenses in future years.**

23          A     I've heard that.

24          Q     **Okay. Please turn to hearing Exhibit 404.**

25     **It's a discovery response that you sponsored. Do you**

1    **have that in front of you?**

2           A     I don't.  If you give me a moment, I might  
3    have that.

4           **Q     Please look.**

5           A     404?

6           **Q     Yes.  It's your response to staff**  
7    **Interrogatory No. 154.**

8           A     I have it.

9           **Q     You previously authenticated this response.**  
10    **And if it's before you, then, Pages 1 and 2 -- 1 through**  
11    **3 include your narrative response, and Attachment 1**  
12    **provides supplemental data and calculations that refer**  
13    **back to your Exhibit REB-9 or Hearing Exhibit No. 87.**  
14    **Are you with me?**

15          A     Up until that Hearing Exhibit 87 part.

16          **Q     Okay.  Well, subject to check, that's the**  
17    **hearing exhibit number.  I just wanted the record to be**  
18    **clear.**

19                   MR. BUTLER:  Are you referring to the hearing  
20                   exhibit number for one of his direct-testimony  
21                   exhibits?

22                   MS. CSANK:  Yes.

23                   MR. BUTLER:  Ah, okay.

24                   THE WITNESS:  Thank you.

25                   ///

1 BY MS. CSANK:

2 Q And Mr. Barrett, you recognize that response.

3 A I do.

4 Q It shows supplemental information on your  
5 CPVRR analysis for the gas-peaker projects, which we've  
6 discussed before. And I'll keep this brief.

7 A Okay.

8 Q And so that the record is clear, CPVRR  
9 stands for Cumulative Present Value Revenue  
10 Requirements, yes?

11 A Yes.

12 Q And your original CPVRR analysis looked at two  
13 scenarios; No. 1 is the base case continuing to operate  
14 FPL's 1970s-era gas turbines; and No. 2 is the company's  
15 preferred case, retiring 44 of those turbines and  
16 installing seven new combustion turbines instead?

17 A Correct.

18 Q Staff's discovery asked you to clarify and  
19 supplement your CPVRR analysis that we just described.  
20 And I want to focus you on three types of data that you  
21 provided staff.

22 No. 1 was the avoided replacement costs. And  
23 this, you would agree, includes cost to future parts  
24 required to maintain existing gas turbines, which are  
25 avoided, offset by the cost of future parts, required by

1 the new combustion turbines. Did I get that right?

2 A You did.

3 Q No. 2, in terms of data that you provided in  
4 this response are avoided fixed O & M, and this includes  
5 O & M costs of existing gas turbines avoided by the  
6 peaker upgrade project offset by O & M costs of the new  
7 combustion turbines; is that right?

8 MR. BUTLER: I'm going to object, again, to  
9 this line of questions. It's become pretty clear  
10 that what Ms. Csank is exploring is the details of  
11 the CPVRR analyses that were done to selective  
12 projects.

13 Mr. Barrett's rebuttal testimony is talking  
14 about the reasonableness of the company's, you  
15 know, test-year revenue-requirements forecast for  
16 rate-setting purposes. I think they are two  
17 different subjects.

18 COMMISSIONER EDGAR: Ms. Csank?

19 MS. CSANK: Commissioner Edgar, I would submit  
20 that this actually does refer to the company's  
21 overall base revenue requirements in the years 2017  
22 and 2018. And what I'm trying to explore with him  
23 is his contention that the company does not have an  
24 incentive to overstate its expenses. These are  
25 expenses that are part of that broader revenue

1 requirement to which he is testifying in his  
2 rebuttal -- in his rebuttal.

3 COMMISSIONER EDGAR: How many more questions  
4 do you have on this line?

5 MS. CSANK: Just a few more.

6 COMMISSIONER EDGAR: A few?

7 MS. CSANK: I -- I really do just have a few  
8 more. I just want to make a couple of points about  
9 this spreadsheet. It's not going to take long.

10 COMMISSIONER EDGAR: Okay. I'll allow it.

11 MS. CSANK: Thank you.

12 BY MS. CSANK:

13 Q So, I believe I had a pending question,  
14 Mr. Barrett, with respect to your definition of avoided  
15 fixed O & M?

16 A And you read it from the response. And I  
17 would agree with that.

18 Q Okay. And -- and same goes for fuel savings.  
19 The response -- the definition that you provided there  
20 is still accurate?

21 A Yes.

22 Q Okay. So, if you would, please turn to  
23 Attachment 1, the spreadsheet, itself. And you see  
24 there the third, fourth, and fifth columns across the  
25 top match the data categories we just identified:



1    **Avoided replacement costs, avoided fixed O & M costs,**  
2    **and fuel savings?**

3           A     Yes.

4           Q     And let's focus, I guess, first on the avoided  
5    replacement costs. Do you see the numbers there, the --  
6    Column A shows years ranging from 2015 throughout years  
7    all the way to 2047?

8           A     Yes.

9           Q     And so, under Column C, avoided replacement  
10   costs, the numbers appear to be negative between 2018  
11   and 2025; is that correct?

12          A     That's correct.

13          Q     And then --

14               MR. BUTLER: I'm going to renew my  
15   objection --

16          Q     -- they become positive?

17               MR. BUTLER: I'm going to renew my objection.  
18   The years she's asking about are all outside of the  
19   period of the test years that we're presenting in  
20   this case.

21               COMMISSIONER EDGAR: All outside the test year  
22   years, is that what you said?

23               MR. BUTLER: It is, yes. Sorry.

24               COMMISSIONER EDGAR: Ms. Csank?

25               MS. CSANK: This analysis is -- is part of the

1 calculations that underpin their 2017 and 2018  
2 analysis. So, because it's a CPVRR analysis, of  
3 course it's cumulative and it looks out beyond the  
4 test years, but it fundamentally informs what those  
5 test-year revenue requirements are that the company  
6 is presenting to the Commission.

7 And I just want to make a quick point on  
8 this -- this column and then we can move on.

9 CHAIRMAN BROWN: Okay.

10 MS. CSANK: Thank you.

11 MS. BROWNLESS: May I -- I -- may I just ask  
12 how this relates to the statement in the rebuttal  
13 testimony --

14 COMMISSIONER EDGAR: No.

15 MS. BROWNLESS: -- on Page 8?

16 COMMISSIONER EDGAR: Nope. Quick -- quick  
17 point and we're going to move on.

18 MS. CSANK: Quick point --

19 COMMISSIONER EDGAR: Yeah, and we're going to  
20 move on.

21 BY MS. CSANK:

22 **Q So, Mr. Barrett, could you just please explain**  
23 **why the numbers go from a negative number in 2025 to a**  
24 **positive number in 2026 and remain positive in that**  
25 **avoided replacement-cost column?**

1           A       Well, the negatives reflect savings because  
2       that represents the replacement parts for the old  
3       equipment that would be avoided when we replace it with  
4       the new equipment. And ultimately, we're going to have  
5       replacements on the new equipment as well. And that's  
6       when it turns positive.

7           **Q       So, you're projecting replacements on the**  
8       **retiring gas turbines all the way up to 2025?**

9           A       Yes, I believe that was the retirement date we  
10       had thought would be there.

11                   MS. CSANK: No further questions on this  
12       exhibit.

13                   I will turn to a different line, if I may.

14                   COMMISSIONER EDGAR: All right. All right.

15       BY MS. CSANK:

16           **Q       Mr. Barrett, you also defend the limited-scope**  
17       **adjustment for the Okeechobee 1600-megawatt combined**  
18       **cycle gas-burning power plant?**

19           A       Yes.

20           **Q       We'll just refer to that as the LSA for short.**

21           A       Very good.

22           **Q       And I just want to be clear on this because**  
23       **you were discussing with Mr. Moyle the way in which the**  
24       **LSA is proposed to coincide with the commencement of**  
25       **commercial operations of Okeechobee.**

1           So, is your proposal that this will go into  
2 effect in rates in January of 2019 or June of 2019?

3           A     It's -- it's whatever the commercial and  
4 service date is, which is currently projected as June of  
5 2019.

6           **Q     Okay. And Okeechobee is supposed to be**  
7 **supplied by the Sabal Trail pipeline; is that correct?**

8           MR. BUTLER: Object to that question. I think  
9 that's well beyond the scope of his rebuttal  
10 testimony.

11           COMMISSIONER EDGAR: Ms. Csank, I tend to  
12 agree.

13           MS. CSANK: Commissioner Edgar, his testimony  
14 is about the appropriateness of including a  
15 limited-scope adjustment in 2019. And the  
16 intervenors to whom he's responding specifically  
17 identify the uncertainties surrounding that unit  
18 coming on line and the associated costs. And so, I  
19 just have a couple of questions on that.

20           COMMISSIONER EDGAR: Ms. Helton?  
21 Ms. Brownless?

22           MS. BROWNLESS: Yes, ma'am. I'm looking at  
23 the rebuttal testimony that starts on Page 17 and  
24 goes to Page 18. And what appears to be addressed  
25 here is the issue of piecemeal, single-issue

1           ratemaking and the accuracy or reasonableness of  
2           the projections.

3           So, if Ms. Csank can tie her questions to  
4           those two pieces, which are what's in the rebuttal  
5           testimony, then I think that's appropriate.

6           COMMISSIONER EDGAR: Ms. Csank, can you do  
7           that?

8           MS. CSANK: I hope so. I'll try.

9           BY MS. CSANK:

10           **Q     So, is your point with respect to the LSA that**  
11           **it raises this asymmetry that you were referring to**  
12           **earlier in your testimony of the risk exposure to the**  
13           **company versus customers?**

14           A     Not specifically with -- related to the  
15           Okeechobee LSA. That was more the four-year proposal.  
16           The Okeechobee LSA is intended to be recognition that  
17           this is one asset. The costs are -- are fairly well  
18           able to be forecasted. It was -- a plant already  
19           approved by this Commission in the need-determination.

20                     And we're asking for a -- a base-rate increase  
21           for this single issue, the single item in 2019. It  
22           really had nothing to do with the discussion around  
23           asymmetry.

24           **Q     Okay. And in terms of the projected on-line**  
25           **date for Okeechobee, do you see any issues -- I know**

1 your testimony and your colleagues' testimony is that  
2 other gas plants have come in on time, but do you --  
3 does your proposal reflect any uncertainty or risk  
4 associated with the project not coming on line in 2019?

5 A No, this has just to do with the rate  
6 recovery, and we're asking for rate recovery when it  
7 does come on line.

8 MS. CSANK: Okay. No further questions.

9 Thank you.

10 COMMISSIONER EDGAR: All right. Thank you.

11 AARP?

12 MR. COFFMAN: Yes, just a couple.

13 COMMISSIONER EDGAR: Okay.

14 EXAMINATION

15 BY MR. COFFMAN:

16 Q Okay. Mr. Barrett, when I -- hello, again.

17 A Hi, Mr. Coffman.

18 Q When you were reading your pre-hearing  
19 statement, I just want to make sure I heard you right.  
20 You said that F- -- with regard to the multi-year rate  
21 plan that you were proposing, that FPL bears all the  
22 risk because consumers would face no -- no base-rate  
23 increase after the plan is approved, right?

24 A That's partly right. Basically I said, the  
25 company bears risk and the customer has protection.

1           Q     Okay.  And are you testifying the consumers  
2     face any risk with that plan that their rates might be  
3     higher than what would be justified down the road during  
4     that plan?

5           A     I'm -- I guess I would just rephrase the last  
6     answer I gave.  The rate -- the rate plan that we're  
7     requesting, if approved by this Commission, would be  
8     deemed appropriate for this future four-year period and  
9     there would be no other base-rate increases that the  
10    customer would face.

11          Q     No -- no other base-rate increases other than  
12    the 2017 rate increase and the piecemeal rate increase  
13    in 2019 for Okeechobee?

14          A     Correct.

15          Q     Okay.  And you don't believe the customers  
16    would be facing any risk that, for instance, say, in  
17    2019, that they wouldn't be benefiting from other things  
18    going on other than Okeechobee; say, merger savings or  
19    other significant rate or cost decreases due to expense  
20    reductions at that time?

21          A     I guess the way I would answer that,  
22    Commission, is what we have -- what I've tried to  
23    portray in my testimony is that there will be costs up  
24    and down during that period.  The protection for the  
25    customer is, if we were to, for instance, be very

1 successful in continuing to reduce our costs such --  
2 such that we got above the top of our range, any party  
3 could pull us in. The Commission could. Your clients  
4 could to -- to suggest a reduction in rates.

5 The Commission has established a band around  
6 what's an approved mid-point. And anywhere in that  
7 hundred basis points up or down is deemed reasonable.  
8 So, we would either be within that reasonable range of  
9 return or we would be facing a -- a petition by one of  
10 you to have our rates lowered.

11 **Q If this Commission shares the concern of**  
12 **intervenors that the Okeechobee adjustment is -- is**  
13 **piecemeal or maybe one-sided, would FPL be in agreement**  
14 **that there could also be other adjustments to offset it**  
15 **based on other reductions in expenses for the company at**  
16 **that point?**

17 A No, that's -- I don't believe that would be  
18 appropriate.

19 **Q I didn't think so.**

20 A That's not our proposal.

21 MR. COFFMAN: That's all I have.

22 COMMISSIONER EDGAR: Thank you.

23 Staff?

24 MS. BROWNLESS: No, ma'am. Thank you.

25 CHAIRMAN BROWN: Commissioners?



1 Redirect?

2 MR. BUTLER: Thank you.

3 FURTHER EXAMINATION

4 BY MR. BUTLER:

5 Q Mr. Barrett, regarding the very last questions  
6 you had from Mr. Coffman, I ask you to turn your -- turn  
7 to Page 17 in your testimony. On Page 17 of your  
8 testimony, you address the notion of the LSA being  
9 earnings-neutral. Do you see that?

10 A I do.

11 Q Does that address the concern that Mr. Coffman  
12 raised about single-issue ratemaking?

13 MR. SUNDBACK: We'll object to that one, Madam  
14 Chair. That's a -- it couldn't be a more specific  
15 leading question. He's directed him back to his  
16 testimony and asked whether it addresses the issue  
17 that was previously raised. A, it's cumulative if  
18 it's already --

19 CHAIRMAN BROWN: Mr. -- Mr. Butler, could you  
20 restate the question in a non-leading fashion?

21 MR. BUTLER: Right.

22 Are there --

23 MR. MOYLE: It's also beyond the scope of the  
24 cross.

25 CHAIRMAN BROWN: Overruled.

1 BY MR. BUTLER:

2 Q Are there mechanisms available with respect to  
3 the limited-scope adjustment proposal that would address  
4 Mr. Coffman's concern about single-issue ratemaking?

