

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 35
PAGES 5293 - 5468

PROCEEDINGS: HEARING

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

DATE: Wednesday, August 31, 2016

TIME: Commenced at 5:47 p.m.
Concluded at 9:00 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 TIFFANY COHEN

5 Examination by Ms. Clark 5298

Prefiled rebuttal testimony inserted 5300

6 Examination by Ms. Brownless 5326

Further Examination by Ms. Clark 5327

7 Examination by Mr. Wiseman 5331

Examination by Captain Zieman 5334

8 Examination by Csank 5336

Examination by Mr. Williamson 5340

9

10 THOMAS KOCH

11 Examination by Mr. Guyton 5345

Prefiled rebuttal testimony inserted 5347

12 Examination by Ms. Brownless 5356

Further Examination by Mr. Guyton 5357

13 Examination by Mr. Moyle 5359

Examination by Mr. Jernigan 5363

14 Examination by Ms. Csank 5370

Examination by Mr. Skop 5374

15 Further Examination by Ms. Brownless 5377

16

RENAE DEATON

17

Examination by Ms. Clark 5383

18 Prefiled rebuttal testimony inserted 5385

Examination by Ms. Brownless 5412

19 Further Examination by Ms. Clark 5413

Examination by Mr. Moyle 5418

20 Examination by Mr. Wiseman 5429

Examination by Ms. Csank 5457

21

22

23

24

25

1	EXHIBITS		ID	ADMITTED
2	NUMBER:			
3	387 through 389 (as identified on comprehensive exhibit List)			5344
4	772, 773 and 775 through 778 (as identified in a previous volume)			5296
5	779 2008 rate case of Florida Power & Light Company			5344
6	780 Docket No. 120015-EI for 2012, Florida Power & Light	5334		5344
7	781 Letter of January 5th, 2012, from Senator Altman regarding MDS	5417		
8	782 Energy charges 12CP 25 percent	5418		
9	783 FPL's response to SFHH	5432		
10	784 Interrogatory No. 241 Direct testimony of Sim on behalf of FPL and West County Energy Center need proceeding	5439		
11	785 FPL response to Hospital Interrogatory No. 143	5446		
12	786 Excerpts from FPL's distribution system planning manual	5448		
13	787 Alternatives to seven combustion turbines	5462		
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				

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

2 (Transcript follows in sequence from Volume
3 34.)

4 CHAIRMAN BROWN: Any objection?

5 MS. CLARK: Madam Chairman, he's not moving
6 774?

7 CHAIRMAN BROWN: That's correct.

8 MS. CLARK: Okay. And I think I agreed to
9 some. No objection.

10 CHAIRMAN BROWN: Thank you. We will move in
11 772, 773, 775, 776, 777, and 778.

12 (Whereupon, Exhibit Nos. 772, 773, 775, 776,
13 777, and 778 were admitted into the record.)

14 CHAIRMAN BROWN: And Ms. Slattery, you're
15 definitely excused. Have a good evening.

16 Let's take about a five-minute -- five- to
17 seven-minute break.

18 MR. BUTLER: Madam Chair, before we do -- and
19 I apologize if I missed this earlier -- have we
20 concluded that the Commission will not be returning
21 or tomorrow or Friday?

22 CHAIRMAN BROWN: We have not concluded that
23 just yet. In fact, I am getting tropical-storm
24 updates every five minutes up here. So, we have
25 not just concluded --

1 MR. BUTLER: Let me just say this,
2 conditionally, then, depending on where we end up.
3 Our response to OPC's motion for involuntary
4 dismissal is due on Thursday to be filed.

5 And in the event that the Commission is closed
6 on Thursday, we would file it -- and open on
7 Friday, we would file it on Friday. If it's closed
8 on both days, we would file it on Tuesday.

9 CHAIRMAN BROWN: Ms. Helton?

10 MS. HELTON: Were you planning on serving it,
11 though, on Thursday to all the parties so that they
12 can see it or only filing it -- serving it when you
13 file it?

14 MR. BUTLER: We were going to serve it when we
15 file it. My understanding is it's to be taken up
16 by the Commission at the special agenda on revenue
17 requirements. I'm not sure that serving it in
18 advance of the filing would be necessary.

19 MS. HELTON: That is fine with me. I'm not
20 sure if we would need to hear from Mr. Rehwinkel on
21 that, if he has an objection.

22 CHAIRMAN BROWN: We'll hear from him
23 nonetheless.

24 MR. REHWINKEL: I -- that's fine with me.

25 CHAIRMAN BROWN: Okay.

1 MR. REHWINKEL: I would like to get it as soon
2 as possible, but --

3 CHAIRMAN BROWN: Okay. And again, I'm going
4 to keep you all apprized of whether the offices are
5 open tomorrow or not. So far, it looks like it
6 will not hit Tallahassee until later in the day
7 tomorrow.

8 We may have a few hours on Thursday. But then
9 again, schools are closed. So, that affects a lot
10 of folks in the room. So, just we'll play it by
11 ear. Again, we're taking about a five-minute
12 break. We'll see you back in --

13 MR. BUTLER: Thank you.

14 (Brief recess from 5:50 p.m. to 6:04 p.m.)

15 CHAIRMAN BROWN: We are on Ms. Tiffany Cohen
16 at this time; is that correct?

17 MS. CLARK: That is correct, Madam Chairman.

18 CHAIRMAN BROWN: Okay.

19 MS. CLARK: And she has previously been sworn.

20 EXAMINATION

21 BY MS. CLARK:

22 Q Ms. Cohen, could you state your name and
23 business address for the record.

24 A Tiffany Cohen, 700 Universe Boulevard, Juno
25 Beach, Florida 33408.

1 **Q And by whom are you employed and in what**
2 **capacity?**

3 A Florida Power & Light Company as the senior
4 manager of rate development.

5 **Q Have you prepared and caused to be filed 28**
6 **pages of prepared rebuttal testimony in this proceeding?**

7 A Yes.

8 **Q You did not file an errata, correct?**

9 A Correct.

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

12 A Yes.

13 MS. CLARK: Madam Chairman, we would ask that
14 Ms. Cohen's prepared rebuttal testimony --
15 testimony be inserted into the record as though
16 read.

17 CHAIRMAN BROWN: We will insert Ms. Cohen's
18 prepared rebuttal testimony into the record as
19 though read.

20 (Prefiled rebuttal testimony inserted into the
21 record as though read.)

22

23

24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tiffany C. Cohen. My business address is Florida Power & Light Company (“FPL” or the “Company”), 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. Yes.

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

A. Yes. I am sponsoring the following rebuttal exhibits:

- TCC-7, Comments on Illustrative Baron Table 12
- TCC-8, Distribution Substation Interrogatory
- TCC-9, Major Southeastern Investor Owned Utility Bill Comparison 2006 - 2016

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to rebut the testimony of the Florida Industrial Power Users Group’s (“FIPUG”) witness Pollock, the South Florida Hospital and Healthcare Association’s (“SFHHA”) witness Baron, the Federal Executive Agencies’ (“FEA”) witness Alderson, AARP’s witness Brosch, the Wal-Mart Stores East, L.P. and Sam’s East, Inc.’s (“Wal-mart”) witness Chriss and the Office of Public Counsel’s (“OPC”) witness Lawton.

1 Specifically, I will address the Florida Public Service Commission’s (“FPSC”
2 or “the Commission”) policy on gradualism and FPL’s application of that
3 policy, FPL’s proposed rate design for demand and non-fuel energy charges
4 for commercial and industrial rate classes, the proposed \$2 increase in
5 residential and non-demand commercial customer charges, the intervenors’
6 testimony regarding the Commercial/ Industrial Load Control (“CILC”) and
7 the Commercial/Industrial Demand Reduction (“CDR”) rider credits, and the
8 testimony regarding the impact of natural gas prices on FPL’s low bills.

9

10

II. SUMMARY

11

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

13 A. My testimony shows that:

- 14 • FPL has correctly applied the Commission’s policy regarding gradualism;
- 15 • FPL’s method for developing commercial and industrial demand and
16 energy rates is appropriate and reasonable and maintains the current
17 relationship between energy and demand charges;
- 18 • FPL’s proposed \$2 customer charge increase is reasonable and represents
19 a modest step in aligning fixed costs with fixed cost recovery;
- 20 • FPL has appropriately reset the CILC and CDR credits to the levels prior
21 to the 2012 Settlement Agreement [adjusted for the Cape Canaveral,
22 Riviera and Port Everglades generation base rate adjustments
23 (“GBRAs”)];

- 1 • FPL already offers customers the option to take transmission level service
2 from a substation; and
- 3 • FPL’s low bills today are not solely the result of low natural gas prices but
4 also the result of management initiatives that have saved customers
5 billions of dollars.

6

7 **III. COMMISSION POLICY ON GRADUALISM AND INTERVENOR**

8 **PROPOSALS FOR ALLOCATING THE REVENUE INCREASE**

9

10 **Q. Witnesses Baron, Pollock and Alderson each take issue with FPL’s**
11 **allocation of revenue increases and the application of gradualism. Please**
12 **explain the concept of gradualism as it applies to the allocation of revenue**
13 **increases for rate design.**

14 A. The Commission has made clear its goal that rates should be based on the
15 fully allocated cost-of-service (“COSS”) method with the objective of
16 achieving parity among rate classes. The Commission also has expressed
17 concerns about any rate class receiving an overly-large revenue requirement
18 increase and has created a guideline, referred to as gradualism, to address
19 those concerns. The concept of gradualism, as applied in Florida, limits the
20 revenue increase for each rate class to 1.5 times the system average increase in
21 total operating revenues, including adjustment clauses, and provides that no
22 rate class be decreased.

23

1 In the FPSC Order that first instituted the rate increase limit guideline (Order
2 No. 10306 issued September 1981 in Docket No. 810002-EU), the
3 Commission stated: “All parties in this proceeding agree that the revenue
4 increase should be allocated between classes so as to move toward an
5 equalized rate of return for all classes. While we embrace this concept, we
6 feel the impact on customers' bills must be considered in allocating revenues.”
7 The Commission articulated its guideline for addressing bill impacts that “[n]o
8 customer class shall receive a revenue increase greater than 1.5 times the
9 system average increase as a result of this proceeding.” (p. 106-107). In
10 subsequent orders the Commission has made it clear that the calculated 1.5
11 times increase is based on *total* revenues.