5 A Well, in addition to the overall earnings  
6 surveillance around the mid-point, the hundred basis  
7 points plus or minus, the mechanism, itself, would be  
8 used to set the return for Okeechobee at the mid-point,  
9 which would suggest that, if we were otherwise earning  
10 above the mid-point prior to its inclusion, we would be  
11 brought down towards the mid-point. Or if we were  
12 earning below the mid-point, we would be brought up  
13 towards the mid-point.

14 But it -- in and of itself, this particular  
15 adjustment cannot cause us to over-earn and, in fact, it  
16 is mid-point seeking.

17 MR. BUTLER: Thank you. That's all the  
18 redirect that I have.

19 CHAIRMAN BROWN: All right.

20 So, we're on to exhibits. And this witness  
21 has 326.

22 MR. BUTLER: Yes, we would move 326 into the  
23 record.

24 CHAIRMAN BROWN: Are there any objections to  
25 moving 326 into the record?

1           Seeing none, we'll go ahead and do that.

2           (Whereupon, Exhibit No. 326 was admitted into  
3 the record.)

4           MR. MOYLE: That wasn't the errata, right?

5           CHAIRMAN BROWN: That was not the errata. The  
6 errata is 735, Mr. Moyle. And we're holding off on  
7 that until tomorrow. And I hope you're using the  
8 time -- Thursday -- isn't tomorrow Thursday?

9           (Simultaneous speakers.)

10          CHAIRMAN BROWN: No. Oh, gosh.

11          (Laughter.)

12          736 through 738, Hospitals used.

13          MR. SUNDBACK: We would move those into the  
14 record at this time, Madam Chair.

15          CHAIRMAN BROWN: Any objection?

16          MR. BUTLER: None from FPL.

17          CHAIRMAN BROWN: Thank you. We will go ahead,  
18 then, and move 736 through 738 into the record.

19          MR. SUNDBACK: Thank you.

20          (Whereupon, Exhibit Nos. 736 through 738 were  
21 admitted into the record.)

22          CHAIRMAN BROWN: Would you like this witness  
23 excused?

24          MR. BUTLER: We would. And since this is  
25 rebuttal, we would ask that he be excused

1 completely and indefinitely.

2 THE WITNESS: Thank you.

3 CHAIRMAN BROWN: Lucky dog.

4 (Laughter.)

5 THE WITNESS: Thank you.

6 CHAIRMAN BROWN: Safe travels.

7 THE WITNESS: Thanks very much.

8 CHAIRMAN BROWN: Thank you.

9 All right. FPL, are you ready to call your  
10 next rebuttal witness?

11 MR. LITCHFIELD: We are, Madam Chair. But I  
12 want to bring something to the attention of the  
13 Commission and to Ms. Csank in particular. Next  
14 witness slated is Ms. Kennedy.

15 CHAIRMAN BROWN: Uh-huh.

16 MR. LITCHFIELD: And I was able to check to  
17 see where she was in process of reviewing her  
18 230-page deposition transcript. Recall that her  
19 depo was taken almost immediately prior to the  
20 start of these proceedings. She spent, I think,  
21 north of eight or nine hours -- several of which  
22 were with Ms. Csank. She is close to being  
23 finished, but not finished in going through the  
24 errata.

25 Our sense is -- and this is subject to

1 Ms. Csank's view, but our sense is that her --  
2 Ms. Kennedy's rebuttal testimony is limited to a  
3 couple of -- she's got two pieces of testimony --  
4 but limited to a couple of issues that weren't  
5 really traversed in the deposition.

6 So, if Ms. Csank is -- is able to move forward  
7 with Ms. Kennedy on that basis, we're fine  
8 presenting her. But we would defer to Ms. Csank.

9 CHAIRMAN BROWN: Ms. Csank?

10 MS. CSANK: That's fine.

11 CHAIRMAN BROWN: That's fine?

12 MS. CSANK: Yeah.

13 CHAIRMAN BROWN: Are you sure?

14 MS. CSANK: It's not ideal. I also wanted the  
15 record to reflect that we didn't have that at our  
16 disposal during the direct case, but -- but we can  
17 proceed.

18 CHAIRMAN BROWN: Okay.

19 MR. LITCHFIELD: Well, that -- keep in mind  
20 that, again, we can -- we can bring Mr. Forrest up  
21 out of order. And depending on how long that  
22 goes -- we certainly are going to have it completed  
23 this evening. So, I really would defer in turning  
24 to Ms. Csank. But I don't want any sort of  
25 preservation of rights here on the basis of moving

1 forward with her.

2 CHAIRMAN BROWN: And before you respond, it is  
3 my intention, hopefully, to get one more witness  
4 done before we recess for the evening.

5 So, Ms. Csank, are you -- obviously, I don't  
6 think Mr. Forrest would finish in time. Are you  
7 comfortable, with that understanding, moving  
8 forward with --

9 MS. CSANK: May I just ask a clarifying  
10 question, Madam Chair? So, is your intention to  
11 get through two witnesses this evening or one?

12 CHAIRMAN BROWN: One more.

13 MS. CSANK: In that case, if it doesn't  
14 prejudice the other parties, my preference would be  
15 to take Witness Forrest first, but if that doesn't  
16 work for others, that's --

17 CHAIRMAN BROWN: Do any of the parties have an  
18 objection to that?

19 Okay. We're going to take up Forrest, then.

20 MR. BUTLER: May we take a very short break?  
21 I am presenting Mr. Forrest --

22 CHAIRMAN BROWN: Yes.

23 MR. BUTLER: -- and needing that break.

24 CHAIRMAN BROWN: Yes.

25 MR. BUTLER: Thank you.

1 CHAIRMAN BROWN: Five-minute break.

2 MS. CSANK: Thank you very much, Madam Chair.

3 (Brief recess from 5:16 p.m. to 5:22 p.m.)

4 CHAIRMAN BROWN: Mr. Butler.

5 MR. BUTLER: Thank you, Madam Chair. Just to  
6 level set here, Mr. Forrest has two pieces of  
7 rebuttal testimony. One that was filed on July 8,  
8 2016, and the other on August 1, 2016; the first  
9 being in Docket 160088 on the incentive mechanism  
10 and the second being in Docket 160021, the rate-  
11 case docket. I'm going to just go ahead and  
12 introduce both of those at the same time, if that's  
13 okay.

14 CHAIRMAN BROWN: Please do.

15 MR. BUTLER: Thank you.

16 EXAMINATION

17 BY MR. BUTLER:

18 **Q Mr. Forrest, would you please state your name**  
19 **and business address for the record.**

20 A Yeah, Sam Forrest. Business address is 700  
21 Universe Boulevard, Juno Beach, Florida.

22 **Q By whom are you employed and in what capacity?**

23 A I'm the vice president of the energy marketing  
24 trading group with Florida Power & Light.

25 **Q So, you prepared and caused to be filed 25**

1 pages of rebuttal testimony with respect to FPL's  
2 proposed incentive mechanism in Docket No. 160088?

3 A Yes.

4 Q Have you also prepared and caused to be filed  
5 six pages of prepared rebuttal testimony with respect to  
6 FPL's rate request in Docket No. 160021?

7 A Yes.

8 Q On August 16, 2016, FPL filed an errata sheet  
9 for your incentive mechanism rebuttal testimony. Beyond  
10 those filed errata, do you have any other changes or  
11 revisions to either your incentive mechanism or rate-  
12 case testimony?

13 A No, I do not.

14 Q So, with those changes, if I asked you the  
15 questions contained in your incentive mechanism and  
16 rate-case rebuttal testimony, would your answers be the  
17 same?

18 A Yes, they would.

19 MR. BUTLER: Madam Chair, I would ask that  
20 Mr. Forrest's prepared incentive mechanism and  
21 rate-case rebuttal testimonies be inserted into the  
22 record as though read.

23 CHAIRMAN BROWN: We will insert Mr. Forrest's  
24 incentive prefiled rebuttal testimony and rate-case  
25 rebuttal testimony into the record as though read.



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(Prefiled rebuttal testimonies inserted into  
the record as though read.)

**ERRATA SHEET****WITNESS: SAM FORREST – REBUTTAL TESTIMONY (FILED JULY 8)**

<b><u>PAGE #</u></b>	<b><u>LINE #</u></b>	<b><u>CHANGE</u></b>
20	9	Change “\$0.97/MWh” to “\$0.65/MWh” and “\$0.97” to “\$0.65”
20	10	Change “\$1.94” to “\$1.30”
20	11	Both instances change “\$0.97” to “\$0.65”

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## I. INTRODUCTION

**Q. Please state your name and business address.**

A. My name is Sam Forrest. My business address is Florida Power & Light Company (“FPL”), 700 Universe Boulevard, Juno Beach, Florida 33408.

**Q. Did you previously submit direct testimony in this proceeding?**

A. Yes.

**Q. What is the purpose of your rebuttal testimony?**

A. The purpose of my testimony is to rebut the testimony of the Office of Public Counsel (“OPC”) witness David E. Dismukes and the South Florida Hospital and Healthcare Association (“SFHHA”) witness Lane Kollen. Specifically, I will rebut witness Dismukes’ inaccurate assertions that: (1) the evidence provided by FPL does not show that the Incentive Mechanism has been successful; (2) FPL has provided no compelling information on the extent to which customers will benefit from the continuation of the Incentive Mechanism; (3) FPL has developed generation capacity that will offset the UPS contracts; (4) the Incentive Mechanism can lead to inappropriate incentives for the over-development of capacity resources; and (5) the Incentive Mechanism has anti-competitive market implications. I will also address witness Dismukes’ recommendation that FPL’s proposal should be spun-off into a separate proceeding.

1 Further, I will rebut witness Kollen's assertions that FPL's proposal to net  
2 economy sales and purchases for purposes of calculating variable power plant  
3 operating and maintenance ("O&M") costs results in the enhanced recovery of  
4 these "non-fuel" costs, that are already included in the base revenue  
5 requirement, through the Fuel Clause. I will also rebut witness Kollen's  
6 assertion that wholesale power sales should be excluded from the proposed  
7 modified Incentive Mechanism. Finally, I will rebut the assertions by both  
8 witness Dismukes and witness Kollen that short-term power purchases should  
9 be excluded from the proposed modified Incentive Mechanism.

10

11 In my rebuttal testimony, I will refer to the Incentive Mechanism that was  
12 approved by Order No. PSC-13-0023-EI as the "initial Incentive Mechanism"  
13 and the Incentive Mechanism proposed in Docket No. 160088-EI as the  
14 "proposed modified Incentive Mechanism." I will use the unmodified term  
15 "Incentive Mechanism" to refer to FPL's asset optimization program in  
16 general, whether current or future.

17

18

## II. SUMMARY

19

20 **Q. Please summarize your rebuttal testimony.**

21 A. My rebuttal testimony demonstrates that witnesses Dismukes and Kollen raise  
22 no legitimate objections to the proposed modified Incentive Mechanism.  
23 Rather, in their zeal to find fault they overlook the substantial benefits that the

1 Incentive Mechanism has generated for customers and the potential for it to  
2 continue to provide substantial benefits.

3  
4 Over the three-year period from 2013 through 2015, FPL has delivered  
5 additional benefits to customers of nearly \$22 million under the initial  
6 Incentive Mechanism, through its incentives for expanding asset optimization  
7 activities. The overall success of the initial Incentive Mechanism has been  
8 clearly demonstrated through numerous filings in the Fuel Clause docket and  
9 through testimony and the discovery process in this proceeding. FPL's  
10 proposed reduction to the "Customer Savings Threshold" of \$10 million is  
11 warranted due to the expiration of the Unit Power Sales ("UPS") contracts,  
12 under which FPL was able to realize slightly more than \$10 million in benefits  
13 per year. While renewal of the UPS contracts on the terms offered by  
14 Southern Company was not economically attractive for FPL overall, the  
15 expired contracts offered unique market advantages for optimization activities  
16 and cannot be duplicated with capacity additions on FPL's system. Finally,  
17 FPL's share of the initial Incentive Mechanism benefits has not been  
18 unreasonable, unjust, or excessive. In fact, the share of benefits to FPL has  
19 been, in total, only 0.5% higher under the initial Incentive Mechanism as  
20 compared to the prior sharing mechanism, yet the magnitude of total  
21 optimization dollars delivered is up nearly 23%, resulting in significant  
22 incremental benefits for customers.

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### III. INCENTIVE MECHANISM PERFORMANCE

**Q. Witness Dismukes asserts on page 13 of his testimony that customers were better off under the 2009 through 2011 incentive regime because they received over \$202.8 million in wholesale power gains and savings as compared to the \$102.2 million they received in total benefits under the initial Incentive Mechanism from 2013 through 2015. Is this a valid conclusion?**

A. Absolutely not. The comparison that witness Dismukes makes is disingenuous and misleading. For his comparison to have any validity, one would have to assume that all of the factors that drive the wholesale power market and FPL's ability to participate in the power market have remained unchanged since 2009, resulting in the same outcome year after year. This is a nonsensical assumption that reflects a lack of understanding of the practical realities and drivers of the wholesale market. The primary factors that drive the wholesale power market include weather, FPL's generation mix, other market participants' generation mix, FPL's unit outages, other market participants' unit outages, fuel prices, and transmission limitations. These factors change constantly. At a minimum, FPL's system is markedly different today than it was six years ago. Therefore, comparing the gains and savings of FPL's wholesale power transactions from 2009 through 2011 to the total benefits from 2013 through 2015 is a completely irrelevant and misleading exercise.

1 FPL has never contended that the Incentive Mechanism could create  
2 wholesale power opportunities where they wouldn't otherwise exist. Those  
3 opportunities are predominately driven by market conditions outside of FPL's  
4 control. What the Incentive Mechanism can do, and has done, is to create  
5 additional incentives for FPL to search out every opportunity for gains within  
6 the market conditions as they exist. For example, witness Dismukes fails to  
7 mention that the volume of MWh FPL traded from 2013 through 2015  
8 increased nearly 24% over the volume traded from 2009 through 2011. While  
9 the volume of MWh traded is also a function of market conditions to some  
10 degree, it is also influenced by FPL's active engagement in pursuing available  
11 opportunities. FPL's entry into the PJM and MISO markets, which I will  
12 discuss later in my testimony, is a clear example of this active engagement.