12 **Q. Has FPL applied the Commission’s guidelines on revenue allocation and**
13 **gradualism correctly?**

14 A. Yes.

15 **Q. Please explain.**

16 A. The rates FPL has proposed in this case appropriately reflect the allocated
17 costs by rate class, move all classes closer toward an equalized rate of return
18 (i.e., parity) while limiting the increase to each class to no more than 1.5 times
19 the system average based on total operating revenues including clause
20 revenues. For 2017, FPL has requested an 8.2% increase in total revenues in
21 this case. Under the gradualism guideline, any increase to a rate class is
22 limited to 1.5 times 8.2%, or 12.3%. As shown on Minimum Filing

1 Requirement (MFR) E-8, under FPL's proposed rates, no class will receive an
2 increase of more than 12.3% in total.

3 **Q. Witnesses Pollock and Baron also assert that gradualism should be**
4 **measured by excluding clause revenues in the calculation, and witness**
5 **Alderson asserts that the calculation should exclude revenues from the**
6 **fuel clause. Do you agree with those assertions?**

7 A. No. The Commission has stated explicitly in other orders that revenues from
8 adjustment clauses are to be included in the gradualism calculation. In FPL's
9 most recent fully litigated rate case, Order No. PSC-10-0153-FOF-EI issued
10 March 17, 2010, in Docket No. 080677-EI, the Commission stated:
11 "Consistent with our decisions in more recent electric rate cases, we find that
12 in this case no class shall receive an increase greater than 1.5 times the system
13 average percentage increase in total, i.e., *with adjustment clauses*, and no class
14 should receive a decrease." (Emphasis added) (p. 179).

15
16 Witness Pollock argues that clause revenues should not be used in the
17 gradualism calculation and then quotes a Commission order that contradicts
18 his argument. He quotes from a recent Tampa Electric Company case, Order
19 No. PSC-09-0283-FOF-EI, which states unequivocally that: "No class should
20 receive an increase greater than 1.5 times the system average percentage
21 increase *in total*, and no class should receive a decrease." (Emphasis added)
22 (p. 87).

1 **Q. Has the Commission ever applied the concept of gradualism exclusive of**
2 **clause revenue?**

3 A. No, it has not, a fact that witness Baron acknowledges. Mr. Baron states that
4 “it is true that the Commission required FPL to include all clause revenues in
5 the application of the ‘1.5 times’ adjustment in the 2009 FPL rate case.” He
6 goes on to recommend that the Commission “consider modifying this
7 mitigation protocol to exclude clause revenues in the determination of whether
8 the increase to any rate schedule is excessive and would constitute rate
9 shock.” His argument demonstrates that not including clauses would be in
10 direct contradiction of Commission guidelines and to do as he suggests would
11 require a change in policy; it also demonstrates that the guideline is broadly
12 understood to include clause revenues. Excluding clause revenues would
13 distort the proper application of gradualism, impede the movement of several
14 rate classes toward parity (significantly reducing the likelihood of ever
15 achieving parity for those classes) and continue inter-class subsidies that
16 benefit one class of customers over another.

17 **Q. Witness Pollock asserts on page 39 of his testimony that “gradualism is**
18 **typically measured on the revenues generated from electricity sales, not**
19 **revenues from other sources.” Do you agree with his assertion?**

20 A. No. Witness Pollock does not provide support for this statement and it is not
21 supported by prior Commission orders. Furthermore, witness Pollock’s
22 calculations are incorrect. On page 36 of his testimony, witness Pollock states
23 that only base sales revenues should be included in gradualism calculations by

1 referencing data from his exhibit JP-5. Exhibit JP-5 shows base revenue
2 increases from sales and percentages as filed in FPL's MFR E-13A. MFR E-
3 13A is not the appropriate source for the base revenue portion of gradualism
4 calculations as the increases shown are not by rate class and do not include
5 changes in other operating revenues such as miscellaneous service charges,
6 unbilled revenues and CILC/CDR offset revenues and other revenues by rate
7 class.

8
9 The proper source for total present base operating revenues by rate class is
10 MFR E-5, line 25 and the proper source for proposed base revenue increases
11 by rate class is MFR E-5, line 44. The final proposed base operating revenue
12 increases from MFR E-5 include revenues from base rates, changes in
13 miscellaneous service revenues, unbilled revenues and CILC/CDR offset
14 revenues. FPL has consistently used and the Commission has accepted MFR
15 E-5 as the source of total base revenues to be used in applying the gradualism
16 guideline.

17 **Q. Are there other Commission orders that support FPL's calculation of the**
18 **gradualism guideline?**

19 A. Yes. The Commission has consistently held that the gradualism guideline
20 should be based on 1.5 times the system average percentage increase, in total,
21 including adjustment clauses. (See Order No. PSC-08-0327-FOF-EI, issued
22 May 2008 in Docket No. 070304-EI; Order No. PSC-09-0283-FOF-EI, issued
23 April 2009 in Docket No. 080317-EI; Order No. PSC-10-0153-FOF-EI issued

1 March 2010 in Docket No. 080677-EI; and Order No. PSC-13-0443-FOF-EI
2 issued September 2013 in Docket No. 130040-EI).

3 **Q. Witnesses Pollock and Baron both assert that FPL has improperly**
4 **applied the gradualism concept in this case because FPL has ignored the**
5 **impact of resetting the CILC/CDR credits. Do you agree with their**
6 **assertions?**

7 A. No, I do not agree. The credit reset is entirely consistent with the
8 Commission's guideline and also with how the credits and credit offset
9 revenue reductions were treated in the 2012 Settlement Agreement. The
10 current revenue recovery assigned to CILC/CDR customers includes both
11 base rates paid by CILC/CDR customers and the credit offset revenues paid
12 by all customers.

13
14 The Commission's gradualism guideline is assessed in terms of *revenues*
15 required to be recovered from a rate class and resetting the credits does not
16 change that revenue responsibility. The decrease in the credit offset revenues
17 does not change the current revenue responsibility of the CILC/CDR
18 customers. Rather, it changes the customers from whom that revenue is to be
19 recovered. Therefore, a change in the *source* of the revenue recovered does
20 not change the *method* of calculating gradualism.

21
22 It is appropriate to start with current class revenues from all sources in the
23 calculation of gradualism to measure the 1.5 times system average limitation

1 on additional revenues. It would be incorrect to treat the reduction in
2 CILC/CDR credits as a revenue increase and treating it as such unfairly
3 allocates a larger portion of the overall increase to other customer classes.

4 **Q. At page 42 of witness Pollock's testimony which references exhibit JP-8,**
5 **Mr. Pollock proposes an alternative class revenue allocation. Is his**
6 **proposal an appropriate application of the gradualism guideline?**

7 A. No. Witness Pollock has improperly removed other revenues and not
8 included the credit offsets to arrive at his revenue allocation. Witness Pollock
9 included similar alternative revenue allocations in FIPUG's interrogatory
10 numbers 21 and 88. FPL responded to those requests by pointing out that
11 FIPUG's use of "Sales Revenue at Present Rates Including Clauses" for
12 gradualism calculations "is incorrect because it only includes revenues from
13 base rates and clauses and does not include unbilled revenues, revenues from
14 service charges, and CILC/CDR credit offset revenues."

15
16 Further his calculation is inappropriate because he allocates all of the revenue
17 shortfall to the remaining customers *equally* instead of following the COSS
18 and addressing parity considerations.

19 **Q. At page 44 of his testimony, witness Pollock states: "If however, the**
20 **Commission approves less than 33% of FPL's proposed base revenue**
21 **increase or decrease, it should be spread equally to all customer classes."**
22 **Do you agree with witness Pollock's proposal?**

1 A. No. Regardless of the amount of revenue increase, any increase should be
2 spread to all customer classes based on COSS allocations while also
3 considering the Commission's gradualism guidelines.

4 **Q. On page 59 of SFHHA witness Baron's testimony, Table 12 presents an**
5 **alternative calculation of percentage increases for the CILC-1D rate**
6 **class. Do you agree with witness Baron's approach?**

7 A. No. His chart is based on an improper application of the Commission's
8 gradualism guideline. As previously stated, it is incorrect to treat the
9 reduction in CILC/CDR credits as a revenue increase. Additionally, some of
10 the items in witness Baron's Table 12 are misleading as explained in Exhibit
11 TCC-7. Because Table 12 only shows amounts for the CILC-1D rate class,
12 there should be no mention of the CDR credit as the CDR is not applicable to
13 the CILC rate schedule.

14

15 **IV. RATE DESIGN FOR DEMAND-BASED RATES**

16

17 **Q. Witnesses Pollock and Chriss each take issue with FPL's calculations for**
18 **demand and energy charges for the GSLD(T)-1 rate classes. Please**
19 **explain FPL's approach to rate design for demand and energy charges in**
20 **this case.**

21 A. FPL began with present demand and energy rates and increased those rates by
22 the same percentage to maintain the current relationship between demand and
23 energy rates. FPL then adjusted on-peak energy charges to ensure revenue

1 neutrality and to achieve target revenues. This approach was used in
2 consideration of rate stability and the impact on customers with differing load
3 factors with which this Commission has expressed concerns. In FPL's last
4 fully litigated rate case, the Commission's order stated: "However,
5 consideration of rate stability and rate shock are also important considerations
6 in rate design. Increases in the demand charge impact low load factor
7 customers to a greater extent than high load factor customers because they are
8 less able to offset the higher demand costs with lower energy costs and are
9 thus less able to affect their total bill." (Order No. PSC-10-0153-FOF-EI,
10 issued March 2010 in Docket No. 080677-EI, page 189).

11

12 The approach FPL uses can be applied consistently across rate classes and it
13 provides rate stability, avoids drastic changes in demand and/or energy
14 charges, and maintains current price signals between on- and off-peak energy
15 charges.

16 **Q. Please comment on witness Pollock's and Chriss's assertions regarding**
17 **the pricing of demand charges.**

18 A. Both witnesses assert that demand charges should be set closer to unit cost.
19 Following strict unit cost in setting demand rates would distort the
20 relationships between the general service demand classes and make it difficult
21 to achieve target revenues while maintaining time-of-use ("TOU") design
22 goals and principles. Setting demand rates closer to unit cost would recover
23 less cost from energy charges making it difficult to provide meaningful price

1 signals between on- and off-peak energy charges. Also, as noted in Order No.
2 PSC-10-0153-FOF-EI, large increases in the demand rate would adversely
3 impact low load factor customers.