13 **Q. On page 22 of his testimony, witness Dismukes asserts that he does not**  
14 **view FPL's performance under the initial Incentive Mechanism as a**  
15 **success. Do you agree with this conclusion?**

16 **A.** No. In fact, the assertion is baffling. The information provided on Exhibit  
17 SAF-1 (pages 1 through 4), attached to my direct testimony in Docket No.  
18 160088-EI, contradicts his assertion and clearly demonstrates the success of  
19 the initial Incentive Mechanism. Overall, customers received nearly \$22  
20 million in additional benefits under the initial Incentive Mechanism over the  
21 2013 through 2015 time period. This is clear proof that the program has  
22 delivered added value for customers, just as FPL and the Florida Public

1 Service Commission (“Commission”) envisioned when it was approved in  
2 2012.

3 **Q. Witness Dismukes asserts on page 25 of his testimony that the initial**  
4 **Incentive Mechanism program lacks many characteristics that comprise**  
5 **a well-managed, well-executed asset management program. Do you agree**  
6 **with this characterization of the initial Incentive Mechanism?**

7 A. No. While FPL has never characterized the Incentive Mechanism as an asset  
8 management plan, it has all of the characteristics that witness Dismukes  
9 claims are the hallmark of a well-managed and well-executed asset  
10 management program. Upon implementation of the initial Incentive  
11 Mechanism, FPL fully vetted and analyzed all aspects of the program  
12 including accounting, risk management, reporting, regulatory filings, deal  
13 entry, entry into new markets, and optimization strategies to develop a clear  
14 set of processes and guidelines. This analysis provided the foundation for  
15 FPL to continue achieving its primary goal of delivering the most reliable fuel  
16 supply to its customers at the lowest possible cost and then, once native load  
17 requirements have been met, to try to derive additional value from assets that  
18 aren’t being fully utilized at a particular time. Furthermore, FPL has  
19 evaluated third party management services and entered into several Asset  
20 Management Agreements that provided the most cost-effective method of  
21 optimizing a portion of idle natural gas transportation capacity. At the same  
22 time, however, FPL has been able to derive the majority of value through its  
23 own trading activities, which allows us to retain a greater share of the asset



1 management benefits for customers. The results of the initial Incentive  
2 Mechanism show that FPL has delivered over \$32.9 million of customer  
3 benefits from measurable improvements in the increased utilization of its  
4 natural gas assets.

5

#### 6 **IV. ADEQUACY OF INFORMATION PROVIDED BY FPL**

7

8 **Q. On page 16 of his testimony, witness Dismukes asserts that there has been**  
9 **little formal data and information collected or provided on the workings,**  
10 **performance, and policy implications of the Incentive Mechanism. Do**  
11 **you agree with this assertion?**

12 A. No. When the initial Incentive Mechanism was evaluated as part of the  
13 settlement issues in the 2012 rate case, FPL provided direct testimony,  
14 rebuttal testimony, and responses to over 100 interrogatories and document  
15 requests. SFHHA witness Kollen provided both direct and rebuttal testimony  
16 in support of the initial Incentive Mechanism and OPC witness Daniel filed  
17 direct testimony in opposition to it. There are over 200 transcript pages of  
18 live testimony from witness Kollen, witness Daniel, and myself. The initial  
19 Incentive Mechanism was one of four specific issues from the proposed  
20 settlement agreement that were identified for separate, individualized “public  
21 interest” findings. After considering the extensive record of prefiled  
22 testimony, exhibits and cross-examination, the Commission concluded that the  
23 initial Incentive Mechanism was in the public interest as a pilot program. See

1 Order No. PSC-13-0023-S-EI, at pages 6-7. The Florida Supreme Court  
2 affirmed that order in all respects.

3

4 In support of the proposed modified Incentive Mechanism, I have provided  
5 direct testimony and this rebuttal testimony and FPL has filed responses to  
6 more than 135 interrogatories (including subparts), four documents requests,  
7 and nine requests for admissions in this proceeding.

8 **Q. You noted that the Commission approved the initial Incentive**  
9 **Mechanism as a pilot program. Has FPL provided information in the**  
10 **Fuel Clause docket for the last four years that has allowed the initial**  
11 **Incentive Mechanism's performance as a pilot program to be evaluated?**

12 A. Yes. FPL has filed testimony and exhibits related to performance data and  
13 O&M costs in the 2013, 2014, 2015, and 2016 Fuel Clause docket. More  
14 specifically, testimony and information has been provided in FPL's 2013,  
15 2014, and 2015 Final True-up filings and FPL's 2014, 2015, and 2016  
16 Projection filings. Additionally, FPL has provided information related to the  
17 initial Incentive Mechanism as part of the annual Fuel Clause audit process  
18 conducted by Commission Staff. The initial Incentive Mechanism has been  
19 reviewed as part of the 2014, 2015, and 2016 annual audits.

20

21

1 **Q. Do you agree with witness Dismukes' assertion on page 16 of his**  
2 **testimony that the parties have not been afforded an appropriate amount**  
3 **of time to examine the issues surrounding the Incentive Mechanism?**

4 A. No. Witness Dismukes apparently finds fault with the nine weeks that parties  
5 have had to conduct discovery and evaluate the proposed modified Incentive  
6 Mechanism. He also asks the Commission to note that the initial Incentive  
7 Mechanism was evaluated over "only" a three-month period. While both  
8 proceedings have provided ample opportunity to examine the issues, as  
9 evidenced by the amount of information that FPL has provided, witness  
10 Dismukes fails to mention that the parties have also had roughly three and  
11 one-half years to evaluate the initial Incentive Mechanism.

12  
13 As I stated previously, in addition to the information provided and evaluated  
14 in the 2012 rate case settlement proceedings and this proceeding, FPL has  
15 provided a voluminous amount of information related to the Incentive  
16 Mechanism in various filings in the Fuel Clause docket. OPC is a party to the  
17 Fuel Clause docket and has had ample opportunity to analyze, review and  
18 evaluate all aspects of the Incentive Mechanism. Finally, the initial Incentive  
19 Mechanism was approved as a four-year "pilot" program with an option to  
20 review at the end of two years. If at that time, it was determined that the  
21 program was not providing the benefits that were anticipated or the program  
22 was not satisfactory, the "pilot" program could be terminated. OPC did not

1 raise any issues regarding the initial Incentive Mechanism at the two-year  
2 mark.

3 **Q. Witness Dismukes further recommends on pages 17 and 18 of his**  
4 **testimony that FPL’s proposal should be moved to a separate proceeding**  
5 **due to the lack of information provided by FPL, insufficient review time,**  
6 **consistency with the Commission’s previous evaluation of issues with**  
7 **similar, industry-affecting magnitude, and because the initial Incentive**  
8 **Mechanism was not found specifically to be in the public interest? Do**  
9 **you agree with his recommendation?**

10 A. No. I have previously shown that all of these arguments lack merit. In view  
11 of the voluminous information that has been provided, coupled with the ample  
12 time for review, there is simply no need for a separate proceeding to evaluate  
13 FPL’s proposal. I cannot imagine what additional meaningful and necessary  
14 information could be gathered in a separate proceeding that hasn’t already  
15 been provided, reviewed and evaluated.

16

## 17 **V. REPLACEMENT OF UPS CONTRACTS**

18

19 **Q. On page 22 of his testimony, witness Dismukes asserts that FPL is**  
20 **proposing to lower its threshold targets by eliminating the \$10 million**  
21 **“stretch” goal from the initial Incentive Mechanism, suggesting that it is**  
22 **doing so because the program did not meet FPL’s margin expectations.**

1           **Is this an accurate assessment of the proposed \$10 million reduction in**  
2           **the threshold?**

3       A.    No. First, FPL is not proposing to eliminate the “stretch” goal that was  
4           included in the initial Incentive Mechanism. As described in my direct  
5           testimony in this proceeding, the initial Incentive Mechanism threshold was  
6           comprised of a \$36 million “Customer Savings Threshold” and an incremental  
7           \$10 million “stretch goal” that represented the additional value that FPL was  
8           seeking to create for its customers through expanding its optimization  
9           activities. Under the proposed modified Incentive Mechanism, the \$10  
10          million “stretch goal” remains and continues to represent the additional value  
11          that FPL seeks to create through its expanded optimization activities.

12  
13          FPL is proposing to lower the “Customer Savings Threshold” to \$26 million,  
14          to account for the expiration of the UPS contracts. Optimization of the UPS  
15          contracts and the associated transmission capacity delivered, on average,  
16          \$10.5 million per year in benefits from 2013 through 2015. Therefore, FPL  
17          has proposed to lower the “Customer Savings Threshold” from \$36 million to  
18          \$26 million. In total, under the proposed modified Incentive Mechanism,  
19          customers will receive 100% of the benefits up to \$36 million.

20  
21          As far as witness Dismukes’ suggestion that the existing Incentive Mechanism  
22          has not met margin expectations, nothing could be further from the truth.  
23          Over the first three years of the program, FPL was under the threshold in year

1 one, over the threshold in year two, and essentially at the threshold in year  
2 three. Said differently, FPL averaged \$46.4 million per year over the three-  
3 year period, demonstrating that the \$46 million combined threshold was  
4 appropriate in that time frame. Lowering what has been an appropriate  
5 threshold by \$10 million to account for the expiration of the UPS contracts  
6 and associated transmission capacity that, on average, delivered \$10.5 million  
7 per year in benefits is a logical and appropriate adjustment.

8 **Q. Witness Dismukes asserts on pages 22 and 23 of his testimony that FPL's**  
9 **collective capacity additions over the next five years should put FPL in**  
10 **the position of replacing the lost UPS capacity (plus 100 MW) from which**  
11 **it can make additional economy energy sales. He goes on to state that,**  
12 **due to these collective capacity additions, the expiration of the UPS**  
13 **contracts does not serve as a meaningful rationale for reducing the**  
14 **sharing threshold by \$10 million. Do you agree with these assertions?**

15 A. No. I will first point out that witness Dismukes' math is incorrect regarding  
16 his assertion that FPL will have a net 100 MW of additional capacity. Table  
17 ES-1 in FPL's 2016 Ten Year Site Plan shows net capacity changes in the  
18 summer of 2016 of 1,280 MW and net capacity changes in the summer of  
19 2017 of (465 MW).<sup>1</sup> The combination of these two numbers results in net  
20 capacity additions in the summer of 2017 of 815 MW. Removing 928 MW

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<sup>1</sup>[http://www.floridapsc.com/Files/PDF/Utilities/Electricgas/TenYearSitePlans/2016/Florida%20Power%20and%20Light.pdf?bcsi\\_scan\\_fd86d3dd427d821e=m9tbeWyhe8oYnceClAjHp5MsKd1JAAAA8HJuIg==&bcsi\\_scan\\_filename=Florida%20Power%20and%20Light.pdf](http://www.floridapsc.com/Files/PDF/Utilities/Electricgas/TenYearSitePlans/2016/Florida%20Power%20and%20Light.pdf?bcsi_scan_fd86d3dd427d821e=m9tbeWyhe8oYnceClAjHp5MsKd1JAAAA8HJuIg==&bcsi_scan_filename=Florida%20Power%20and%20Light.pdf)

1 for the expiration of the UPS contracts will result in a net capacity *reduction*  
2 of 113 MW between the summer of 2015 and the summer of 2017, rather than  
3 the 100 MW increase claimed by witness Dismukes.

4  
5 Moreover, evaluating the \$10 million reduction in the “Customer Savings  
6 Threshold” based on MW additions and subtractions completely misses the  
7 point and shows that OPC has ignored FPL’s response to discovery that  
8 addressed this topic (i.e., OPC’s First Set of Interrogatories Asset  
9 Optimization No. 6, Docket Nos. 160021-EI and 160088-EI). Simply put, the  
10 UPS units provided significant optimization opportunities because of their  
11 location on the Southern Company transmission system. This location  
12 resulted in a substantial advantage for capturing economy sales opportunities  
13 in the SERC market and beyond. FPL was able to sell directly into the SERC  
14 market without incurring additional costs for transmission service, as it would  
15 when making sales from units located on FPL’s system.

16  
17 The location of the UPS units also helped avoid potential transmission  
18 limitations that would have restricted wheeling power from FPL’s system into  
19 the SERC market. For example, during periods of extreme cold weather in  
20 the winter of 2014, the demand for power was very high in the SERC region  
21 but FPL was not able to sell, at times, all of the excess power from its own  
22 system into the SERC market because the available transmission capacity to  
23 move power from FPL’s system to the SERC market was already fully

1 utilized. FPL was, however, able to sell power directly into the SERC market  
2 from the UPS units and effectively increase its economy sales volume.  
3 Additionally, the firm transmission service that FPL procured to deliver the  
4 UPS energy to FPL's system for serving native load, could be redirected to  
5 other delivery points on Southern's system when it was not required for FPL's  
6 system needs. Redirecting this transmission service at no cost allowed FPL to  
7 be competitive in making wholesale power sales to other locations tied to the  
8 Southern Company system. Moreover, FPL was able to optimize the  
9 transmission service itself, by reselling to third parties when it was not  
10 required for its own load or to make sales. These optimization activities no  
11 longer exist with the expiration of the UPS contracts and associated firm  
12 transmission service. No other asset in FPL's portfolio offers these unique  
13 characteristics and no new units are planned that will.

14 **Q. Given the unique characteristics and advantages that the UPS contracts  
15 provided, why didn't FPL renew the contracts with Southern Company?**

16 A. While the UPS contracts did offer significant optimization opportunities, the  
17 renewal terms of the UPS contracts were not favorable overall for FPL's  
18 customers and, therefore, FPL did not renew the contracts.

19

## 20 VI. INCENTIVES FOR POWER SALES AND PURCHASES

21

22 **Q. Witness Kollen asserts on pages 8 and 9 of his testimony that it is  
23 inappropriate to provide an incentive to make economy purchases and**



1           **sales because FPL has a prudence obligation to do so without an**  
2           **incentive. Witness Dismukes asserts on page 5 of his testimony that**  
3           **incenting utilities for purchasing lower cost electricity is antithetical to**  
4           **the philosophical underpinnings of utility regulation because part of a**  
5           **utility’s obligation to serve is to provide least-cost service and failure to**  
6           **do so should represent grounds for imprudence. Do you agree with these**  
7           **assertions?**

8    A.    No. Witnesses Kollen and Dismukes misunderstand both the statutory duties  
9           of utilities in providing service and the intent of the Incentive Mechanism.  
10          Contrary to their assertions, utilities do not have a statutory obligation to  
11          provide “least-cost service.” The obligation of FPL and every other utility  
12          regulated by the Commission is to provide service at rates that are fair, just  
13          and reasonable. It is entirely appropriate to incent utilities to strive toward  
14          increasing their cost efficiency and otherwise to find innovative ways to  
15          improve customer value. The intent of the Incentive Mechanism is to provide  
16          this incentive for FPL to go above and beyond in “shaking the trees” to find  
17          additional value for customers. FPL’s entry into the PJM and MISO markets  
18          demonstrates that point exactly. Participation in these new markets has  
19          provided the opportunity for FPL to capture additional value for customers,  
20          with nearly \$2.1 million in additional benefits delivered from 2014 through  
21          2015.