4 **Q. Please comment on intervenor assertions that FPL's proposed rate design**
5 **differs from how FPL calculated demand and energy charges in past rate**
6 **cases.**

7 A. FPL's proposal is consistent with FPL's proposals in past rate cases; however,
8 FPL refined the process for developing rates. In this case, FPL started with
9 present demand charges and increased them by the same percentage as energy
10 charges based on the target revenues needed from the rate class. In prior
11 cases, FPL started with demand unit cost and adjusted them down to maintain
12 the same relationship between demand and energy changes and to mitigate the
13 impact to low load factor customers. The end result is the same, proposed
14 demand charges remain lower than unit cost.

15

16 Also for energy charges, FPL began with present rates and applied the same
17 percent increase to both the on-peak energy charge and the off-peak energy
18 charge to maintain the TOU price signal embedded in TOU energy rates. This
19 is consistent with past Commission guidance. In Order No. PSC-10-0153-
20 FOF-EI, Docket No. 080677-EI, page 190, the Commission stated: "However,
21 it is reasonable, as a proxy, to maintain the current differential between on-
22 and off-peak ratios to prevent unexpected impacts on existing TOU customers
23 who have adapted their usage to this ratio."

1

2 The percent increase methodology that FPL utilized mitigates the impact of
3 rate increases on low load factor customers and is a reasonable and thoughtful
4 approach to balance the needs of all customers. Additionally, FPL continues
5 to offer High Load Factor Time of Use (“HLFT”) rates for those customers
6 that prefer a higher demand charge coupled with a lower energy charge.

7 **Q. Why does FPL think it is appropriate to set off-peak energy charges**
8 **higher than unit cost?**

9 A. For the GSD(T) and GSLD(T) rate classes, FPL’s current and proposed rate
10 design uses the same demand charge for both the standard rate schedule and
11 the corresponding TOU rate schedule, with the TOU demand charge only
12 applying to demand occurring in the on-peak period. TOU customers pay no
13 demand charge for demand occurring in off-peak periods. Consequently,
14 customers with little or no on-peak usage only pay the off-peak energy charge
15 for their energy usage, avoiding all demand charges. Florida’s other investor-
16 owned utilities include a maximum demand charge as part of their TOU rates
17 to recover demand distribution costs. FPL does not have a maximum demand
18 charge, and as a result has proposed a higher off-peak energy charge to
19 recover a portion of demand distribution costs through the off-peak energy
20 charge. By increasing on- and off-peak energy charges by the same
21 percentage, the proposed rates maintain the current price signal between on-
22 and off-peak energy rates.

1 **Q. Witness Pollock provides a table on page 65 of his testimony comparing**
2 **unit costs to present and proposed energy charges. Do you agree that his**
3 **table is an accurate representation of unit costs and present rates?**

4 A. No. Witness Pollock's table uses unit costs based on the 12CP and 1/13th
5 COSS method. FPL used the 12CP and 25% COSS method for proposed
6 rates. Witness Pollock's chart is misleading in that it shows a much lower
7 energy unit cost than was included in MFR E-6b based on the proposed
8 COSS.

9 **Q. Can you comment on witness Pollock's recommendation that the current**
10 **GSLD(T) and CILC energy charge increases should not exceed 50% of**
11 **the increase in the demand charge?**

12 A. As stated earlier, FPL maintained the current relationship between demand
13 and energy rates to mitigate the impacts on lower load factor customers and
14 offers the HLFT rates for customers who prefer a higher demand charge
15 coupled with lower energy charges.

16 **Q. Do you agree with witness Chriss's recommendation that GSLD-1 and**
17 **GSLD(T)-1 demand charges should be set at 90% of the demand unit cost**
18 **(as shown on page 28 of his testimony, Table 2) and that GSD-1 and**
19 **GSD(T)-1 demand charges should be set at 85% of the demand unit cost**
20 **(as shown on page 32 of his testimony, Table 4)?**

21 A. No. For 2017, witness Chriss's recommendations would result in a \$4.55 per
22 kW (46%) increase in demand charges for GSLD(T)-1 customers and a \$3.53
23 per kW (41%) increase in demand charges for GSD(T)-1 customers. FPL's

1 proposed rates would result in a \$2.64 per kW (27%) increase in demand
2 charges for GSLD(T)-1 and a \$1.70 per kW (20%) increase in demand
3 charges for GSD(T)-1. In contrast to witness Chriss's proposals regarding
4 these rates, FPL's proposals consider the impact that higher demand charges
5 have on low load factor customers. As stated previously, FPL's approach
6 adheres to the Commission's decisions on this issue in past rate cases, and
7 customers that prefer a higher demand charge can take service under the
8 HLFT rate schedule.

9 **Q. Witness Alderson states on page 29 of her testimony that "The**
10 **Company's proposed base rate charges for the three CILC rate sub-**
11 **classes for the 2017 Test Year and 2018 Subsequent Year are**
12 **economically illogical, do not provide appropriate efficient price signals,**
13 **and are not reflective of the Company's own COSS results." Do you**
14 **agree with this assertion?**

15 A. No. This statement is based on the inaccurate assumption that all CILC rates
16 are derived from one revenue requirement that is allocated among three sub
17 rate classes. In fact, there are three separate CILC rate classes each with a
18 separate revenue requirement, a separate rate of return and a separate parity
19 index. Additionally, each rate class is subject to the gradualism calculation,
20 separately and independently of the other CILC rate classes.

21

22 At equalized revenue requirements, witness Alderson is correct that unit costs
23 per MFR E-6b, 12CP and 25%, Attachment 1 of 2, page 1 of 6, line 14, are

1 lower for the CILC-1T rate class as compared to the CILC-1D rate class.
2 However, proposed rates are based on revenue requirements adjusted for
3 gradualism rules that limit rate class revenue increases to no more than 1.5
4 times the system average increase. After adjustments for gradualism, the
5 CILC-1T rate class received the majority of its allocated revenue increase
6 while the CILC-1D rate, because of gradualism, did not receive the full
7 amount of the allocated revenue increase. This is demonstrated in FPL's
8 filing on MFR-14, Attachment 2, page 31, columns 13 and 14 continued on
9 page 32, columns 15 through 18. FPL then used the percent increase method
10 to allocate the increases by rate class to demand and energy charges.

11

12 Additionally, setting demand rates to match CILC-1D and/or CILC-1T unit
13 cost and moving the difference to energy rates, as suggested by witness
14 Alderson, is not appropriate because it results in a significant increase to the
15 energy rates in the CILC-1T rate class. Applying the same percentage
16 increase to demand and energy maintains the current relationship between
17 demand and energy rates and provides a consistent approach for applying
18 increases.

19 **Q. Do you have any other comments on her testimony?**

20 A. Yes. There are inconsistencies between the data provided in witness
21 Alderson's exhibits and FPL's filing. First, present rates as shown in witness
22 Alderson's testimony on page 30 in Table 4, do not include the West County 3
23 adjustment included in present rates as filed in MFR E-13C, pages 2 – 4. Ms.

1 Alderson provides no explanation for why the rates used in Table 4 are
2 different from FPL's proposed rates.

3

4 Second, Table 5 on page 32 of witness Alderson's testimony contains unit
5 costs from the 12CP and 1/13th COSS method and not the 12CP and 25%
6 COSS method on which FPL's proposed rates are based. These
7 inconsistencies skew witness Alderson's comparisons of the COSS to
8 proposed rates.

9 **Q. Do you agree with witness Chriss's recommendation on page 33 of his**
10 **testimony that "If the Commission approves the 2019 Okeechobee LSA,**
11 **for rate schedules that contain demand charges, the increase to those**
12 **schedules should only be applied to the demand charge"?**

13 A. No. Witness Chriss's testimony appears to take issue with the rate design
14 aspect of FPL's proposed approach to the Okeechobee LSA and not the
15 allocation of the increase. The method proposed by witness Chriss once again
16 increases demand charges disproportionately to energy charges and adversely
17 impacts low load factor customers. FPL's proposed method for the
18 Okeechobee LSA increases all rates by an equal percentage. The method used
19 in FPL's filing is administratively efficient, and has been used and accepted
20 by the Commission for Turkey Point 5, Canaveral, Riviera and Port
21 Everglades modernizations.

22

1 **V. RATE DESIGN FOR RESIDENTIAL CUSTOMER CHARGES**

2

3 **Q. Witness Brosch opposes the \$2 increase in the customer charge for**
4 **residential customers (RS-1) to recover a portion of fixed distribution**
5 **costs and cites public policy reasons for keeping the customer charge low.**
6 **Do you have any comments on those considerations?**

7 A. Yes. First, a basic guideline of electric utility rate design is the idea that costs
8 that do not vary with usage should be recovered through a fixed charge (e.g.,
9 customer or demand charge), and costs that vary with usage should be
10 recovered through a variable charge. The costs of the distribution system
11 needed to serve customers are largely fixed, in the sense that they do not vary
12 with energy consumption. For customers other than residential and small
13 commercial customers, these costs are generally recovered through a demand
14 charge (to the extent practical considering all rate design goals) which more
15 closely aligns with the fixed nature of these costs. For residential and small
16 commercial customers, these fixed costs are recovered through a variable
17 energy (kWh) charge.

18

19 As I stated in my direct testimony, the \$2 increase in the customer charge
20 represents approximately 10% of fixed distribution costs currently being
21 recovered through a variable kWh charge. Moving this amount of fixed costs
22 to a fixed charge is a modest step in aligning rates with costs, while
23 minimizing bill impacts.

1 Regarding the policy considerations witness Brosch lists, those are certainly
2 important considerations in developing rates, but they are not the only items
3 that should be considered and they should not be considered in a vacuum.
4 Other public policy considerations include costs to serve the class,
5 consumption and load characteristics of the class, and revenue stability and
6 continuity. The considerations Mr. Brosch specifies, i.e., affordability, control
7 over monthly bills, the encouragement of energy conservation and the
8 payback on energy efficiency investments, were considered in the proposal to
9 add \$2 to the customer charge.

10

11 Regarding affordability, FPL is always mindful of managing its business to
12 ensure we deliver safe, efficient, reliable service at fair and reasonable prices.
13 Further, FPL chose a modest increase in the customer charge in recognition of
14 the impact proposing a full recovery of fixed costs through a fixed charge
15 would have on lower usage customers.

16

17 Appropriate energy conservation and investments in energy efficiency will
18 continue to be encouraged under FPL's proposed customer charge.
19 Customers who use more energy will still pay a higher bill and the cost for
20 energy usage above 1,000 kWh will still be higher, both of which will
21 encourage energy conservation and efficiency.