22

1           Regarding witness Dismukes' argument that the savings from power  
2           purchases should not be included in the Incentive Mechanism, there is no  
3           logical rationale for that position. The savings from purchases and the gains  
4           from sales result in the same dollar for dollar reduction to overall fuel costs  
5           for customers. Furthermore, both types of transactions require marginal cost  
6           modeling, communicating and negotiating with counterparties, submitting  
7           transmission service requests, submitting data electronically showing the flow  
8           of power, and capturing transaction data for risk management and accounting  
9           purposes, thus putting purchases and sales on equal footing. There is simply  
10          no difference in the activities required to execute power purchases and power  
11          sales.

12       **Q.    On page 5 of his testimony, witness Kollen states that prior to FPL's 2012**  
13       **rate case settlement, there was no calculation of the savings generated**  
14       **from power purchases? Is this assertion correct?**

15       A.    No, witness Kollen is wrong. FPL has been calculating and filing the savings  
16       associated with economy purchases on a monthly basis on Schedule A9 in the  
17       fuel docket for at least 17 years.

18       **Q.    On page 4 of his testimony, witness Kollen asserts that the proposed**  
19       **modified Incentive Mechanism will result in excessive, unjust, and**  
20       **unreasonable rates and provide unnecessary and inappropriate incentives**  
21       **for activities that already are required of a prudent utility. Do you agree**  
22       **with this assertion?**

1 A. No. The initial Incentive Mechanism has delivered the results that were  
2 envisioned by not only FPL and the Commission, but also by witness Kollen  
3 himself. He made the following observation in his testimony filed in FPL's  
4 2012 rate case to support the initial Incentive Mechanism, "This expansion of  
5 the existing sharing mechanism will not harm customers, but has the potential  
6 to substantially benefit customers." Looking only at FPL's gas asset  
7 optimization activities, customers have received a "substantial" benefit, in the  
8 form of an additional \$22 million over the three-year period from 2013  
9 through 2015. FPL's share of the overall benefits under the new mechanism  
10 was 9.8% as opposed to the 9.3% that FPL would have received under the  
11 prior incentive mechanism. This 0.5% increase, or roughly \$2.9 million in  
12 FPL's benefits, could not be reasonably seen as excessive, unjust, or  
13 unreasonable. In fact, when the net incremental value provided to customers -  
14 - nearly \$22 million -- is taken into consideration, the change in structure from  
15 the prior incentive mechanism is clearly justified.

16

17 **VII. RECOVERY OF VARIABLE POWER PLANT O&M**

18

19 **Q. In reference to FPL's proposal to net economy sales and purchases for**  
20 **purposes of calculating variable power plant O&M expenses, witness**  
21 **Kollen asserts on page 10 of his testimony that if there are net economy**  
22 **purchases, FPL will add the "avoided" expense to the net "gain" that is**  
23 **allocated between customers and FPL. Do you agree with this assertion?**

1 A. No. The calculations of net gains that can potentially be shared between  
2 customers and FPL will only include the savings associated with each  
3 wholesale power purchase. Variable power plant O&M will not be included.  
4 For wholesale power sales gains, the amount that is reflected in net gains  
5 available for sharing will be adjusted to remove variable power plant O&M  
6 expenses, just as it is today under the initial Incentive Mechanism. This  
7 methodology ensures that variable power plant O&M expenses are not part of  
8 the sharing calculation. For example, assuming a variable power plant O&M  
9 cost of \$0.97/MWh, if FPL sells one MWh (incurs \$0.97 in O&M) and  
10 purchases two MWh (avoids \$1.94 in O&M), customers will receive a net  
11 benefit of \$0.97. This \$0.97 net benefit will be passed through to customers  
12 and will not be shared even if FPL surpasses the sharing thresholds.

13 **Q. Witness Kollen also states on pages 10 and 11 of his testimony that FPL’s**  
14 **proposal to net economy sales and purchases for purposes of calculating**  
15 **variable power plant O&M provides enhanced recovery through the Fuel**  
16 **Clause because such costs already are included in the base revenue**  
17 **requirement. Do you agree with this assertion?**

18 A. No. As I explained in my direct testimony, for the 2017 and 2018 test years  
19 included in FPL’s rate case filing, FPL did not include economy sales or  
20 economy purchases in the base rate forecast. Therefore, these costs are not  
21 already included in the base revenue requirement. Additionally, FPL’s  
22 “netting” proposal provides a much fairer and straightforward approach for

1 both customers and FPL as only the O&M costs actually incurred (or saved)  
2 will be passed through (or credited) to customers.

3 **Q. Do you agree with witness Kollen's assertion on pages 11 and 12 of his**  
4 **testimony that "base O&M fossil overhaul" costs are not reasonable and**  
5 **appropriate for inclusion in the variable power plant O&M rate because**  
6 **they are not variable and will be incurred regardless of the output from**  
7 **the Company's owned generation?**

8 A. No. This type of cost was approved for recovery by the Commission under  
9 the initial Incentive Mechanism. As further discussed in the rebuttal  
10 testimony of FPL witness Roxane Kennedy in this docket, those costs vary  
11 correspondingly with system generation. Recall that, as stated in my direct  
12 testimony, FPL did not forecast any net wholesale sales in developing its  
13 power plant O&M forecast for the test years. FPL made, on average, about  
14 1.7 million MWh of net wholesale sales per year for the period 2013-2015.  
15 Witness Kennedy explains that, if the net wholesale sales are anywhere near  
16 those levels in future years, FPL's base O&M fossil overhaul costs will be  
17 higher than forecast. FPL's customers benefit from the gains on the wholesale  
18 sales, and so it is entirely fair and reasonable for FPL to continue recovering  
19 from customers the added costs of making those wholesale sales.

20

21

22

1 **VIII. IMPACT OF INCENTIVE MECHANISM ON CAPACITY**

2 **DECISIONS**

3

4 **Q. Do you agree with witness Dismukes' assertion beginning on page 27 of**  
5 **his testimony that FPL's initial Incentive Mechanism and its proposed**  
6 **modified Incentive Mechanism leads to overcapacity incentives?**

7 A. No. Witness Dismukes' assertion fails at two levels. First, it ignores the  
8 extensive process that the Commission has in place to ensure that capacity  
9 additions are needed to serve customers. Generation capacity additions must  
10 go through a rigorous need determination process in order to get Commission  
11 approval. Pipeline capacity additions, such as the most recent significant  
12 expansion of Sabal Trail/FSC, were closely evaluated in a separate docket and  
13 approved by the Commission. To be clear, FPL has not and will not add  
14 "unnecessary" capacity to create opportunities for asset optimization.

15

16 Second, his assertion shows a complete lack of understanding of how FPL  
17 optimizes the utilization of its system. The simple fact is that optimization  
18 opportunities exist within FPL's current portfolio, as evidenced by the results  
19 of the existing Incentive Mechanism. FPL adds capacity, whether generation  
20 assets or gas assets, when it is necessary to meet peak conditions, including a  
21 suitable reserve margin. Inherently, there will be times that these assets are  
22 not fully utilized because peak conditions do not occur 24 hours per day, 365  
23 days per year. Asset optimization opportunities arise in non-peak conditions,

1 when FPL's assets are not being fully utilized to meet customer demand. This  
2 program is not about having excess peak capacity. The success of the  
3 program is derived from the existence of market opportunities during non-  
4 peak times when idle capacity exists. There is no need for FPL to overbuild in  
5 order for this program to work to the benefit of its customers.

6

7

### IX. MARKET IMPLICATIONS

8

9 **Q. Do you agree with witness Dismukes' assertion on page 35 of his**  
10 **testimony that FPL's initial Incentive Mechanism and its proposed**  
11 **modified Incentive Mechanism allows FPL to participate in wholesale**  
12 **commodity markets in ways that differ from other market participants?**

13 **A.** No. Witness Dismukes clearly does not understand trading in the wholesale  
14 commodity markets. He seems to believe that the market is comprised of  
15 companies that have invested in assets to facilitate participation in the  
16 wholesale commodity markets and that they must price their sales differently  
17 so as to recover the investment that was made in the asset. That simply is not  
18 true. The market is comprised of many entities, from marketers to end-users.  
19 The evaluation of whether an investment should be made in an asset for the  
20 sole purpose of participating in the wholesale commodity markets, to  
21 ultimately recover the investment and earn a return on the investment, must  
22 include an analysis of whether forecasted market pricing would accomplish  
23 this goal. However, once the investment is made, short-term (economy) sales

1 made from that asset would be executed at any level above variable cost and  
2 the fixed cost of the asset becomes irrelevant. In the case of firm gas  
3 transportation, if the market would always pay a price equivalent to the full  
4 demand charge plus variable costs plus a margin, there would be no  
5 competitive market, as each entity would simply buy firm transportation to  
6 meet its needs. Market prices reflect what participants are willing to pay at a  
7 given time, and each participant prices accordingly, including FPL. The entry  
8 of FPL into the gas market has enhanced competition within the market.  
9 Increased competition within the market creates a “win-win” situation for all  
10 market participants.

11

## 12 X. COMBINING DISSIMILAR INCENTIVES

13

14 **Q. Do you agree with witness Dismukes’ proposal to implement “one,**  
15 **broader composite incentive” as he suggests on pages 25 and 26 of his**  
16 **testimony?**

17 A. No. Little purpose would be served by trying to consolidate all incentive  
18 mechanisms into one comprehensive program. The different incentive  
19 mechanisms encourage different behaviors and are appropriately addressed  
20 separately so that the parties can focus on FPL’s performance with respect to  
21 each of those different behaviors. The Incentive Mechanism incents strong  
22 performance in the management of its fuel and purchased power  
23 responsibilities. The Generation Performance Incentive Factor (“GPIF”)



1           incent strong performance in operating FPL’s generation fleet. Finally, the  
2           ROE adder FPL has proposed in this case would incent strong performance  
3           throughout the organization, most notably in areas that aren’t measured by  
4           either the Incentive Mechanism or the GPIF. There is little overlap in the  
5           different incentives to suggest combining them would be appropriate.

6

7

## XI. JURISDICTIONAL POLICY ISSUES

8

9   **Q.    On pages 37 through 40 of his testimony, witness Dismukes expresses**  
10   **jurisdictional policy concerns regarding the Incentive Mechanism. Do**  
11   **you agree with these concerns?**

12   A.    No.    Witness Dismukes claims that natural gas transactions under the  
13    Incentive Mechanism go beyond optimizing FPL’s core electrical generation,  
14    transmission, and production assets. However, natural gas transportation  
15    contracts and natural gas storage contracts are, in fact, core components of  
16    utility operations and these costs have been recovered from customers through  
17    the Fuel Clause for decades. The Incentive Mechanism provides the vehicle  
18    for FPL to optimize the use of those assets in order to reduce overall fuel costs  
19    for customers.

20   **Q.    Does this conclude your rebuttal testimony?**

21   A.    Yes.

1 **Q. Please state your name and business address.**

2 A. My name is Sam Forrest. My business address is Florida Power & Light  
3 Company (“FPL”), 700 Universe Boulevard, Juno Beach, Florida 33408.

4 **Q. Please describe your educational background and professional  
5 experience.**

6 A. I hold a Bachelor of Science in Electrical Engineering from Texas A&M  
7 University and a Masters of Business Administration from the University of  
8 Houston. Prior to being named Vice President of EMT for FPL in 2007, I was  
9 employed by Constellation Energy Commodities Group as Vice President,  
10 Origination. In this capacity, I was responsible for managing a team of power  
11 originators marketing structured electric power products in Texas, the Western  
12 United States, and Canada. Prior to my responsibilities in the West, I was  
13 responsible for Constellation’s business development activities in the  
14 Southeast U.S.

15

16 Before joining Constellation, from 2001 to 2004, I held a variety of energy  
17 marketing and trading management positions at Duke Energy North America  
18 (“DENA”). Prior to DENA, I was employed by Entergy Power Marketing  
19 Corp. (“EPMC”) in several positions of increasing responsibility, including  
20 Vice President – Power Marketing following EMPC’s entry into a joint  
21 venture with Koch Energy Trading.

22

1 Prior to my entry into the energy sector, I was involved with a successful  
2 start-up organization in the automotive industry from 1996 to 1998. From  
3 1987 to 1996, I worked for AlliedSignal Aerospace at the Johnson Space  
4 Center in Houston, Texas, in increasing roles of responsibility.

5 **Q. Please describe your duties and responsibilities in your current position.**

6 A. I am responsible for the overall direction and management of the EMT  
7 Business Unit, which handles FPL's short-term and long-term fuel  
8 management and operations. These fuels include natural gas, residual and  
9 distillate fuel oils, and coal. Additionally, EMT is responsible for FPL's fuel  
10 hedging program, long-term fuel transportation and storage contracts, power  
11 origination activities and short-term power trading and operations. EMT is an  
12 active participant in the short-term and long-term natural gas markets  
13 throughout the Southeastern United States.

14 **Q. Please summarize your rebuttal testimony.**

15 A. My rebuttal testimony addresses the assertions of OPC witness Lawton that  
16 FPL's lower bills are a direct result of lower natural gas prices. I will  
17 demonstrate the investments made by FPL in more efficient generation have  
18 contributed significantly to the lower bills FPL's customers are experiencing  
19 today.

20 **Q. On page 14 of his testimony, OPC witness Lawton states that FPL's**  
21 **"lower rates are a direct result of historically low natural gas prices."**

22 **Would you like to address this comment?**

1 A. Yes, I would. Lower gas prices certainly have had a positive effect on  
2 customer bills generally in electric utility industry, including FPL's. That  
3 appears to be the only conclusion that interests OPC witness Lawton, but it is  
4 far from the entire picture and completely ignores the fact that FPL has taken  
5 proactive steps to improve the efficiency of the system which has resulted in  
6 significantly less fuel being used – representing real savings for customers at  
7 whatever the cost of fuel. FPL had the foresight to expand our natural gas  
8 fleet with highly efficient generation, reducing the amount of fuel required for  
9 total generation, reducing our dependence on expensive foreign oil, and  
10 ultimately allowing us to take advantage of favorable gas prices which  
11 reduced bills to customers. Not all utilities have done so, and certainly few  
12 utilities initiated conversion projects as early and as consistently as FPL.  
13 Thus, even with lower natural gas prices, not all utilities are realizing the full  
14 range of customer savings that FPL has realized for customers, explaining in  
15 part the wide margin in FPL total bills relative to other utilities in Florida and  
16 compared to the national average, as FPL witness Cohen has described.

17 **Q. Please reference testimony in this case that witness Lawton appears to**  
18 **have ignored in reaching his conclusion.**

19 A. Page 8 of FPL witness Kennedy's direct testimony describes the dramatic  
20 21% improvement in generating efficiency between 2001 and 2015 that FPL's  
21 fossil fleet has achieved as a result of the Company's investments. This  
22 efficiency improvement represents more than half a billion dollars of fuel cost  
23 savings in 2015 alone. Had 2015 fuel prices been higher, the savings would

1 have been even greater. Simply stated, no matter how fuel prices vary, FPL  
2 customers would logically always have lower fuel charges with FPL's  
3 generating efficiency improvements than they would without those  
4 improvements.

5 **Q. Have lower natural gas prices led to lower bills for all utilities?**

6 A. No. As demonstrated by Witness Cohen's Exhibit TCC-9, the typical 1000-  
7 kWh residential customer bill for FPL has gone from \$108.61 in 2006 to  
8 \$93.38 as of January 2016 - a 14% *reduction*. By contrast, the average of the  
9 Southeast comparison group in that exhibit has gone from \$92.45 in 2006 to  
10 \$115.07 - a 24% *increase*. Looking at it on a national basis provides similar  
11 results; with the national average up to \$132.12 - a 24% *increase* since 2006.  
12 These same utilities are the beneficiaries of lower natural gas prices, just like  
13 FPL. As stated in the response to Staff's Fourth Set of Interrogatories, No.  
14 133: "Other companies within the industry presumably had opportunities to  
15 make strategic investments in clean burning, natural-gas fired generation  
16 facilities, but did not. Others did, even if on a later timeline than FPL;  
17 however, most if not all of them would be reflected in the national and  
18 statewide metrics against which FPL still compares favorably. These  
19 comparisons confirm that not all utilities with similar fuel mixes are achieving  
20 the same results." It is because of FPL's commitment to smart investments  
21 and modernization of our generating fleet that our customers have saved  
22 billions of dollars and have electric bills that are among the lowest in the  
23 nation. FPL's typical residential bill is the lowest in the state of Florida, 20%

1 below the Florida average and 30% below the national average. This is a  
2 significant accomplishment – one that has provided tremendous value for our  
3 customers.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes.



1 A Yes, I would.

2 Q And is any portion of that material  
3 confidential?

4 A Not on the CD, no.

5 MS. BROWNLESS: Thank you, sir.

6 CHAIRMAN BROWN: Thank you.

7 Mr. Butler?

8 MR. BUTLER: Thank you. I would tender -- I'm  
9 sorry. Not yet. I would ask the witness to  
10 summarize his incentive mechanism and rate-case  
11 rebuttal testimonies.

12 THE WITNESS: On the incentive mechanism  
13 first, good afternoon, Madam Chairman,  
14 Commissioners. The intervenor witnesses have  
15 raised no legitimate objections to the proposed  
16 modified incentive mechanism.

17 Rather, they attempt to find fault in the  
18 program while overlooking the substantial benefits  
19 that it has generated for customers since its  
20 implementation as well as the potential it has to  
21 continue providing benefits.

22 OPC Witness Dismukes asserts that he does not  
23 view FPL's performance under this incentive  
24 mechanism as a success. This is simply baffling.  
25 Over the three-year period, from 2013 through 2015,



1 even by conservative measures, FPL has delivered  
2 additional benefits to customers of nearly \$22  
3 million under the incentive mechanism by virtue of  
4 its incentives for expanding asset-optimization  
5 activities.

6 The overall success of the incentive mechanism  
7 has been clearly demonstrated through numerous  
8 filings in the Fuel Clause docket and through  
9 testimony and the discovery process in this  
10 proceeding.

11 In short, the incentive mechanism has worked  
12 just as the Commission and FPL envisioned when it  
13 was approved back in 2012.

14 FPL's proposed reduction to the customer-  
15 savings threshold of \$10 million is appropriate due  
16 to the expiration of the Southern Company, UPS  
17 contracts under which FPL was able to realize  
18 slightly more than \$10 million in benefits per  
19 year. Renewal of the UPS contracts was not  
20 economically attractive for FPL's customers because  
21 the cost outweighed the economic benefits.

22 Nonetheless, while the UPS contracts were in  
23 effect, they offered unique opportunities for  
24 optimization activities and cannot be duplicated by  
25 the subsequent capacity additions that have been

1           made on FPL's system.

2           Witnesses Kollen and Dismukes claim FPL has a  
3           statutory obligation to provide least-cost service.  
4           In fact, the obligation of FPL and every other  
5           utility regulated by the Commission is to provide  
6           service as -- rates that are fair, just, and  
7           reasonable.

8           It is entirely appropriate to incent utilities  
9           to find innovative ways to improve customer value.  
10          Intent of the incentive mechanism is to provide  
11          this incentive for FPL to go above and beyond in  
12          shaking the trees to find additional value for  
13          customers. I believe the mechanism has done just  
14          that.

15          Finally, FPL's share of benefits under the  
16          incentive mechanism has been reasonable and fully  
17          in line with FPL's sharing under the prior  
18          mechanism. In fact, FPL's share of benefits under  
19          the incentive mechanism has been within a half  
20          percent of what it would have been under the prior  
21          sharing mechanism while the total optimization  
22          benefits delivered are up nearly 23 percent.

23          This is a significant incremental benefit for  
24          our customers and is compelling evidence that the  
25          incentive mechanism should be continued with the

1 modifications proposed by FPL.

2 This concludes my summary on the rate-case  
3 rebuttal.

4 Again, good afternoon. It is true that lower  
5 gas prices have had a positive effect on customer  
6 bills generally in the electric utility industry,  
7 including FPL's. It also appears to be the only  
8 conclusion that interests OPC Witness Lawton.

9 However, it is far from the entire picture and  
10 completely ignores the proactive steps FPL has  
11 taken to improve the efficiency of our generating  
12 system, improvements which have resulted in  
13 significantly less fuel being used. In fact,  
14 between 2001 and 2015, FPL has seen a 21-percent  
15 improvement in generating efficiency, which  
16 represents real savings for customers.

17 According to FPL Witness Kennedy's testimony,  
18 this efficiency improvement represents more than  
19 half a billion dollars of fuel-cost savings in 2015  
20 alone. And had 2015 fuel prices been higher, the  
21 savings would have been even greater.

22 The bottom line is no matter how fuel prices  
23 vary, FPL customers would logically always have  
24 lower fuel charges with -- with FPL's generating  
25 efficiency improvements than they would have

1 without those improvements.

2 Keep in mind that FPL had the foresight to  
3 expand our natural gas fleet with highly-efficient  
4 generation, reducing the amount of fuel required to  
5 serve customer load, reducing our dependence on  
6 expensive foreign oil, and ultimately allowing us  
7 to take advantage of favorable gas prices, which  
8 reduced bills to customers.

9 Not all utilities have taken our path and,  
10 certainly, fuel utilities initiated conversion  
11 projects as early and as consistently as FPL.  
12 Thus, even with lower natural gas prices, most  
13 utilities are not realizing the full range of  
14 savings that FPL has realized for our customers.

15 This explains, in part, the wide gap between  
16 FPL's total bills and those of the other utilities  
17 in Florida. It is because of FPL's commitment to  
18 smart investments and the modernization of our  
19 generating fleet that our customers have saved  
20 billions of dollars and have electric bills that  
21 are among the lowest in the nation.

22 And this concludes my summary.

23 MR. BUTLER: Thank you, Mr. Forrest.

24 I tender the witness for cross-examination.

25 CHAIRMAN BROWN: Thank you.

1 And good evening, Mr. Forrest.

2 THE WITNESS: Good evening.

3 CHAIRMAN BROWN: Office of Public Counsel.

4 MS. CHRISTENSEN: Thank you. Good evening.

5 We have some exhibits to pass out.

6 CHAIRMAN BROWN: All right. Thank you.

7 Would you like them marked at this time or  
8 would you like to wait?

9 MS. CHRISTENSEN: I think I would prefer to  
10 wait as we use them.

11 (Discussion off the record.)

12 MS. CHRISTENSEN: Okay. I think, if we  
13 could -- Madam Chair, if you're ready for me to  
14 begin, I will.

15 CHAIRMAN BROWN: Oh, absolutely. Yeah. Go  
16 ahead.

17 MS. CHRISTENSEN: Okay.

18 EXAMINATION

19 BY MS. CHRISTENSEN:

20 Q I think if we could, I would start with your  
21 August 1st testimony first, since the packet of  
22 information relates to that testimony.

23 Now, Mr. Forrest, you are the -- responsible  
24 for FPL's fuel management and operations; is that  
25 correct?

1           A     That is correct, yes.

2           Q     And you would agree that -- I think it's about  
3     69 percent of FPL's fleet uses natural gas -- natural  
4     gas, correct?

5           A     Roughly, yes.

6           Q     I would ask you to look at the handout for the  
7     Henry Hub natural gas spot prices for 1997 through 2015.

8           CHAIRMAN BROWN: All right. Just a second.

9           MS. CHRISTENSEN: And if we could have that  
10     marked.

11          CHAIRMAN BROWN: Okay. Hold on one second,  
12     please.

13          MS. CHRISTENSEN: Should have been the one on  
14     top.

15          CHAIRMAN BROWN: So, the one I have is Henry  
16     Hub natural gas spot prices \$2.75.

17          MS. CHRISTENSEN: That would be the second one  
18     in the packet.

19          The first one in the packet should have been  
20     U.S. Energy Information Administration --

21          CHAIRMAN BROWN: Okay. I had them reversed.  
22     U.S. Energy Information Administration?

23          MS. CHRISTENSEN: Correct, Henry Hub natural  
24     gas spot prices 1997 through 2015.

25          CHAIRMAN BROWN: We're going to mark that as

1           you just identified as Exhibit 739.

2                   (Whereupon, Exhibit No. 739 was marked for  
3           identification.)

4                   CHAIRMAN BROWN: Mr. Forrest, do you have a  
5           copy of that in front of you?

6                   THE WITNESS: I do, yes.

7                   CHAIRMAN BROWN: Okay.

8           BY MS. CHRISTENSEN:

9                   **Q     And are you familiar with the Henry Hub  
10           natural -- natural gas spot prices as part of your  
11           position; is that correct?**

12                  A     Yes.

13                  **Q     And would you agree that, from 2006 through  
14           2016, which is what is represented on this graph, the  
15           natural gas prices -- natural gas price trend has  
16           declined?**

17                  A     Generally speaking, yes, I agree.

18                  **Q     Okay. And would you agree -- and I'm  
19           referring to the chart at the bottom that, in 2006, the  
20           price for Henry Hub natural gas price was \$6.73 per  
21           million BTU. Would you agree? It's under year six.**

22                  A     For 2006, yes, I would.

23                  **Q     And then would you also agree that the high  
24           gas price was 2008. And that was \$8.86 per million BTU,  
25           correct?**

1 A Yes, that's what the chart says. Yes.

2 Q Okay. Great. And looking at the 2015 natural  
3 gas price, that was \$2.62 per million MMB -- MM -- I'm  
4 going to get this right -- BTU; is that correct?

5 A That is correct. It has certainly been  
6 volatile. Yes, it has.

7 MS. CHRISTENSEN: Okay. Now, looking at the  
8 second exhibit -- and we can ask that -- to have  
9 that marked Henry Hub natural gas spot price, \$2.75  
10 USD for MMBTU for August 15th, 2016. Can --

11 CHAIRMAN BROWN: We will mark that as  
12 Exhibit 740 as you identified.

13 MS. CHRISTENSEN: Great.

14 (Whereupon, Exhibit No. 740 was marked for  
15 identification.)

16 BY MS. CHRISTENSEN:

17 Q And you're familiar with the Henry Hub market  
18 spot prices, correct?

19 A Yes, I am.

20 Q And would you agree that the Henry Hub market  
21 spot price for August 15th, 2016, was \$2.75?

22 A Yes, that's what the chart says. Yes.

23 Q Okay. Now, can you tell me what the impact of  
24 a dollar-per-MCF change in gas prices on a cust- -- on a  
25 customer bill, a typical one-thousand-kWh-use customer



1 **bill would be?**

2 A Is that with respect to August 15th or is  
3 that --

4 Q If you can -- if you need to use that number,  
5 we can use that as the reference number, then. What  
6 would the impact at a change from a dollar -- from \$2.75  
7 USD to, let's say, \$3.75. What would be that dollar  
8 change, the delta, on a thousand-kWh usage --

9 A I guess -- I guess I'm just clarifying. Are  
10 you talking about one day or a year or what's the --

11 Q Well, let's say over a year.

12 A Roughly speaking, we would burn 600 billion  
13 cubic feet of gas. We're projected to burn that this  
14 year, just a little bit north of that. So, a one-dollar  
15 change across the entire year would be about  
16 \$600 million.

17 Q Okay. And do you have any idea how much, over  
18 the year, that would impact a one-thousand-kilowatt-  
19 usage customer bill?

20 A I could give you a rough estimate. Certainly,  
21 I think Witness Cohen probably could give you a specific  
22 number. But roughly speaking, it would be somewhere in  
23 the neighborhood of about \$6 on a typical residential  
24 bill per month or \$72 per year.

25 Q Okay. And that's fine.

1 A Those are -- those rough estimates, so --

2 Q **And that's fine.**

3 Would you agree -- I think you discussed in  
4 your -- in your summary about the change in technology  
5 for FPL's system. Would you agree that FPL has replaced  
6 or reconditioned a significant amount of its older,  
7 more-inefficient units since 2000?

8 A Since the year 2000?

9 Q **Yes.**

10 A Yes. We've installed new combined cycle  
11 facilities as well as replaced or modernized a number of  
12 our steam-fired generators.

13 Q **Okay. And would you also agree that newer  
14 generation units are more efficient than older units?**

15 A Generally speaking, I would agree with that.

16 Q **Okay. And would you also agree that a  
17 reasonable and prudent utility manager, when replacing  
18 or reconditioning units, will look to select the most  
19 efficient units available and appropriate for the sites?**

20 A Again, that's not my particular area of  
21 expertise, but generally speaking, yes, I agree with  
22 you.

23 Q **Okay. Let me now turn your attention to the  
24 incentive-mechanism rebuttal testimony.**

25 Mr. Forrest, are you familiar with the direct

1 testimonies of Dr. Dismukes and Mr. Kollen filed in this  
2 docket regarding the modification and extension of FPL's  
3 incentive mechanism?

4 A Yes, I am.

5 Q All right. Now, let me turn your attention to  
6 Page 16, Line 22, and then --

7 A This is on my testimony?

8 Q This is on your rebuttal testimony --

9 A Okay.

10 Q -- starting on Page 16, Line 22, and you go  
11 through to Page 18, Line 11. And that testimony -- you  
12 state that: Utilities do not have a statutory  
13 obligation to provide least-cost service.