22

23

VI. CILC & CDR RATES AND CREDITS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. Can you briefly describe the history of the CILC Rate Schedule and the CDR rider (“CILC/CDR credits”)?

A. Yes. The CILC rate schedule was first implemented on a trial basis in 1986 (Order No. 18259, issued October 1987, Docket No. 861403-EG) and was made a permanent program in 1990 (Order No. 22747 issued March 1990, Docket No. 891045-EG). In 1995, participation in the rate was limited to existing customers and those who had entered into a CILC agreement (Order No. PSC-96-0468-FOF-EG issued April 1996, Docket No. 960130-EG) and the rate schedule was closed in 2000 (Order No. PSC-99-0505-PCO-EG issued March 1999, Docket No. 990002-EG).

The CDR credit was originally established by the Commission in 2000 (Order No. PSC-00-0915-PAA-EG, issued May 2000, Docket No. 991788-EG) and was continued through subsequent Demand Side Management (“DSM”) proceedings. The CDR program is open to customers in the General Service Demand and Large Demand rate classes.

Q. Is it correct that these CILC/CDR credits are part of FPL’s DSM program?

A. Yes. These rate schedules were approved and implemented under the authority of Section 366.82, F.S., and are part of FPL’s DSM programs.

Q. When was the current level of CILC/CDR credits set?

1 A. The current level of credits were set as part of the 2012 Settlement Agreement
2 approved by the Commission in Docket No. 120015-EI.

3 **Q. Did FPL propose the current level of CILC/CDR credits as part of its**
4 **petition in the 2012 rate case, Docket No. 120015-EI?**

5 A. No. FPL did not propose any changes to the CILC/CDR credits.

6 **Q. Why didn't FPL propose a change in the CILC/CDR credits as part of its**
7 **2012 rate case?**

8 A. As stated in Ms. Deaton's testimony in the 2012 rate case, the CILC and CDR
9 programs are conservation programs initiated as part of FPL's DSM plan, and
10 the proper venue for addressing these programs is in a DSM plan docket.

11 **Q. Would you explain how the current level of CILC/CDR credits came**
12 **about?**

13 A. Yes. The current level of the CILC/CDR credits were agreed to by FPL and
14 approved by the Commission as one aspect of a multi-faceted 2012 Settlement
15 Agreement.

16 **Q. What is FPL proposing in this case with regard to the CILC/CDR**
17 **credits?**

18 A. As explained in my direct testimony, FPL proposes to reset the CILC/CDR
19 credits to pre-settlement levels, adjusted for base rate increases for the
20 Canaveral, Rivera, and Port Everglades modernizations. Simply resetting the
21 credits to the levels that existed prior to the 2012 Settlement Agreement would
22 not have taken into account the amount by which the credits would have

1 grown as a result of the base rate increase for the modernizations. This
2 ensures equitable treatment for load control customers.

3 **Q. Why is FPL proposing to reset the CILC/CDR credits in this case?**

4 A. A key goal of rate design is to ensure fair and equitable rates. The revenues
5 from the CILC/CDR credits, including the revenue from the increased level of
6 these credits during the term of the 2012 Settlement Agreement are recovered
7 through the Energy Conservation Cost Recovery (“ECCR”) clause and are
8 paid for by all customers. It would be inequitable to the other customers to
9 extend the current level of credits beyond 2016. As shown in TCC-5, the
10 customers receiving the CILC/CDR credits already pay rates that are well
11 below their cost of service.

12 **Q. How is proposing to reset the CILC/CDR credit level as part of this rate
13 case consistent with FPL’s position in prior cases that the appropriate
14 venue for addressing the level of CILC/CDR credits is in a DSM Docket?**

15 A. It is entirely consistent with FPL’s position in prior cases. As I have
16 explained, the current level of credits was not proposed in FPL’s original
17 filing, rather it was part of a multi-faceted settlement agreement. Any
18 modification to the credit levels filed by FPL in this proceeding should be
19 properly considered in the Commission’s next DSM Goals/Plan proceeding
20 along with all of FPL’s demand response programs to determine the
21 appropriate level of conservation to be paid for by all customers.

22 **Q. Didn’t the Commission approve the current level of CILC/CDR credits in
23 the most recent DSM Docket?**

1 A. Yes. In the 2014 DSM Plan docket, pursuant to the Final Order Approving
2 the 2012 Rate Case Settlement, FPL requested and the Commission approved
3 the use of the credit levels previously approved by the Commission for the
4 four year term of the 2012 Settlement Agreement. For FPL not to request and
5 the Commission not to approve the credits from the 2012 Settlement
6 Agreement would have had the effect of not honoring the terms of the 2012
7 Settlement Agreement.

8

9 **VII. PROPOSAL FOR DISTRIBUTION SUBSTATION SERVICE**

10

11 **Q. Witness Pollock states that FPL should offer distribution substation**
12 **service. Do you agree?**

13 A. No. As explained by witness Miranda in response to FIPUG's 4th Set of
14 Interrogatory Requests, No. 85, (attached as Exhibit TCC-8) the primary
15 distribution system is a network that functions to serve all distribution
16 customers, therefore the costs are allocated to all distribution customers. In
17 cases of a substation outage, customers may be served from alternate
18 substations.

19 **Q. What would be required to offer a distribution substation service tariff?**

20 A. FPL would be required to incur significant administrative costs to set up such
21 a tariff. A new customer class would need to be established for load research
22 to support cost of service allocations. A new rate would require costly
23 changes to FPL's systems for billing, accounting, and reporting purposes.

1 **Q. Have any customers requested that FPL offer distribution substation**
2 **service?**

3 A. No. I am not aware of any customers requesting this service or any that would
4 take such service if it were available.

5 **Q. Do large primary demand customers served directly from a substation**
6 **have alternatives that allow them to avoid distribution costs?**

7 A. Yes. FPL offers these customers the option to take transmission level service
8 and thereby avoid all distribution costs by entering into either (1) a Long-
9 Term Rental Agreement for Distribution Substation Facilities (“Distribution
10 Substation Rental Agreement”), FPL Tariff Sheet No. 9.730, or (2) a Facilities
11 Rental Service Agreement, FPL Tariff Sheet No. 9.750.

12

13 The Distribution Substation Rental Agreement allows customers served
14 directly from a substation to rent their portion of the substation through
15 monthly payments. The Facilities Rental Service Agreement gives customers
16 the option to make a lump sum payment for the substation in lieu of monthly
17 payments. The rental agreements directly assign the customer’s portion of the
18 cost of the substation to the customer. In the cases of multiple customers
19 served from a single substation, costs are allocated among those customers.
20 FPL has eight distribution substation rental customers, and three customers
21 that have contracted under the Facilities Rental Service Agreement.

22

1 Also in my direct testimony on page 23, FPL requested to remove the 2,000
2 kW demand requirement for transmission level service so that a customer of
3 any size served directly from a substation may qualify for transmission level
4 rates simply by entering into the Distribution Substation Rental Agreement.
5 There is no reason to require the company to incur additional costs to develop
6 a new class of service, new tariffs, and incur significant billing costs on the
7 hypothetical assumption that a few customers may request this service when
8 customers have two options that allow them to take service under transmission
9 rates and avoid all distribution costs, other than their share of the substation
10 costs.

11

12 VIII. FPL'S LOW RESIDENTIAL BILL

13

14 **Q. What is the purpose of Exhibit TCC-2?**

15 A. The purpose of Exhibit TCC-2 is to show a projection of residential and four
16 typical Commercial and Industrial customer bills through the four years of
17 FPL's rate proposal.

18 **Q. Can you explain how the information for Exhibit TCC-2 was developed?**

19 A. Yes. Exhibit TCC-2 uses the projected base rates as calculated in MFR E-13c
20 and the projected clause rates from FPL's forecast.

21 **Q. Do you have any comments on witness Brosch's and witness Lawton's**
22 **claims that gas price trends from 2006 to 2016 contributed significantly to**
23 **FPL's historically favorable bill impacts?**

1 A. Yes. As explained by witnesses Forrest and Kennedy, lower gas prices alone
2 do not account for FPL's low customer bills today. It is because of FPL's
3 commitment to smart investments and modernization of our generating fleet
4 that our customers are saving billions of dollars today and have electric bills
5 that are among the lowest in the state of Florida. It is important to note that, if
6 low natural gas prices were the main reason that FPL's bills are lower today
7 than 2006, then many utilities around the country and in the Southeast should
8 have experienced the same trend, i.e., lower bills in 2016 versus 2006. In fact,
9 just the opposite is true. As stated in my direct testimony, since 2006, FPL's
10 typical residential bill has actually *decreased* 14%, while the national average
11 typical bill has increased by 29%. More recent data shows the national
12 average typical residential bill has increased by 24% from 2006 to 2016 (EEI
13 data published April 2016). As demonstrated in Exhibit TCC-9, compared to
14 FPL's peer group of major Southeastern Investor-Owned Utilities, only 3
15 (including FPL) out of 15 utilities have lower rates today than 2006. FPL's
16 residential bill is the lowest in the state of Florida, 20% below the Florida
17 average and 30% below the national average. This is a significant
18 accomplishment – one that has provided tremendous value for FPL's
19 customers.

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

21 A. Yes.

1 BY MS. CLARK:

2 Q Ms. Cohen, you have prepared some exhibits
3 that are identified as TCC-7 through TCC-9; is that
4 correct?

5 A Yes.

6 Q And were those exhibits prepared under your
7 direction, supervision, and control?

8 A Yes.

9 MS. CLARK: Madam Chair, I would note that
10 these exhibits have been pre-identified as -- on
11 staff's list as 387 through 389.

12 CHAIRMAN BROWN: So noted.

13 Staff?

14 EXAMINATION

15 BY MS. BROWNLESS:

16 Q Hi, Ms. Cohen.

17 A Hello.

18 Q Were you able to review what's been identified
19 on the staff's comprehensive exhibit list as 522, which
20 are work papers and computations underlying your
21 portion -- your rebuttal testimony in this case?

22 A Yes.

23 Q Okay. And if asked these same production-of-
24 documents request, would you provide the same work
25 papers you've provided?

1 A Yes.

2 Q And are they true and correct, to the best of
3 your knowledge and belief?

4 A Yes.

5 Q And is any part of the work papers that you
6 provided confidential?

7 A No.

8 MS. BROWNLESS: Thank you, ma'am.

9 CHAIRMAN BROWN: FPL?

10 FURTHER EXAMINATION

11 BY MS. CLARK:

12 Q Ms. Cohen, would you please provide a summary
13 of your rebuttal testimony?

14 A Good afternoon, Madam Chairman and
15 Commissioners. My name is Tiffany Cohen. My rebuttal
16 testimony addresses various intervenors -- rate-design
17 issues raised by various intervenors and intervenor
18 Witness Brosch's claim that FPL's low bills are the
19 result of gas prices alone.

20 First, contrary to Witness Brosch's claim,
21 lower gas prices alone do not account for FPL's low
22 customer bills. FPL's -- FPL's low customer bills today
23 are the result of FPL's management initiatives that have
24 saved our customers billions of dollars and resulted in
25 electric bills that are among the lowest in the state of

1 Florida.

2 Since 2006, FPL's typical residential bill has
3 actually decreased 14 percent, while the national
4 average typical bill has increased 24 percent. As
5 demonstrated in Exhibit TCC-9, compared to FPL's peer
6 group of major southeastern investor-owned utilities,
7 only three, including FPL, out of 15 have lower rates
8 today than they did in 2006.

9 Were FPL's success due only to lower fuel
10 prices like -- one would expect to see many or most
11 utilities have lower prices today, but this is not the
12 case. While lower gas prices have contributed to lower
13 bills, clearly our success is due to other factors as
14 well, such as our generating fleet efficiency
15 improvements and O & M cost management. This is a
16 significant accomplishment and one that has provided
17 tremendous value for our customers.

18 Regarding the rate-design issues raised by
19 intervenors, let me first address gradualism. FPL has
20 correctly applied the Commission's policy on gradualism
21 exactly as this Commission has ordered in numerous
22 instances including the last litigated rate case for
23 FPL; that is to limit increases to rate classes to no
24 more than one-and-a-half times the system average
25 increase on total revenues, including fuel and other

1 clauses.

2 Intervenor proposals to modify this
3 Commission's policy would distort the proper application
4 of gradualism, would significantly reduce the likelihood
5 of ever achieving parity for certain rate classes, and
6 would continue inter-class subsidies that benefit one
7 class of customers over another.

8 I also address intervenor assertions regarding
9 the recovery of cost through demand and energy rates for
10 the demand rate classes. In accordance with past
11 Commission guidance, adjustments were made to rates to
12 maintain existing relation- -- rate relationships and,
13 in some instances, to mitigate the impact on lower load-
14 factor customers.

15 Next, FPL proposes to reset the CILC CDR
16 credits to pre-settlement levels, adjusted upwards for
17 base-rate increases for the Canaveral, Riviera, and Port
18 Everglades modernizations.

19 The revenues from the CILC CDR credits,
20 including the revenue from the increased level of these
21 credits during the term of the 2012 settlement
22 agreement, are recovered through the conservation clause
23 and are paid for by all customers.

24 It would be inequitable to the other customers
25 to extend the current level of credits beyond 2016. Any

1 modification to the credit levels should be properly
2 considered in the Commission's next DSM proceeding along
3 with all of FPL's demand response programs to determine
4 the appropriate level of conservation to be paid for by
5 all customers.

6 In closing, FPL -- the rates proposed by FPL
7 balance the diverse needs of all FPL customers and
8 should be approved.

9 This concludes my summary. Thank you.

10 MS. CLARK: Madam Chairman, we tender the
11 witness for cross-examination.

12 CHAIRMAN BROWN: Thank you.

13 And welcome back, Ms. Cohen.

14 THE WITNESS: Thank you.

15 CHAIRMAN BROWN: Public Counsel?

16 MS. CHRISTENSEN: No questions.

17 CHAIRMAN BROWN: Thank you.

18 Mr. Moyle?

19 MR. MOYLE: Thank you, Madam Chairman. FIPUG
20 has no questions.

21 CHAIRMAN BROWN: Thank you.

22 Hospitals.

23 MR. WISEMAN: Thank you, Madam Chair.

24 Just, hopefully, two questions.

25 ///

1 EXAMINATION

2 BY MR. WISEMAN:

3 Q Ms. Cohen, would you agree that, in Docket
4 No. 150085-EG, the Commission accepted the current level
5 of credit for the CDR credit, which is part of the
6 overall terms of the 2012 settlement?

7 MS. CLARK: Madam Chairman, I would -- I'm
8 okay with the question, but what is the title of
9 that docket? Do you know?

10 MR. WISEMAN: I'm sorry? The title of what?

11 MS. CLARK: Of the docket you just read. I
12 think I know it, but --

13 MR. WISEMAN: I believe it's the demand-
14 side -- it's the DSM docket.

15 MS. CLARK: Okay.

16 THE WITNESS: Yes, I do believe the Commission
17 accepted the current level of credit because it
18 was -- had been approved under the terms of 2012
19 settlement agreement.

20 BY MR. WISEMAN:

21 Q And would you agree that, in the same docket
22 that I just mentioned, that the CDR program was cost-
23 effective?

24 A Yes, I do believe we submitted data requests
25 to that effect, that the credits were cost-effective.

1 And our position remains that the appropriate
2 level of credits should be set in that docket as they
3 are paid for by all customers.

4 MR. WISEMAN: Thank you. I have no further
5 questions.

6 CHAIRMAN BROWN: Thank you, Mr. Wiseman.
7 Retail Federation.

8 MR. LAVIA: No questions.

9 CHAIRMAN BROWN: Thank you, Mr. Lavia.
10 FEA.

11 CAPTAIN ZIEMAN: Yes, ma'am, just a couple of
12 questions. We have two exhibits as well.

13 CHAIRMAN BROWN: Staff, could you please
14 assist FEA, Captain?

15 Sir, we will be starting at Exhibit 779.
16 Would you like them marked as you go or now?

17 CAPTAIN ZIEMAN: Yes, ma'am, we can mark them
18 as we go.

19 The first one is -- I would have marked as
20 770 -- yeah, the first one we would have marked 779
21 is the 2008 rate case of Florida Power & Light
22 Company. And that's a three-page document.

23 CHAIRMAN BROWN: Okay. That -- the title that
24 I have is Florida Public Service Commission Docket
25 No. 080677, correct?

1 CAPTAIN ZIEMAN: Yes -- yes, ma'am, that is
2 correct.

3 CHAIRMAN BROWN: All right. So, we're going
4 to just go ahead and mark that right now as 779.

5 MR. LAVIA: Madam Chair, could you repeat that
6 title? They are short copies, and I don't have
7 one. So, I'm going to try -- oh, I've got it.
8 Thank you.

9 CHAIRMAN BROWN: Ms. Cohen, do you have a
10 copy?

11 THE WITNESS: I just got a copy.

12 CHAIRMAN BROWN: I'm going to read it to you
13 to mark. 779 is the Florida Public Service
14 Commission, Docket 080677- --

15 THE WITNESS: Can you repeat the number?

16 CHAIRMAN BROWN: 08- --

17 THE WITNESS: I'm sorry. The exhibit number.

18 CHAIRMAN BROWN: Oh, 779.

19 THE WITNESS: Got it.

20 CHAIRMAN BROWN: All right. You may proceed,
21 Captain.

22 CAPTAIN ZIEMAN: Thank you, ma'am.

23 And the second document, which would be 780,
24 is the docket for 2012, Florida Power & Light.

25 That is a five-page document. The docket number in

1 that case is 120015-EI.

2 CHAIRMAN BROWN: Okay. We're going to mark
3 that as 780, just as you indicated.

4 (Whereupon, Exhibit No. 780 was marked for
5 identification.)

6 CAPTAIN ZIEMAN: Thank you, ma'am. And those
7 are portions of larger testimony from Renae Deaton
8 from her testimony in those cases. Those excerpts
9 are actually exhibits. And we have a full actual
10 testimony from her, so -- for completeness for both
11 of those as well.

12 CHAIRMAN BROWN: Okay.

13 Please proceed.

14 CAPTAIN ZIEMAN: Thank you.

15 EXAMINATION

16 BY CAPTAIN ZIEMAN:

17 **Q Ma'am, with respect to Exhibit 779, do you
18 have a copy in front of you?**

19 A Yes.

20 **Q And are you familiar with those documents?**

21 A Yes.

22 **Q Did you review those documents in preparation
23 of your rebuttal testimony here --**

24 A I have -- I have read them.

25 **Q Okay. And are they accurate copies of**

1 **Ms. Deaton's testimony for that -- that hearing?**

2 A I didn't prepare them, but I have no reason to
3 believe otherwise.

4 **Q Great. Thank you.**

5 And then, turning to Exhibit 780, same
6 question: Are you familiar with that document as well?

7 A I have read this document.

8 **Q Okay. Did you use that in preparation for
9 your rebuttal testimony?**

10 A I have reviewed it.

11 **Q Okay. And do they appear to be accurate
12 copies --**

13 A Yes.

14 **Q Okay. Great. Thank you.**

15 Moving on, I just have a couple of questions
16 in addition to those documents there. Ma'am, would you
17 agree that higher-voltage customers cause less energy
18 and demand losses on the FPL's system than do lower-
19 voltage level customers?

20 A I'm not the witness that would support that,
21 but generally, I'm -- I would agree with your statement.

22 **Q Okay. And taking into account gradual- --
23 gradualism and rate shot considerations, would you agree
24 that tariff rate charges paid by all FPL customers
25 should be based on cost of service, to the greatest**

1 **extent practicable?**

2 A Yes. And our rates are based on the cost of
3 service.

4 **Q Thank you.**

5 And finally, do you agree that higher-voltage
6 level customers do not make use of certain low-voltage
7 assets on the FPL system, and that lower-voltage level
8 customers do?

9 A I'm not the witness that would support that.

10 **Q Do you have any awareness of that question,**
11 **ma'am?**

12 A Yeah, that's outside the scope of my
13 expertise.

14 CAPTAIN ZIEMAN: Okay.

15 No further questions from FEA. Thank you.

16 CHAIRMAN BROWN: Thank you.

17 Moving on to Sierra.

18 MS. CSANK: Yes, Madam Chair. I just have a
19 couple of questions for Ms. Cohen.

20 CHAIRMAN BROWN: Okay.

21 EXAMINATION

22 BY MS. CSANK:

23 **Q Good afternoon.**

24 A Good afternoon.

25 **Q Diana Csank again with the Sierra Club. As**

1 you will recall, I represent tens of thousands of
2 Floridian members, many of whom are FPL customers, who
3 have serious concerns with the value that they are
4 getting from the company and your assertions about the
5 low bills that the company has.

6 And so, I would like to focus just my few
7 questions on the final page of your prefiled rebuttal
8 testimony. If you would, please go there.