14 Do you see that excerpt that I'm referring to?

15 A Yes, I do.

16 Q Okay. And by this statement, are you  
17 referring to Dr. Dismukes' testimony that the incentive  
18 for off-system purchases runs counter to the quid pro  
19 quo policy underlying the Commission's fuel and purchase  
20 power cost recovery programs?

21 A I'm not say- -- I guess I don't fully  
22 understand the quid-pro-quo aspect of it. I'd say,  
23 generally speaking, you know, our obligation is to try  
24 to provide the lowest-cost dispatch on our economic  
25 generation as we can.

1           And then our job -- what's in the energy  
2 market and trading group is to try to optimize kind of  
3 around the margin both through economy purchases and  
4 sales.

5           **Q     Okay. So, is that testimony also intended to**  
6 **rebut Mr. Kollen's testimony that the company has a**  
7 **prudence obligation to make economic purchases when the**  
8 **cost is less than dispatching its own generation units?**

9           A     I think -- no, I'm not disputing that. I  
10 think, generally speaking --

11          **Q     Okay.**

12          A     -- that we do absolutely that. We are very  
13 active in the market and do our best to try and procure  
14 energy as cheaply as we can when we can around the  
15 margin.

16          **Q     So, if I'm understanding your testimony here**  
17 **today, you agree that FPL is obligated to make economic**  
18 **purchases when it's less than it -- its costs to**  
19 **dispatch its own generating units.**

20          A     No, I guess I would maybe disagree with it.  
21 The obligation or the prudence obligation -- we don't  
22 have an obligation to participate in the wholesale  
23 markets. We -- we do participate in the wholesale  
24 markets to try and bring as much benefit as we can to  
25 our customers, but I don't believe there is a statutory

1 obligation for us to do so.

2 Q Okay. But to the extent that FPL chooses to  
3 participate in the wholesale market, would you agree,  
4 then, you would have an obligation, if you're already  
5 participating in the wholesale market, to look for the  
6 least-cost option, if that's available?

7 A Yes, and we do.

8 Q Okay.

9 A And we do, absolutely, every day look for the  
10 least-cost option or look for an opportunity to make  
11 sales around our -- our marginal units.

12 Q Okay. And also on Page 17, Lines 11 through  
13 13, you state that: FPL and every other utility  
14 regulated by the Commission is provided service at rates  
15 that are fair, just, and reasonable; is that correct?

16 A That is correct.

17 Q And is it your testimony that there is a  
18 difference that exists between the service at a fair,  
19 just, and reasonable rate and a least-cost service?

20 A I -- well, I guess I would maybe dispute the  
21 fact that there is a least-cost obligation in the fair,  
22 just, and reasonable standard.

23 Q Okay. And is it -- so I'm understanding, is  
24 it your testimony that FPL's statutory obligation is to  
25 provide service at a -- fair, just, and reasonable rates

1     **is the most that its ratepayers can expect from FPL**  
2     **without incentives?**

3           A     No. I think that there are certainly ranges  
4     of --

5           **Q     Okay.**

6           A     Of performance within sort of that -- that --  
7     that statutory obligation of fair, just, and reasonable.  
8     And I think that, you know, when we go out to try and  
9     find, you know, the most optimal dispatch that we can  
10    from an economic-dispatch perspective, we were looking  
11    for opportunities to try and bring as much value to our  
12    customers as we can. And there are ranges of  
13    performance within that output, though.

14          **Q     Okay.**

15          A     There are certainly ranges that -- that  
16    deliver value to customers, but there is no such thing,  
17    I think, totally as least-cost service. There's a lot  
18    of operational constraints that work into all of this  
19    that we -- that we deal with on a daily basis.

20          **Q     Okay. And I think you agreed with me earlier,**  
21    **but it is not your testimony today that purchasing**  
22    **economic energy at market prices when that market price**  
23    **is less than FPL's cost to generate an equivalent amount**  
24    **of energy is beyond FPL's statutory obligation to**  
25    **provide service.**

1 MR. BUTLER: I don't know that I understood  
2 the question. Is not beyond --

3 THE WITNESS: I would ask you --

4 MS. CHRISTENSEN: I think, based on his  
5 earlier response -- and I just want to get  
6 clarification. He's not testifying here today that  
7 it's beyond FPL's statutory obligation that, when  
8 you are participating in the marketplace for  
9 wholesale energy purchases, and there is a market  
10 price that's less than FPL's cost to generate an  
11 equivalent amount of energy, that it would not be  
12 under FPL's statutory obligation to purchase that  
13 energy.

14 CHAIRMAN BROWN: Okay.

15 MS. CHRISTENSEN: I just want to make sure  
16 we're clear.

17 MR. BUTLER: Do you understand the question,  
18 Mr. Forrest?

19 THE WITNESS: Not -- not entirely.

20 MR. BUTLER: It's a triple negative, I think.

21 CHAIRMAN BROWN: Well, let me -- can you clean  
22 up that question?

23 MS. CHRISTENSEN: I'll try to ask it in the  
24 positive and then we'll see where we go with that.

25 CHAIRMAN BROWN: Okay.

1 BY MS. CHRISTENSEN:

2 Q Is it your testimony that purchasing economic  
3 energy at market prices when the market price is less  
4 than FPL's cost to generate an equivalent amount of  
5 energy is beyond's FPL's statutory obligation to provide  
6 that service?

7 A Yes, that's my understanding.

8 Q Okay. To your -- to the best of your  
9 knowledge, does FPL make every reasonable effort to  
10 comply with the Commission's rules?

11 A Yes, it is.

12 Q Okay. Let me ask you this: Do you have --  
13 and I think I may have handed out -- do you have a copy  
14 of Dr. Dismukes' testimony in front of you?

15 CHAIRMAN BROWN: You did hand that out and --  
16 do you want that identified right now as an  
17 exhibit?

18 MS. CHRISTENSEN: I don't know that we need to  
19 since Dr. Dismukes' testimony was entered into the  
20 record. It was more for witness convenience --

21 CHAIRMAN BROWN: Okay.

22 MS. CHRISTENSEN: -- and for the convenience  
23 of the participants here today.

24 BY MS. CHRISTENSEN:

25 Q Let me refer to you Page 46, Lines 13 through



1 17 of his testimony. And I believe we've passed out an  
2 expert -- excerpt -- excuse me -- of Dr. Dismukes'  
3 testimony for your convenience.

4 And in that -- in his testimony, he states:  
5 The Commission expects each public utility, as part of  
6 its obligation to serve, to test the market prior to  
7 proposing any new generation resources through a request  
8 for proposals. That's RFP process. In addition,  
9 Footnote 62 references Rule 25-22.082(4).

10 Do you see that statement in his testimony?

11 A Yes, I do.

12 Q Okay. Now, turning to -- your attentions to  
13 Lines 15 through 17 on that same page, he also states  
14 that: The underlying principle in these rules is that  
15 the utility needs to assert whether or not there is a  
16 lower-cost alternative in the market before adding  
17 capacity; is that correct?

18 A Yes, that's what it says.

19 Q Okay.

20 A I think it also pertains to the long-term  
21 purchase of -- or building of generating assets to serve  
22 reliability needs over the long term.

23 Q Okay. So, when FPL seeks to add any long-term  
24 capacity, a check of the market is required by  
25 Commission rule, but a market check is not required when

1 **FPL is determining its resource dispatch order for the**  
2 **next, hour, day, et cetera.**

3 Is that an accurate statement?

4 A Yes, that's what I believe. In -- in terms  
5 of -- of how we look at the dispatch of our system, we  
6 look at economic dispatch really as our own generating  
7 resources that are available to us, either if they're  
8 owned by us or by -- through some power purchase  
9 agreement where we actually dispatch rights to that  
10 particular asset.

11 That is very different than economy purchases,  
12 which are basically purchased on the margin. They are  
13 non-firm. They are as available. Very -- very  
14 different than going out and buying long-term resources  
15 that have a capacity-backed system, which would provide  
16 some reliability to us.

17 **Q But you would agree that checking the market**  
18 **when FPL is determining its resource dispatch order for**  
19 **the next hour, next day would be a prudent and**  
20 **reasonable thing for FPL to do.**

21 A I would -- I would say it's a reasonable thing  
22 to do and we certainly do participate in that market on  
23 a daily basis. And what the incentive mechanism that  
24 we're currently operating under has really pushed us to  
25 look outside the bounds of -- of where we had previously

1 looked.

2 Q Okay. And is it your testimony, then, that  
3 when it comes to purchasing economic energy, that FPL  
4 should be incented to take the prudent and reasonable  
5 action of checking the market?

6 A Not entirely, no. I think that -- you know,  
7 what we have participated in from a -- an economic-  
8 purchase and economic-sales perspective, for decades  
9 really, is kind of the baseline of the activities that  
10 we have performed for many, many years.

11 What we are asking to be incented to do is to  
12 go beyond that to really look for opportunities that are  
13 sort of outside the baseline activities that we have  
14 done for -- for decades.

15 Q Okay. Let's turn your attention to -- I  
16 believe I've handed it out as an excerpt from FPL's ten-  
17 year power site plan for 2016 through 2025, referring to  
18 projected capacity and firm purchase power changes.

19 CHAIRMAN BROWN: Ms. Christensen, would you  
20 like that marked?

21 MS. CHRISTENSEN: Yes, if we could have that  
22 marked.

23 CHAIRMAN BROWN: We're going to mark that as  
24 741. And that will be FPL's ten-year -- it's an  
25 excerpt.

1 MS. CHRISTENSEN: Right. I have a copy. And  
2 I'm not sure if Counsel was provided a full copy of  
3 their ten-year site plan. I know -- I have the  
4 witness' -- if he wasn't, staff may still --

5 CHAIRMAN BROWN: Okay.

6 MS. CHRISTENSEN: -- have that. I don't know  
7 if they need that or we can just move along with  
8 the excerpt.

9 CHAIRMAN BROWN: Mr. Butler.

10 MR. BUTLER: Let's see where it goes. I'm not  
11 sure that we will need that.

12 CHAIRMAN BROWN: Okay. We've got that  
13 identified as the ten-year power plant site plan,  
14 2016 to 2025.

15 (Whereupon, Exhibit No. 741 was marked for  
16 identification.)

17 MS. CHRISTENSEN: Yes. And I just have a few  
18 questions on this.

19 BY MS. CHRISTENSEN:

20 Q Referring to this table on Page 10, which is  
21 the Table ES-1 from the ten-year site plan, you would  
22 agree this table shows that FPL is scheduled to retire  
23 250 megawatts of summer capacity at Cedar Bay in January  
24 of 2017; is that correct?

25 A That is correct. That's in the table, yes.

1           Q     Okay.  Now, please refer to the March 6th,  
2     2015, petition that was filed in Docket 150075 entitled  
3     "Florida Power & Light petition for approval of  
4     arrangement to mitigate impact of unfavorable Cedar Bay  
5     power purchase obligations."

6           CHAIRMAN BROWN:  And Mr. Forrest, that's in  
7     your stack, too, that Public Counsel passed out.

8           THE WITNESS:  I have it.

9           CHAIRMAN BROWN:  Ms. Christensen, would you  
10    like that marked?

11          MS. CHRISTENSEN:  Yes, if we could, please.

12          CHAIRMAN BROWN:  Okay.  We're going to mark  
13    that as 742.  And again, that's the FPL Company's  
14    petition for approval, Cedar Bay.

15                 (Whereupon, Exhibit No. 742 was marked for  
16    identification.)

17    BY MS. CHRISTENSEN:

18           Q     Okay.  If I could turn your attention, when  
19    you have that --

20           A     I do.

21           Q     -- to Page 5, Paragraph 14 of the petition,  
22    second sentence.  Do you see where it states:  The  
23    facility is well-run and dependable, and there is every  
24    reason to believe it will remain operable into the  
25    foreseeable future?  Do you see that?

1           A     I do.

2           **Q     Okay.  And is this -- was this an accurate**  
3 **statement at the time?**

4           A     I believe it was at the time.  I think, you  
5 know, we were consistently evaluating our overall  
6 generation fleet.  I don't know that there has been a  
7 definitive -- and I could stand corrected by -- by  
8 Witness Kennedy that there has been a definitive  
9 decision to -- to retire Cedar Bay in January.

10                     Certainly, it provides a nice reliability  
11 benefit for the -- for the sort of unknown of the  
12 pipelines and when they come into service next year.  
13 So, it certainly is -- is something we're taking a look  
14 at, but I think the decision that was -- or the -- what  
15 is written on Page 5 here about the operating -- the  
16 facility into the foreseeable future was probably the  
17 best information available at the time.

18           **Q     Okay.  Well, and let's look at Page 4 of that**  
19 **petition as well, Paragraph 10.  In the petition**  
20 **referring to, after FPL's purchase of Cedar Bay is**  
21 **complete, it reads in part:  As the owner, FPL would**  
22 **continue to be entitled to economically dispatch the**  
23 **Cedar Bay facility as needed to meet its systems need.**

24                     And then you can see further on in that  
25 paragraph, it says:  FPL projects that it will retire

1 the facility due to availability of new interstate  
2 natural-gas pipeline system to fuel its natural-gas-  
3 fired units in early 2017.

4 If the economics of FPL's system dispatch were  
5 to change such that the Cedar Bay facility, once again,  
6 becomes viable, however, FPL would have the option to  
7 continue operating the facility to produce even greater  
8 customer savings.

9 Do you see that?

10 A I --

11 MR. BUTLER: Objection -- I'm sorry.

12 I'm going to object to the question. I don't  
13 see how this relates to Mr. Forrest's incentive-  
14 mechanism rebuttal testimony. It seems to have  
15 gotten pretty far out into the weeds.

16 CHAIRMAN BROWN: I was waiting until I would  
17 hear an objection.

18 Ms. Christensen, can you tie this back to his  
19 prefiled rebuttal testimony?

20 MS. CHRISTENSEN: I believe my next question  
21 will do exactly that. So, I just wanted to see if  
22 he recognizes and acknowledges that statement that  
23 was contained in the petition. And then I'm about  
24 to tie it right back to the incentive mechanism.

25 CHAIRMAN BROWN: Okay. Objection overruled.

1 I'll allow it.

2 THE WITNESS: I -- I do recognize the  
3 statement. No -- no issue with the statement. I  
4 will also note that the document is from March of  
5 2015. So, a lot of things change over the course  
6 of a couple of years.

7 BY MS. CHRISTENSEN:

8 Q Okay. So, based on these preceding  
9 statements, the decision to retire Cedar Bay facility  
10 and the timing thereof is discretionary on FPL's part,  
11 driven by the economics of Cedar Bay relative to FPL's  
12 other resources; is that correct?