9 CHAIRMAN BROWN: Which is Page 28.

10 MS. CSANK: Yes, it is.

11 BY MS. CSANK:

12 Q And so, this draws on some of the statements
13 and discussion we had earlier about your direct
14 testimony. But you, once again, state that, quote, it
15 is important to note that if low natural gas prices were
16 the main reason that FPL's bills are lower today than
17 2006, then many utilities around the country and in the
18 southeast should have experienced the same trend. And
19 you cite a period between 2006 and 2016.

20 And my follow-up question to that, Ms. Cohen,
21 is whether you are making any factual representations to
22 the Commission or presenting your opinion as to whether
23 FPL's bills -- how they compare to other utilities in
24 terms of the distribution.

25 So, remember we had the conversation about the

1 1000-kilowatt-hour typical bill?

2 A I do remember that conversation.

3 Q And you said you don't have data with respect
4 to the distribution; in other words, what the mean,
5 median, and mode, and how the residential customers --
6 what the size of their bill is across the spectrum. Is
7 that still true?

8 A I have that data for FPL. I'm not aware of a
9 national benchmark for median data.

10 Q Okay.

11 A It's typical bill data that's benchmarked
12 nationally.

13 Q And do you make any present -- a
14 representation to the Commission with respect to whether
15 bills will remain low relative to other utilities in the
16 future?

17 A What we have done is, compared to the national
18 average today, we have projected our -- with our
19 proposed rates out. And we're still highly competitive
20 to the national average. I believe we're still
21 20 percent below the national average in 2020 with our
22 full proposed increase. And that's the national average
23 today.

24 Q Do you have any reason to believe that if
25 natural gas prices were to go up, FPL's bills would --

1 **how they would compare to other utilities -- might**
2 **worsen?**

3 A If natural gas -- if natural gas were to go
4 up, yes, our bill could go up, but so could the national
5 average.

6 Q Do you know, besides Texas, whether there is
7 **another state that relies as heavily on natural gas as**
8 **Florida?**

9 A No, I'm not the witness that would support
10 that.

11 Q Okay.

12 MS. CLARK: It's outside the scope of her
13 rebuttal.

14 CHAIRMAN BROWN: Yes, it is.

15 BY MS. CSANK:

16 Q **And just one follow-up question, Ms. Cohen.**
17 **On Lines 15 and 16 of Page 28, you state, FPL's**
18 **residential bill is the lowest in the state of Florida.**

19 Going back to my question about distribution,
20 you have no basis for comparison of how residential
21 bills in FPL's service territory compare to those other
22 utilities in the state of Florida; is that correct?

23 A I'm sorry. Can you repeat your question?

24 Q **I'll try. So, going back to this issue that**
25 **I've been discussing with you about the distribution of**

1 residential bills in your territory --

2 A Okay.

3 Q And you've stated that you have no basis for
4 comparison with other utilities. And I'm confirming
5 that -- whether that's also true with respect to other
6 utilities in Florida.

7 A It's only for median data. We do benchmark
8 our typical bill against all utilities in Florida. We
9 are the lowest bill in the state of Florida.

10 Q But again, you don't have data to compare the
11 distribution. So, when I ask you about the mode, for
12 example, you -- you can't represent to me what that
13 distribution looks like for FP&L versus other utilities
14 in the Florida?

15 A That's correct.

16 MS. CLARK: Asked and answered.

17 MS. CSANK: Thank you. No further questions.

18 CHAIRMAN BROWN: Thank you, Ms. Csank.

19 Walmart.

20 MR. WILLIAMSON: I do have a couple of
21 questions, ma'am.

22 EXAMINATION

23 BY MR. WILLIAMSON:

24 Q Good evening.

25 A Good evening.

1 Q It is evening. My name is Derrick Williamson.
2 I represent Walmart.

3 A Hello.

4 Q You -- you responded to counsel for FEA that,
5 as proposed, the company's rates are based on cost. Do
6 you recall that?

7 A Yes.

8 Q At Page 16 of your rebuttal testimony,
9 Lines 16 through 20, it's the question that you respond
10 to. The question references the testimony of Walmart
11 Witness Chriss, who has proposed, for GSLD, rate
12 increases that would reflect 90 percent of the demand
13 unit cost within the demand charge and, for GSD1 and T1,
14 85 percent of the demand unit costs within the demand
15 charge.

16 You don't agree with that recommendation,
17 correct?

18 A No, I do not.

19 Q Without accepting the proposal, do you agree
20 that those rates would be based on unit costs on a
21 proportionate basis of 90 percent and 85 percent of
22 total cost?

23 A No.

24 Q You don't believe that those rates would be
25 based on cost?

1 A No, the unit costs that come out of our cost-
2 of-service study are before gradualism is applied. And
3 so, FPL's rates are based on the cost to serve each
4 customer class. Through getting the information from
5 cost of service, we, then, apply gradualism. So, if we
6 were to set the rates, as you're proposing here, it
7 wouldn't take into account all of the gradualism
8 principles.

9 Additionally, you would harm low load-factor
10 customers in the same class.

11 **Q So, to clarify your earlier response, when you**
12 **answered that FPL's rates are based on cost, it's after**
13 **you have applied the concept of gradualism, as you**
14 **define it, correct?**

15 A FPL has -- our base -- our rates are based on
16 cost through the rate-design process in applying
17 gradualism, yes.

18 **Q Okay. And on Page 17, Line 6 -- actually,**
19 **starting on Line 5 -- and this all associated with your**
20 **discussion of Walmart's proposal. You state that:**
21 **FPL's approach adheres to the Commission's decisions on**
22 **this issue in past rate cases.**

23 And so, with respect to that, you're referring
24 to the 2010 rate case that you testified to earlier in
25 your rebuttal?

1 A I don't believe I testified to the 2010 rate
2 case.

3 Q **If you look at --**

4 A Oh --

5 Q **-- Page 13 --**

6 A Yes.

7 Q **-- of your rebuttal, Line 4, is that what
8 you're referring to when you indicate you're adhering to
9 Commission principles on Page 17?**

10 A (Examining document.) Yes.

11 MR. WILLIAMSON: All right. Thank you.

12 No further questions.

13 CHAIRMAN BROWN: All right. Thank you

14 Mr. Williamson.

15 Larsons?

16 MR. SKOP: Madam Chair, the Larsons have no
17 questions for the witness.

18 CHAIRMAN BROWN: Thank you.

19 Staff?

20 MS. BROWNLESS: No, ma'am. Thank you.

21 CHAIRMAN BROWN: Commissioners?

22 Redirect?

23 MS. CLARK: No redirect.

24 CHAIRMAN BROWN: All right.

25 Exhibits. This witness has 387 through 389.

1 Would you like those moved into the record?

2 MS. CLARK: Yes, Madam Chair, I would.

3 CHAIRMAN BROWN: Any objections? Seeing none,
4 we will move 387 through 389 into the record.

5 (Whereupon, Exhibit Nos. 387 through 389 were
6 admitted into the record.)

7 CHAIRMAN BROWN: FEA, you have two exhibits,
8 779 and 780.

9 CAPTAIN ZIEMAN: Yes, ma'am.

10 CHAIRMAN BROWN: I'm sorry --

11 CAPTAIN ZIEMAN: Yes, ma'am.

12 MS. CLARK: No objection.

13 CHAIRMAN BROWN: No objection? We will go
14 ahead and move in 779 and 780 into the record.

15 (Whereupon, Exhibit Nos. 779 and 780 were
16 admitted into the record.)

17 CHAIRMAN BROWN: Would you like Ms. Cohen
18 excused?

19 MS. CLARK: I would. And I think she would
20 like to be excused as well.

21 CHAIRMAN BROWN: All right. Have a nice
22 dinner and evening.

23 THE WITNESS: Thank you. You, too.

24 CHAIRMAN BROWN: Thank you.

25 FPL, the next up is Tom Koch.

1 MR. BUTLER: Yes. "Coke."

2 CHAIRMAN BROWN: Thank you.

3 MR. BUTLER: Shall we go ahead with him, now?

4 CHAIRMAN BROWN: Yes.

5 MR. BUTLER: Okay. Thank you.

6 (Discussion off the record.)

7 MR. GUYTON: Madam Chair, Mr. Koch has not
8 been sworn.

9 CHAIRMAN BROWN: Mr. Koch, will you please
10 stand and raise your right hand. And I'm so sorry
11 for mispronouncing your name all day.

12 THE WITNESS: It's not the worst thing I've
13 been called.

14 (Laughter.)

15 Whereupon,

16 THOMAS KOCH

17 was called as a witness, having been first duly sworn to
18 speak the truth, the whole truth, and nothing but the
19 truth, was examined and testified as follows:

20 CHAIRMAN BROWN: Thank you, and welcome.

21 THE WITNESS: Thank you.

22 EXAMINATION

23 BY MR. GUYTON:

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

1 A Thomas R. Koch, 9250 West Flagler Street,
2 Miami, Florida 33174.

3 **Q And Mr. Koch, by whom are you employed and in**
4 **what capacity?**

5 A By Florida Power & Light as senior manager of
6 DSM strategy, cost, and performance.

7 **Q And have you prepared and caused to be filed**
8 **11 pages of rebuttal testimony in the rate-case**
9 **proceeding Docket 160021?**

10 A Yes.

11 **Q And if I were to ask you the questions**
12 **contained in your rebuttal testimony today, would your**
13 **answers be the same?**

14 A Yes.

15 MR. GUYTON: Madam Chair, I would ask that
16 Mr. Koch's rebuttal testimony in this case be
17 inserted into the record as though read.

18 CHAIRMAN BROWN: We will insert Mr. Koch's
19 prefiled rebuttal testimony into the record as
20 though read.

21 (Prefiled rebuttal testimony inserted into the
22 record as though read.)

23

24

1 **I. INTRODUCTION**

2

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

4 A. My name is Thomas R. Koch. My business address is 9250 W Flagler Street,
5 Miami, Florida 33174.

6 **Q. Did you previously submit testimony in the proceeding?**

7 A. No.

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

9 A. I am employed by Florida Power & Light Company ("FPL") as Senior
10 Manager, Demand-Side Management Strategy, Cost & Performance.

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

12 A. I am responsible for regulatory filings, reporting and cost management for
13 FPL's Demand-Side Management ("DSM") related activities.

14 **Q. Please describe your educational background and professional
15 experience.**

16 A. I have a Master of Business Administration and a Master of Science in
17 Computer Information Systems, both from University of Miami, and a
18 Bachelor of Music from West Chester University.