13 MR. BUTLER: I've heard another question, and  
14 I don't see the tie.

15 MS. CHRISTENSEN: Let me --

16 MR. BUTLER: This does not seem to relate to  
17 Mr. Forrest's incentive-mechanism rebuttal  
18 testimony.

19 CHAIRMAN BROWN: Ms. Christensen?

20 MS. CHRISTENSEN: Well, I -- I guess the way  
21 that I would argue that this relates to it is this  
22 becomes a facility that is available for them to  
23 economically dispatch as part of the incentive  
24 mechanism. And I think that was part of their  
25 petition for approving this.



1           CHAIRMAN BROWN:  It's a long stretch there  
2           from his prefiled rebuttal.

3           MS. CHRISTENSEN:  Well, that was my last  
4           question, so --

5           CHAIRMAN BROWN:  Okay.  I'll allow it.

6           MS. CHRISTENSEN:  Okay.

7           THE WITNESS:  Can you repeat the question,  
8           please.

9           BY MS. CHRISTENSEN:

10           **Q     I'll just read it real quick:  Based on these**  
11           **preceding statements, the ones that were the contained**  
12           **in the petition, the decision to retire the Cedar Bay**  
13           **facility and the timing thereof is discretionary with**  
14           **FPL, which is in part driven on the economics of Cedar**  
15           **Bay relative to FPL's other resources and whether or not**  
16           **it can use it in its incentive mechanism.**

17                     How about we tie it right back in.

18           CHAIRMAN BROWN:  There you go.

19           A     So, I will say that the Cedar Bay facility,  
20           itself, is not dispatched for the incentive mechanism,  
21           itself.  We don't dispatch individual units for the  
22           incentive mechanism.  We are selling off the marginal  
23           unit that is running at any given time.  So, we're  
24           not -- we're not dispatching particular assets within  
25           our fleet to participate in the incentive mechanism.

1           That's a little bit different than the prior  
2 years when we had the UPS contracts with Southern  
3 Company, which we did because they were on a separate  
4 system up in -- up in Southern Company.

5           This particular asset is not. We are  
6 incredibly limited in what our operational control of  
7 the facility is. It's very limited in the number of  
8 dispatch opportunities that we do have. For us, it is  
9 entirely a reliability asset. So, it's not being  
10 dispatched for economics or for -- or for --  
11 participation in the incentive mechanism.

12           MS. CHRISTENSEN: Okay. Well, that concludes  
13 the questions that I had. Thank you.

14           CHAIRMAN BROWN: Thank you, Ms. Christensen.  
15 Hold on one sec.

16           Now, FIPUG?

17           MR. MOYLE: Thank you, Madam Chairman.

18   EXAMINATION

19 BY MR. MOYLE:

20           **Q     You said -- the last answer to the question**  
21 **says you were extremely limited in dispatch**  
22 **opportunities from Cedar Bay. Why is that?**

23           A     Maybe -- maybe a question better answered by  
24 Witness Kennedy. But ultimately, it has to do with the  
25 O & M expenses at the facility. And we tried to scale

1 back as much as we could at the facility to try and  
2 operate it on a minimal basis, knowing that, again, it  
3 was just going to be a reliability asset for us until we  
4 got to 2017 when the new pipelines would come into  
5 service.

6 **Q OPC asked you a number of questions about --**  
7 **about economic dispatch. And I want to follow up on a**  
8 **couple. You economically dispatch looking at your**  
9 **fleet, in and of itself; is that correct?**

10 MS. BROWNLESS: I'm going to object to  
11 continuing this line of questioning. And here is  
12 my objection. I think that these questions are --  
13 were more appropriate for the direct testimony of  
14 Mr. Barrett rather than his rebuttal testimony.

15 It appears to me that, in his rebuttal  
16 testimony, the incentives for power sales  
17 purchases, which starts on Page 16 and goes forward  
18 from there to, I think, Page 19 -- he's rebutting  
19 the idea that FP&L needs to be given an incentive  
20 to make economic purchases because it's the  
21 utility's obligation to serve to provide the least  
22 cost.

23 So, how does this line of questioning tie in  
24 to the specific issue he's addressing on Pages 16  
25 and 17 of his rebuttal testimony?

1           MR. MOYLE: Well, a couple of points. One, I  
2           mean, he spent about five minutes talking about  
3           economic dispatch and how they dispatch their  
4           system, No. 1.

5           No. 2, to the extent that they are operating  
6           presently and feel that, in order to be more  
7           incented to go out into the market on a daily basis  
8           and to take a broader view of their fleets -- of  
9           their -- of the assets and their fleet to maybe  
10          plug in some cheaper power -- whether that would be  
11          part of the incentive mechanism would be something  
12          that would be relevant to the discussion.

13          MS. BROWNLESS: But that doesn't have anything  
14          to do with whether Cedar Bay is on line or not.

15          MR. MOYLE: I'm not --

16          CHAIRMAN BROWN: I --

17          MR. MOYLE: I've moved away from Cedar Bay.

18          CHAIRMAN BROWN: I'm going to allow the  
19          question, but -- and this line of questioning on a  
20          very limited basis, Mr. Moyle.

21          MR. MOYLE: So, look -- I wasn't clear. I'm  
22          off Cedar Bay. I get that. I'm moving on to  
23          something else.

24          CHAIRMAN BROWN: Do you remember what it was?

25          (Laughter.)

1 BY MR. MOYLE:

2 Q The -- the economic dispatch -- you don't go  
3 and look in -- in the market and say, well, you know  
4 what, there's a few opportunities here where I can buy  
5 power on an hourly basis or a short-term basis and plug  
6 those assets in and not run assets in my fleet, "my"  
7 being FPL's fleet --

8 MS. BROWNLESS: Asked and answered.

9 CHAIRMAN BROWN: Mr. Moyle, can I help you a  
10 little bit in framing your questions? If you could  
11 refer to his prefiled rebuttal testimony in -- in  
12 that, I think it will aid in admission of some of  
13 these questions.

14 MR. MOYLE: Sir -- thank you. I appreciate  
15 the offer to help. I may be beyond that point,  
16 but --

17 BY MR. MOYLE:

18 Q Sir, with respect to your work papers, were  
19 they between one -- one and ten, ten to a hundred or a  
20 hundred to a thousand when you identified --

21 MR. BUTLER: I'm sorry. What pages of --

22 MR. MOYLE: That's right. Pages --

23 MR. BUTLER: Work papers that are in the  
24 hearing exhibit?

25 MR. MOYLE: That he authenticated with staff

1           when staff asked him those questions. I've asked  
2           this question of some other witnesses.

3           CHAIRMAN BROWN: Uh-huh. And we've allowed  
4           it.

5           MS. BROWNLESS: And you're referring to the  
6           response to Interrogatory No. 238 of South  
7           Florida's 18th set of POD requests?

8           MR. MOYLE: I'm referring to everything he  
9           authenticated in his answers to your questions.

10          MS. BROWNLESS: On rebuttal or direct?  
11          Because we're past direct.

12          MR. MOYLE: Can I -- I mean, didn't -- didn't  
13          you just ask him to authenticate some documents on  
14          rebuttal?

15          MS. BROWNLESS: I asked him to authenticate  
16          South Florida's -- his responses or FPL's responses  
17          to South Florida's 18th set of PODs, No. 238.

18          CHAIRMAN BROWN: I'm going to allow the  
19          question as it relates to the rebuttal.

20          BY MR. MOYLE:

21           **Q     So, how many pages -- with respect to what**  
22           **Ms. Brownless identified -- are contained in what you**  
23           **authenticated; between one and ten, ten to a hundred, or**  
24           **a hundred to thousand?**

25           A     I believe between ten and a hundred.

1           Q     And they were identified as your work papers;  
2     is that right?

3           A     I think -- I believe that's what was  
4     requested.

5           Q     Okay. And what are your work papers?

6           A     It's the documents that we put together to be  
7     responsive to South Florida Hospital's request;  
8     specifically, the papers that we utilized to put my  
9     rebuttal testimony together.

10          Q     So, with respect to what ultimately is  
11     provided, it would be your -- your testimony; is that  
12     right? And the work papers would just be part of the  
13     work process to get you to an end product of your  
14     testimony?

15          A     Yes. I believe I understand your question  
16     as -- yes.

17          Q     Okay. So, you also have some discussion about  
18     the transmission cost savings that make the point -- I'm  
19     sorry -- about cost savings and that not all cost  
20     savings relate to the low cost of gas; is that right?

21                 MR. BUTLER: Which testimony are you referring  
22     to?

23                 MR. MOYLE: Testimony in his -- in his rate-  
24     case rebuttal. I think he takes issue with some of  
25     the witnesses with respect to saying, hey, this is

1 all -- all your low costs are a result of natural  
2 gas. You got lucky.

3 MS. BROWNLESS: Can you cite the pages in the  
4 rebuttal testimony to which he refers?

5 MR. MOYLE: Well, he says on Page 3, Line 15:  
6 My rebuttal testimony addresses the assertions of  
7 OPC Witness Lawton, that FPL's lower bills are a  
8 result of lower natural gas prices.

9 CHAIRMAN BROWN: And your question?

10 BY MR. MOYLE:

11 **Q My -- my question is: Have you done any**  
12 **analysis to try to determine the degree to which FPL's**  
13 **bills are lower as a result of lower natural gas prices**  
14 **to isolate that factor?**

15 So, if you had a dollar bill -- say, a hundred  
16 dollars. If somebody, hypothetically, had a hundred-  
17 dollar bill for service, how much of that would be  
18 related to lower natural gas prices as compared to other  
19 things?

20 A I'm not sure I entirely follow the question,  
21 but in -- in general, did we look at, you know, the  
22 impact of natural gas prices as an impact to overall  
23 fuel, I guess, customer bills in lieu of maybe some of  
24 the other improvements that we have made.

25 And yes, we did. We actually looked at the



1 period 2006 through 2015. And you were in a very  
2 different price environment from a natural gas  
3 perspective, but also from the other fuels as well.

4           You know, while natural gas prices have fallen  
5 substantially over that period of time, some of the  
6 other fuel prices that we pay have gone up in terms of  
7 what we charge out to customers.

8           And so, what we did is we looked at 2006  
9 through 2015 and, in order to take fuel prices out of  
10 the equation, we applied 2015 fuel prices to 2006 and  
11 just said, okay, if you take fuel prices out of the  
12 equation, how does that -- how does that impact overall  
13 bills for customers.

14           And just a couple of findings. One is we  
15 generated 23 -- or almost -- I guess a little over 22  
16 million megawatt hours more in 2015 than we did in 2006  
17 for \$524 million less. So, we are getting substantially  
18 more megawatt hours for substantially less dollars. And  
19 that's when you take all the fuel prices out of the  
20 equation.

21           So, I think that speaks to the -- to the  
22 amount of efficiency and improvements that our system  
23 has seen over the decade.

24           **Q     So, I guess, to be more direct with respect to**  
25 **the question, you haven't made any effort to try to**

1 segregate out, on a very basic level, to say, you know,  
2 if the average customer saved a hundred dollars because  
3 of FPL, how much of that hundred-dollar savings would be  
4 attributable directly to low natural gas prices as  
5 compared to other things, correct?

6 MR. BUTLER: I would just object to the  
7 characterization and the question that he hadn't  
8 evaluated that question. I think that  
9 Mr. Forrest's prior answer indicated the evaluation  
10 had been performed.

11 But if he can answer the question, I don't  
12 object to his doing so.

13 CHAIRMAN BROWN: Mr. Forrest, you can proceed.

14 THE WITNESS: I'm not aware of any analysis  
15 like that that's been done.

16 BY MR. MOYLE:

17 Q Okay. Are you aware, sir, that Tampa Electric  
18 Company has filed a petition for an economic incentive  
19 mechanism similar to what FPL is seeking this Commission  
20 to approve in this case?

21 CHAIRMAN BROWN: Mr. Moyle, I -- I literally  
22 cannot find that anywhere in the rebuttal  
23 testimony. And I think it's completely outside of  
24 the scope.

25 MR. MOYLE: Well, the -- the question was a

1 leading --

2 CHAIRMAN BROWN: It's outside of the scope.

3 BY MR. MOYLE:

4 Q Sir, do you have -- would you be opposed to  
5 having a rule-making proceeding to look at the incentive  
6 mechanism so it might be something that could be used by  
7 all utilities and have common elements?

8 A I think I --

9 MR. BUTLER: I would object to this because I  
10 don't think it's in the scope of his rebuttal  
11 testimony. If it is, please point me to it,  
12 Mr. Moyle.

13 Q Do you -- well -- do you speak, sir, to the  
14 request for this Commission to approve the incentive  
15 mechanism as proposed by FPL?

16 MR. BUTLER: He did in his direct testimony.

17 Q Do you speak to it in your rebuttal testimony?

18 A I -- I speak to the merits of the program in  
19 my rebuttal.

20 MR. MOYLE: Okay. So, he's -- he's asking for  
21 you all to do this. Point simply is that: Would  
22 he oppose it being done via rule-making as compared  
23 to you all handling in this rate case.

24 CHAIRMAN BROWN: I'm sorry. I won't allow the  
25 question.

1 MR. MOYLE: Okay. That's all I have.

2 CHAIRMAN BROWN: Thank you.

3 Moving on to Hospitals.

4 Hi, Mr. Wiseman.

5 MR. WISEMAN: Good afternoon.

6 EXAMINATION

7 BY MR. WISEMAN:

8 Q Good afternoon, Mr. Forrest.

9 A Good afternoon.

10 Q Mr. Forrest, you were asked some questions  
11 about the Henry Hub price. Do you recall that?

12 A Yes, I do.

13 Q Can you explain what the significance of the  
14 Henry -- the Henry Hub price is?

15 A Henry Hub is -- is for trading folks -- folks  
16 that are trading natural gas, sort of ground zero, if  
17 you will, for all -- all pricing. It's the primary tool  
18 that is used in the NYMEX futures contract. And it's  
19 also used to come up with basis differential around how  
20 other -- other locations in the country trade. So,  
21 anything would be bases -- it's a differential in  
22 pricing between Henry Hub and other spots around the  
23 country.

24 Q So, for instance, those other spots would  
25 include Florida gla- -- Florida Gas Transmission, Zone

1     **1, Zone 2, Zone 3, correct?**

2           A     That is correct, yes.

3           MR. WISEMAN: All right. Now, a number of  
4           exhibits are being circulated right now.

5           I actually have a question on this for FPL's  
6           Counsel --

7           CHAIRMAN BROWN: Okay.

8           MR. WISEMAN: -- before we discuss the  
9           exhibits.

10          You'll notice the top one is in a red folder  
11          because it was provided to us on a confidential  
12          basis, actually, in the 2012 rate case. And then  
13          we, pursuant to the confidentiality agreement,  
14          actually destroyed the prior one. And FPL,  
15          pursuant to our request, provided it to us again in  
16          this case.