19

20 I joined FPL's Finance Department in 1985 working on forecasting and
21 regulatory projects. In 1989, I became Treasury Manager responsible for
22 FPL's short-term cash management, investing and borrowing. In 1991, I
23 joined Customer Service where I was responsible for program management of

1 various tariffed offerings, product development and commercial/industrial
2 retail market strategy. Beginning in 1998, I served in a number of positions in
3 Distribution: Manager, Development & Planning; Manager, Environmental
4 Department; Manager, Underground Department; and Manager, Financial
5 Forecasting. In these positions I was responsible for day-to-day field
6 operations, regulatory proceedings, growth activities, policy and procedure
7 development, and regulation compliance. In 2009, I rejoined Customer
8 Service, initially working on securing FPL's \$200 million award from the
9 Department of Energy's Smart Grid Investment Grant program and then on
10 DSM. I assumed my current position in 2011.

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

12 A. The purpose of my testimony is to respond to assertions made by Florida
13 Power Industrial Users Group ("FIPUG") witness Jeffry Pollock, Federal
14 Executive Agencies ("FEA") witness Amanda M. Alderson, and South
15 Florida Hospital and Healthcare Association ("SFHHA") witness Stephen J.
16 Baron (collectively the "Intervenor Witnesses"). The Intervenor Witnesses
17 assert that their clients should retain the level of participant financial
18 incentives in the Commercial-Industrial Demand Reduction ("CDR") and the
19 Commercial-Industrial Load Control ("CILC") DSM programs that were
20 negotiated as part of the Company's 2012 base rate settlement, because paying
21 those incentives would pass the DSM cost-effectiveness screening test.

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

2 A. By focusing on cost-effectiveness screening, or an alternative analysis that
3 would purport to demonstrate the “real value” of the program to FPL (as
4 suggested by FEA witness Alderson), these Intervenor Witnesses are missing
5 or ignoring the point of the process by which financial incentives are set in
6 DSM proceedings in Florida. Anyone who has ever participated in one of
7 those proceedings knows that cost-effectiveness screening tests serve a
8 preliminary, but not conclusive purpose in establishing DSM program
9 incentives. Cost-effectiveness screening tests are used as a first step to
10 determine which measures may be *considered* for implementation and also to
11 identify the upper limit of a financial incentive that could be paid.

12

13 However, a second, and equally important, step that the Commission’s DSM
14 proceedings employ is to determine the *appropriate* level of the incentives.
15 Thus, actual incentives typically are set at some lower amount sufficient to
16 obtain the participation needed from a given program to provide its projected
17 contribution towards the DSM Goals. This second step is important to ensure
18 that the general body of customers is not required to pay more than necessary
19 for FPL’s DSM programs to be effective, and it is a standard step in the
20 Commission’s DSM proceeding.

21

22 FPL was obtaining sufficient levels of incremental participation in its CDR
23 program prior to the 2012 base rate settlement at the level of financial

1 incentives being paid pre-settlement. The CILC program, which is closed to
2 new participants, does not contribute to DSM Goals. By definition, therefore,
3 to pay more than what was in effect pre-2012 settlement (adjusted as
4 described in FPL witness Cohen's testimony) would be more than what is
5 needed to ensure the desired level of participation and additional costs would
6 be passed directly on to other customers. In other words, no additional
7 incentives are needed for the benefits of the program to be realized by the
8 general body of customers.

9

10 While such an outcome obviously has been approved and upheld as a
11 component of an overall settlement, the Intervenor Witnesses are requesting
12 that the Commission maintain the higher financial incentive levels through
13 this proceeding in a manner that directly conflicts with the Commission's
14 long-standing policy and practice in designing DSM programs and
15 establishing appropriate DSM incentive levels. The pre-2012 settlement
16 incentive levels, with the adjustments described in FPL witness Cohen's
17 testimony, are appropriate and consistent with the DSM incentive-setting
18 process.

19

20

21

22

23

24

1 **II. CDR / CILC FINANCIAL INCENTIVES RESET**

2

3 **Q. Please summarize the Intervenor Witnesses' arguments regarding the**
4 **cost-effectiveness of the CDR/CILC financial incentives.**

5 A. FEA witness Alderson alleges that FPL should "...prepare a study to estimate
6 the value of these interruptible credits to the FPL system..." (page 4). FIPUG
7 witness Pollock asserts that "The Commission has previously determined in
8 FPL's 2015 Demand Side Management case that CILC/CDR were cost-
9 effective at the current level of incentive payments. Accordingly, by FPL's
10 own admission, no further change can be made in this case." (page 8)
11 SFHHA witness Baron claims, based on FPL's response to Staff's First Data
12 Request No. 22 in Docket No. 150085-EG (Exhibit SJB-14), that "Given the
13 cost effectiveness of the current level of credits, there is no basis for FPL's
14 proposed \$23 million reduction in this base rate case." (page 51) He fails to
15 point out that the same data request response also states that the credit
16 amounts "were approved by the Commission as part of the settlement of FPL's
17 last base rate case (Order No. PSC-13-0023-S-EI), that extend through the end
18 of 2016."

19

20 As explained below, all these Intervenor Witnesses disregard the
21 Commission's approach to DSM, miss the point and paint an inaccurate and
22 incomplete picture.

1 **Q. How are the DSM programs' financial incentives for participants**
2 **typically determined?**

3 A. The Commission sets annual residential and business DSM Goals for Summer
4 Megawatts, Winter Megawatts and annual Gigawatt-hours which FPL must
5 achieve. Next, FPL develops a DSM Plan which is comprised of several
6 programs with individual customer participation targets designed to achieve
7 the DSM Goals in the aggregate.

8
9 In order to achieve the participation targets for each program, FPL uses a two-
10 step process to determine DSM participant financial incentives. First, FPL
11 uses the Commission-approved Rate Impact Measure ("RIM") and Participant
12 cost-effectiveness screening tests to determine the maximum level of financial
13 incentive that passes these two tests with a benefit-to-cost ratio of 1.01. A
14 ratio above 1.0 means that the benefits of a program exceed its costs and
15 therefore the program is cost-effective.

16
17 Second, and this is the point that the intervenor witnesses ignore, FPL then
18 determines the minimum level of financial incentive expected to be needed for
19 each program to achieve its targeted customer participation amount. In many
20 cases, this amount is less than the maximum cost-effective level determined in
21 the first step. This is to avoid burdening the general body of customers with
22 higher costs than needed to meet the DSM Goals, because all customers pay

1 for the cost of DSM programs through the Energy Conservation Cost
2 Recovery (“ECCR”) clause.

3 **Q. Was the second step of this methodology used for the currently-effective**
4 **financial incentives for CDR and CILC?**

5 A. No, and it was not necessary in this situation. First, as explained above, the
6 financial incentive levels in the CDR program clearly were sufficient at pre-
7 settlement levels to obtain the needed program participation. Second, as
8 explained in FPL witness Cohen’s direct and rebuttal testimony, the current
9 CDR and CILC financial incentives were implemented as one part of FPL’s
10 multi-faceted Settlement Agreement approved by the Commission in FPL’s
11 2012 rate case, Docket No. 120015-EI, which extends through 2016. Thus, in
12 submitting its DSM Plan in 2015, FPL simply reflected the level of credits
13 consistent with the Settlement Agreement. Likewise, in approving FPL’s
14 current DSM Plan in 2015, the Commission accepted the level of financial
15 incentives negotiated as a part of the 2012 Settlement Agreement.

16 **Q. FIPUG witness Pollock suggested that a different methodology was used**
17 **to set the currently-effective financial incentives. Does he accurately**
18 **summarize how FPL arrived at the current incentive levels?**

19 A. No. Mr. Pollock claims that inflationary factors and load growth combined to
20 demonstrate a “greater value of interruptible service” that led to an increase in
21 the incentives in 2012. Because FIPUG was actively involved in FPL’s 2012
22 base rate case and its settlement, Mr. Pollock should be aware that the
23 currently-effective incentive levels were simply part of that broader settlement

1 package that was negotiated, agreed upon, and approved by the Commission.
2 No such factual evaluation of the “value of interruptible service” was
3 undertaken at that time.

4 **Q. Is it necessary to maintain the current level of financial incentives in**
5 **order to attain the CDR program’s participation contribution to**
6 **achieving the future DSM Goals?**

7 A. No. Prior to the financial incentive increases from the 2012 Settlement
8 Agreement, FPL was able to achieve its participation targets for CDR.
9 Incremental participation targets have not substantially increased since that
10 time. Therefore, returning to that financial incentive level is adequate.
11 Moreover, no additional payments to current customers are necessary to
12 secure achievement of the incremental DSM goals.

13

14 III. CONCLUSION

15

16 **Q. Please summarize your testimony.**

17 A. The CDR and CILC financial incentives that were in place prior to the 2012
18 rate base settlement, as adjusted for new generation additions, are appropriate
19 and sufficient to achieve the needed customer participation. The allegations
20 made by the Intervenor Witnesses regarding the appropriate level of
21 participant financial incentives in these programs are incorrect and without
22 merit. While paying higher than necessary incentive levels has been approved
23 and upheld as a component of an overall settlement, the Intervenor Witnesses

1 advocating to have these higher levels maintained are asking the Commission
2 to reach a decision directly in conflict with its long-standing policy and
3 practice in designing DSM programs and establishing appropriate DSM
4 incentive levels. The Commission should reject this request.

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

6 A. Yes.

1 MR. GUYTON: Mr. Koch has no exhibits.

2 So, Mr. Koch, would you please summarize --

3 CHAIRMAN BROWN: Staff.

4 MR. GUYTON: Oh, wait a minute. Staff. Thank
5 you.

6 MS. BROWNLESS: Yes, ma'am.

7 EXAMINATION

8 BY MS. BROWNLESS:

9 Q Good evening, sir.

10 A Good evening.

11 Q Have you had an opportunity to review what's
12 been listed on the staff's comprehensive exhibit list as
13 Exhibit 436, 437, 496, 497, 505, 515, and 522?

14 A Yes.

15 Q And if I were to ask you the same questions
16 that were asked in that discovery, would your answers be
17 the same today?