17          The data that are in the documents that are in  
18          the red file are identical to the -- and -- in  
19          categorization to the dock- -- to the data that are  
20          in the other exhibits that you've been handed that  
21          are not confidential.

22          All of these are forecasts received from FPL;  
23          the only difference being the ones in the red file  
24          are much dated -- they are much older than the  
25          current ones and, in my view, anyway, they are

1           stale.

2           If FPL wants to continue to treat them  
3           confidentially, I'm, you know, happy to do that,  
4           but I wonder whether it's really necessary, given  
5           that they really are stale data and, in category,  
6           are no different than what's in the earlier -- I'm  
7           sorry -- the later ones that are not confidential.

8           CHAIRMAN BROWN: Okay.

9           FPL, have you had a chance to look at it?

10          MR. BUTLER: I would need to confer with  
11          Mr. Forrest and his team to determine -- you know,  
12          to --

13          CHAIRMAN BROWN: Well, in the spirit of -- of  
14          expediting this, would it be acceptable to just  
15          still treat it as confidential?

16          MR. BUTLER: That's what I was going to  
17          suggest. Let's do that, if that's okay.

18          CHAIRMAN BROWN: Okay.

19          MR. BUTLER: Otherwise, we'll have to take a  
20          break to --

21          CHAIRMAN BROWN: I prefer to do that.

22          MR. WISEMAN: Okay. Well, that's fine. But  
23          then I have a question of how you want to handle  
24          this since this is being broadcast.

25          CHAIRMAN BROWN: In the sunshine.

1           MR. WISEMAN: And there are people here who  
2           may not have -- or rain, as the case may be. But  
3           it's not -- and there are people who may not have  
4           signed the confidentiality agreement because I do  
5           want to talk about some of the numbers that are in  
6           the documents in this file.

7           CHAIRMAN BROWN: Okay. So, what was the  
8           question?

9           MR. WISEMAN: How I should handle it because I  
10          want to ask him very specifically about some of the  
11          numbers.

12          CHAIRMAN BROWN: Well, if it's treated as  
13          confidential, you have to be very careful.

14          MR. WISEMAN: I understand, but I can't -- I  
15          can't ask him, you know, is this the number that  
16          you forecast -- let me think for a second if there  
17          is a way to do this without disclosing the -- the  
18          data.

19          CHAIRMAN BROWN: Mr. -- Mr. Wiseman, would it  
20          be okay if you -- while you're thinking that, if we  
21          passed your turn and go to the next --

22          MR. WISEMAN: I think I -- I think I can do  
23          it.

24          CHAIRMAN BROWN: You do?

25          MR. WISEMAN: Let me take a shot at it.

1 CHAIRMAN BROWN: Okay.

2 MR. WISEMAN: Actually, why don't we go  
3 ahead -- and I think it will be easier if we mark  
4 all of them.

5 CHAIRMAN BROWN: Okay. Let's do that.

6 MR. WISEMAN: So, the first one, the  
7 confidential one --

8 CHAIRMAN BROWN: -- is 743.

9 (Whereupon, Exhibit No. 743 was marked for  
10 identification.)

11 MR. WISEMAN: Then --

12 CHAIRMAN BROWN: And we're going to identify  
13 that as data provided by FPL in response to  
14 Hospitals POD Document Request No. 40.

15 MR. WISEMAN: All right. Now, we'll get to  
16 the non-confidential ones.

17 FPL 2012 long-term forecast methodology.

18 CHAIRMAN BROWN: We'll do that, 744.

19 (Whereupon, Exhibit No. 744 was marked for  
20 identification.)

21 MR. WISEMAN: And the 2013 long-term forecast  
22 methodology.

23 CHAIRMAN BROWN: We're going to mark that as  
24 745.

25 (Whereupon, Exhibit No. 745 was marked for



1 identification.)

2 MR. WISEMAN: Next, the FPL 2014 long-term  
3 forecast methodology.

4 CHAIRMAN BROWN: We'll mark that as seven --  
5 gosh. Sorry -- 746.

6 (Whereupon, Exhibit No. 746 was marked for  
7 identification.)

8 MR. WISEMAN: Next is FPL 2015 long-term  
9 forecast methodology.

10 CHAIRMAN BROWN: 747.

11 (Whereupon, Exhibit No. 747 was marked for  
12 identification.)

13 MR. WISEMAN: Next is FPL 2016 long-term  
14 forecast methodology.

15 CHAIRMAN BROWN: 748.

16 (Whereupon, Exhibit No. 748 was marked for  
17 identification.)

18 MR. WISEMAN: And last is an excerpt from  
19 today's SP -- S&P Global Platts Gas Daily.

20 CHAIRMAN BROWN: 749. Okay.

21 MR. WISEMAN: All right.

22 (Whereupon, Exhibit No. 749 was marked for  
23 identification.)

24 CHAIRMAN BROWN: Just want to make sure,  
25 Mr. Forrest, you have all those properly marked?

1 THE WITNESS: I believe I do, yes.

2 CHAIRMAN BROWN: Thank you.

3 Mr. Wiseman, you can proceed.

4 MR. WISEMAN: Thank you.

5 BY MR. WISEMAN:

6 Q Mr. Forrest, would you agree that, whether we  
7 were talking about forecasts of a -- going back a decade  
8 or two decades or three decades, there have been  
9 significant difficulties in accurately forecasting  
10 future prices of natural gas?

11 A I would agree with that, yes.

12 Q And would you agree that FPL's forecasts have  
13 suffered from exactly the same type of difficulties?

14 A Yes, I would agree with that. I would also  
15 suggest that we would -- you know, FPL's forecast is a  
16 compilation of third-party forecasts that we bring -- we  
17 bring in, you know, from outside vendors, as well as the  
18 Energy and -- the Information Administration from the  
19 Department of Energy.

20 Q All right. Can we start with -- let's go  
21 backward and start with Exhibit 749. Do you have that?

22 A I have it, yes.

23 Q Okay. Gas Daily -- that is a publication that  
24 you're familiar with, I assume?

25 A Yes, I am.

1 Q And it's widely used for -- among other  
2 reasons, it reports pricing data, correct?

3 A That's correct, yes.

4 Q And if you turn to Page 2 of that document,  
5 the color page -- if we go down to -- do you see where  
6 it says "Louisiana Southeast" under the daily  
7 price survey --

8 A Yes, I do.

9 Q -- data? Okay.

10 And so, if we go to Henry Hub, you would agree  
11 that the mid-point price today is \$2 -- \$2.95 per MMBTU?

12 A Yes, I do.

13 Q Okay. And then, if we go to the next page in  
14 the document, which is -- actually, it's Page 10 from  
15 the Gas Daily publication -- that has, on the right  
16 side, the NYMEX Henry Hub gas futures contracts,  
17 correct?

18 A That is correct, yes.

19 Q And if we look out -- let's just take the last  
20 date there for August 2009 -- 2019, excuse me. The  
21 settlement price for the gas futures contract is 2.879  
22 cents, correct -- \$2 -- I'm sorry -- \$2 and 87.9 cents,  
23 correct?

24 A You said for August of '19?

25 Q For August of 2019.

1           A     Yes, sir, I do agree.

2           **Q     Okay. Great.**

3                     Now, let's go to the confidential document --  
4     and I'm going to ask you questions -- I'm not going to  
5     ask you for numbers. Okay? So, I want to just talk  
6     about in terms of direction or breadth of difference.  
7     All right.

8                     The top -- the top document, the first one is  
9     dated January 4, 2010. Do you see that? Up in the top-  
10    left --

11          A     Yes, I do.

12          **Q     Okay. And if you -- first of all, this has**  
13    **forecasts that were done in 2010, correct?**

14          A     That is correct.

15          **Q     Okay. And if you go to the second page of the**  
16    **document, it has a forecast price for August 2016,**  
17    **correct?**

18          A     Yes.

19          **Q     And would you agree that that forecast price**  
20    **for Henry Hub is very different than the price we just**  
21    **looked at in the Gas Daily -- that was reported for**  
22    **today?**

23          A     Yes, I agree.

24          **Q     Okay. And if we go to Page 3 of the document,**  
25    **we're still in the 2010 forecast. If we go to August --**

1 the forecast for August of 2019 -- do you see that?

2 A Yes, I do.

3 Q And would you agree that that's a -- a very  
4 different price than is reflected by the NYMEX futures  
5 price for August of 2009 reported in today's Gas Daily?

6 MR. BUTLER: I think you meant 2019.

7 MR. WISEMAN: I'm sorry. 2019. Thank you.

8 THE WITNESS: I think I understand your  
9 question. Yes, I agree. It's very different.

10 BY MR. WISEMAN:

11 Q Okay. And so, to -- to dispense with going  
12 through these individually in this document, would you  
13 take a quick look at the forecasts for 2011 and --

14 A I'm sorry. I'm still on the confidential  
15 document?

16 Q Yes.

17 A Okay.

18 Q Yeah, if you turn to the next page in that --  
19 in that exhibit -- if you see, there is a forecast for  
20 2011.

21 A Yes.

22 Q And then, if you go back three pages, you see  
23 there is a forecast for 2012?

24 MR. WRIGHT: Madam Chair?

25 MR. WISEMAN: I'm sorry. Forecast --

1 MR. WRIGHT: I -- I am sorry. I -- I am lost.

2 CHAIRMAN BROWN: Yes, it's further back in the  
3 stack, in the -- we are still on the  
4 confidential --

5 MR. WISEMAN: We're still in the confidential  
6 exhibit. And there was a forecast that was done in  
7 2000 -- January 3 --

8 CHAIRMAN BROWN: Just look at the top.

9 MR. WISEMAN: -- 2011 --

10 MS. BROWNLESS: Madam Chair?

11 CHAIRMAN BROWN: Yes.

12 MS. BROWNLESS: If I can just ask this very  
13 simple question: This comparison of gas  
14 forecasts -- what has it got to do with anything in  
15 either the July 8th or the August 1st rebuttal  
16 testimonies of Mr. Forrest?

17 MR. WISEMAN: I am really glad that staff  
18 asked that question.

19 (Laughter.)

20 CHAIRMAN BROWN: You've set all these  
21 predicate questions.

22 MR. WISEMAN: Well, these are -- these  
23 actually aren't predicate questions. As you'll  
24 recall --

25 CHAIRMAN BROWN: Succinctly, please.

1 MR. BUTLER: If they're not predicate  
2 questions, I'll object to them as irrelevant. I've  
3 been waiting the relevance --

4 MS. BROWNLESS: Yes.

5 MR. BUTLER: -- to manifest itself.

6 MR. WISEMAN: As you'll recall, Mr. Forrest  
7 did not submit direct testimony in this case.

8 We asked questions of Dr. Morley and of  
9 Ms. Cohen about gas forecasts. And both of them  
10 said, oh, that's not us; that's Mr. Forrest.

11 Mr. Forrest, now, comes before us for the  
12 first time in his rebuttal testimony in the rate  
13 case, is submitting testimony about gas prices.

14 Since he's the only witness in this case who  
15 has -- first of all, the issue of gas price  
16 forecasts is highly relevant to this case.  
17 Dr. Morley testified that a -- gas price forecasts  
18 are an input to her forecasts of net energy for  
19 load, which Ms. Cohen testified are an input to her  
20 forecasts of billing determinants.

21 So, it all goes back to the forecasts of  
22 natural gas prices. So, this is the --

23 CHAIRMAN BROWN: Well, most importantly --

24 MR. WISEMAN: -- only opportunity that I have  
25 to ask anything of Mr. Forrest about gas price

1 forecasts.

2 MR. BUTLER: I thought the intervenors,  
3 including the Hospital Association, was wanting to  
4 stay pretty tight to the rebuttal testimony.

5 CHAIRMAN BROWN: Most importantly,  
6 Mr. Wiseman, is there a spot that you can -- in his  
7 rebuttal testimony that you can attach these  
8 questions to? Is there a spot where these fit into  
9 the questions -- pardon me -- into his prefiled  
10 rebuttal testimony?

11 MR. WISEMAN: Well, that's -- that's the  
12 problem here --

13 CHAIRMAN BROWN: I already understand your  
14 argument.

15 MR. WISEMAN: Okay. And that's the problem  
16 here.

17 CHAIRMAN BROWN: Mr. Forrest did take the  
18 stand on the direct.

19 MR. WISEMAN: But there was no testimony in  
20 his direct about gas prices at all, none, zero.  
21 The only place he talks about gas prices are in his  
22 rebuttal testimony in the rate -- the base-rate  
23 case. So, clearly, there was nothing in his direct  
24 testimony on the incentive mechanism that allowed  
25 these questions.



1           You know, if FPL's position is that they are  
2           not going to -- that they're going to object to us  
3           asking questions about gas price forecasts, then I  
4           think their entire study of net energy for load and  
5           their -- and their determination of billing  
6           determinants should be stricken from this record  
7           because they're not supported.

8           CHAIRMAN BROWN: Okay. Just a moment.  
9           Florida Power & Light?

10          MR. BUTLER: I'm sorry. I was distracted --

11          CHAIRMAN BROWN: You were distracted.

12          MR. BUTLER: -- momentarily.

13                 I would ask whether there is an issue in the  
14                 case that the Hospital Association has taken a  
15                 position on that this could be keyed to?

16          CHAIRMAN BROWN: Mr. Wiseman?

17          MR. WISEMAN: Yes, we -- we have opposed their  
18                 forecast. We've opposed their billing  
19                 determinants.

20          MS. BROWNLESS: Which issue is that,  
21                 Mr. Wiseman?

22          MR. WISEMAN: I can't --

23          MS. BROWNLESS: Do you have --

24          MR. WISEMAN: Give me --

25                 (Simultaneous speakers.)

1           CHAIRMAN BROWN: You know what, let -- it's  
2           getting to the 6:30 -- I did want to get through  
3           this witness at this time, but we're getting to the  
4           dinner hour. And I did promise that we would stop.

5           Why don't -- why don't -- this seems like a  
6           good place to spot -- stop at this time. It's  
7           getting late. And why don't we recess this  
8           evening. And we'll take up Mr. Forrest, again,  
9           with the Hospitals tomorrow at 9:30.

10          MR. BUTLER: Thank you.

11          MR. WISEMAN: Thank you, Madam Chair.

12          CHAIRMAN BROWN: And please -- please put the  
13          red folders up -- and they'll collect them. So, we  
14          will see you all tomorrow at 9:30.

15          Have a great night.

16          Mr. Moyle, I want to encourage you to use this  
17          time to review the errata sheets. Thank you.

18          (Transcript continues in sequence in Volume  
19          32.)

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## CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, ANDREA KOMARIDIS, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
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same has been transcribed under my direct supervision;  
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DATED THIS 31st day of August, 2016.



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ANDREA KOMARIDIS  
NOTARY PUBLIC  
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