18 A Yes.

19 Q Are they true and correct, to the best of your
20 knowledge and belief?

21 A Yes.

22 Q Let's see. Are any portions of that testimony
23 confidential?

24 A No.

25 MS. BROWNLESS: Thank you.

1 THE WITNESS: Thank you.

2 CHAIRMAN BROWN: FPL.

3 FURTHER EXAMINATION

4 BY MR. GUYTON:

5 Q Mr. Koch, would you please summarize your
6 rebuttal testimony to the Commission.

7 A Sure.

8 Good evening, Commissioners. My rebuttal
9 testimony addresses assertions made by the witnesses for
10 FIPUG, FEA, and SFHHA. They assert that their clients
11 should retain the level of financial incentives in the
12 CDR and the CILC DSM programs that were negotiated as
13 part of the company's 2012 base-rate settlement because
14 they are cost-effective.

15 However, these witnesses are missing or
16 ignoring the process by which incentives are set in
17 Florida's DSM proceedings, thereby painting an
18 incomplete picture. Therefore, their requests should be
19 rejected.

20 Cost-effectiveness screening tests serve as a
21 preliminary, but not conclusive, role in setting DSM
22 program incentives. Setting incentives is a two-step
23 process. Cost-effectiveness test are used in the first
24 step to determine which measures may be considered for
25 implementation and to identify the upper limit of

1 incentives that can be paid.

2 However, second is the step that determines
3 the appropriate level of incentives. The incentives are
4 typically set lower than the maximum cost-effective
5 amount. They are lowered to a level that is sufficient
6 to obtain the participation needed to achieve the
7 program's contribution to the DSM goals. This ensures
8 that the general body of customers is not burdened with
9 paying more than is necessary for FPL's programs to be
10 effective.

11 FPL was obtaining sufficient levels of
12 incremental participation in the CDR program before the
13 2012 base-rate settlement. And the lower incentive
14 levels and participation targets have not changed -- at
15 the lower incentive level -- excuse me -- and the
16 participation targets have not substantially increased
17 since then.

18 So, to pay more that was in effect before the
19 2012 settlement, adjusted as described in FPL Cohen's
20 testimony, would exceed what is needed to ensure the
21 desired level of participation. This would result in
22 unnecessarily higher costs that would be passed on to
23 other customers. The CILC program is closed to new
24 participants and does not contribute to the DSM goals.

25 In sum, the CILC and CDR financial incentives

1 that were in place prior to the 2012 base-rate
2 settlement, as adjusted for new generation additions,
3 are appropriate and sufficient to achieve the needed
4 customer participation.

5 The witnesses advocating to maintain the
6 higher levels established by settlement are now asking
7 the Commission to reach a decision in conflict with its
8 long-standing policy and practice in designing DSM
9 programs and establishing appropriate incentive levels.
10 They are also asking customers to pay more than is
11 necessary to achieve FPL's DSM goals. Their requests
12 should be rejected.

13 That concludes my summary. Thank you.

14 MR. GUYTON: Thank you, Mr. Koch.

15 We tender the witness.

16 CHAIRMAN BROWN: Thank you.

17 All right. Office of Public Counsel.

18 MS. CHRISTENSEN: No questions.

19 CHAIRMAN BROWN: Thank you.

20 Mr. Moyle?

21 MR. MOYLE: Thank you. Just a few.

22 EXAMINATION

23 BY MR. MOYLE:

24 Q Sir, your distribution that you -- you
25 provided about the two-step process with respect to

1 evaluating DSM measures, that -- that takes place in the
2 DSM proceeding, correct?

3 A Yes, specifically in the DSM plan docket.

4 Q Okay. And that's -- this proceeding is not
5 that proceeding, correct?

6 A That's correct.

7 Q And you're aware that FPL has taken a position
8 in this case that the proper venue for addressing
9 conservation programs is in the DSM plan docket,
10 correct?

11 A I --

12 Q Yes? No --

13 A Well, I would say yes and no. Yes, that the
14 proper place for addressing holistically what the level
15 of incentives is is properly done in the DSM plan docket
16 through the evaluation that happens there.

17 However, in this case, what we're dealing with
18 is a settlement agreement, which is sunseting at the --
19 at this time -- at the end of the year. And so, there
20 has to be a reset associated with that.

21 Q Yeah, I didn't -- you weren't involved in any
22 of those settlement conversations were you?

23 A In 2012?

24 Q That's right.

25 A That's correct, but it wouldn't be expected

1 that I would have been involved in that either.

2 Q I understand. But you have no firsthand
3 knowledge of those discussions, correct?

4 A Not of the discussions themselves, that's
5 correct.

6 Q And you are aware people in this room were in
7 those settlement conversations, right?

8 MR. GUYTON: Objection. That's going beyond
9 the scope of his testimony.

10 CHAIRMAN BROWN: Sustained.

11 BY MR. MOYLE:

12 Q Do you know if the -- well, let me -- let me
13 ask this question: The credits are provided to people
14 who agree to be interrupted, and they're a resource
15 that's available to the company that typically could be
16 exercised on high-load days; is that fair?

17 A Yes.

18 Q And another resource that you exercise and use
19 on high-load days are peakers, correct?

20 MR. GUYTON: Objection. Goes beyond this
21 witness' testimony.

22 CHAIRMAN BROWN: Mr. Moyle, can you direct me
23 to where this line of questioning is appropriate
24 for the rebuttal?

25 MR. MOYLE: Um --

1 (Laughter.)

2 CHAIRMAN BROWN: That looks like a no.

3 MR. MOYLE: Well, I guess -- I guess, you
4 know, he's talking about the credits and the value
5 they serve. I want to ask him if they did any
6 analysis with respect to looking at the credits and
7 the value of the credits vis-a-vis the cost of
8 putting in the peakers in this case.

9 CHAIRMAN BROWN: Okay. But that wasn't the
10 question that you asked, so --

11 MR. MOYLE: But that's -- that's where I'm
12 going.

13 MR. GUYTON: That also would be beyond the
14 scope of this witness' rebuttal testimony, which is
15 very limited to the -- to the CDR and CILC.

16 CHAIRMAN BROWN: So, let -- let me just rule
17 on the previous objection. That is sustained.

18 Mr. Moyle, if you can, proceed -- move along,
19 I mean.

20 BY MR. MOYLE:

21 Q Sir, you did -- you did no legal analysis or
22 aware of any legal analysis with respect to this
23 settlement agreement and how the credits -- you know,
24 how they fall in the -- in the settlement agreement; is
25 that right?

1 MR. GUYTON: Objection. That's just
2 restatement of an earlier -- I mean, now he's
3 dissecting his earlier question about whether he
4 had reviewed the settlement agreement. It -- it
5 was within the scope of the prior question. It's
6 asked and answered.

7 CHAIRMAN BROWN: Mr. -- Mr. Moyle, restate
8 your question.

9 MR. MOYLE: I'll tell you what, I'll -- I'll
10 just move along.

11 CHAIRMAN BROWN: Okay.

12 MR. MOYLE: No further questions. Thank you.

13 CHAIRMAN BROWN: Okay.

14 Hospitals.

15 MR. WISEMAN: No questions.

16 CHAIRMAN BROWN: Thank you.

17 Retail?

18 MR. LAVIA: No questions. Thank you.

19 CHAIRMAN BROWN: Thank you.

20 FEA? Mr. Jernigan.

21 MR. JERNIGAN: Yes, ma'am, a couple of
22 questions.

23 EXAMINATION

24 BY MR. JERNIGAN:

25 Q Sir, I believe you -- you did answer Mr. Moyle

1 saying that there were some financial benefits to having
2 this program, from the customers in the program given to
3 FPL, correct?

4 CHAIRMAN BROWN: Mr. Jernigan, I'm --

5 MR. GUYTON: Asked and answered.

6 CHAIRMAN BROWN: Okay.

7 Mr. Jernigan, I'm going to ask you to --

8 MR. JERNIGAN: (Indicate.)

9 CHAIRMAN BROWN: Yes.

10 MR. JERNIGAN: Thank you.

11 CHAIRMAN BROWN: Thank you.

12 BY MR. JERNIGAN:

13 Q Have you evaluated how much those customers --
14 how -- the offset those customers are providing other
15 customers by not -- by allowing FP&L not to purchase
16 further generation to make up for what they are
17 providing?

18 A Could you restate the question? I'm not
19 certain I understand what you're asking me.

20 Q The -- the folks -- the interruptible
21 customers are providing a resource to FP&L. You stated
22 that earlier.

23 A Yes.

24 Q Have you evaluated the value that they are
25 providing to other customers by allowing FP&L not to

1 **purchase further generation?**

2 MR. GUYTON: Objection. Goes beyond the scope
3 of his testimony. And quite frankly, it goes
4 beyond the scope of this proceeding. That was
5 addressed in the DSM goals proceeding.

6 MR. JERNIGAN: Ma'am, he actually addresses
7 the two-step process in his -- inside his testimony
8 and essentially says, don't pay attention to the
9 value, which is No. 1.

10 CHAIRMAN BROWN: Jernigan -- Mr. Jernigan, can
11 you please direct me to line and page?

12 MR. JERNIGAN: I'm on Page 8. And the
13 question is: How are DSM programs' financial
14 incentives for -- for participants typically
15 determined.

16 And here, he goes through -- it's a rather
17 long answer, but he goes through both steps, the
18 first and the second. And the first is the value.

19 CHAIRMAN BROWN: I'll allow the question.

20 MR. JERNIGAN: Thank you.

21 THE WITNESS: Could you please ask it again?

22 Thank you.

23 BY MR. JERNIGAN:

24 Q I'll try. The -- the value of -- provided by
25 **interruptible customers to other customers by allowing**

1 **FP&L not to purchase further generation -- have you done**
2 **a study to -- to determine what that value is?**

3 A I would say I don't think we've done the study
4 in the manner you're asking about. But what we have
5 done, of course, is cost-effectiveness analysis, which
6 does have, on the benefit side of the question,
7 generation transmission and distribution, et cetera,
8 types of costs there.

9 Q Okay. I'll go back to my other question. I
10 think I understood -- so, you don't know the -- the
11 value -- the offset costs that FP&L is avoiding by
12 having interruptible customers?

13 MR. GUYTON: Objection. Goes beyond the
14 scope. And that -- what he's discussing here is
15 the DSM plan docket. What he's asking about is
16 information that was elicited in the DSM goals
17 docket that completely preceded that. It is not
18 relevant to this case, and it is not relevant to
19 his testimony in this case.

20 CHAIRMAN BROWN: Mr. Jernigan?

21 MR. JERNIGAN: They continue to state that
22 this belongs in the DSM docket. And they talk
23 about what the DSM docket is about. I think the
24 Commission should consider what it is that is being
25 considered there and not simply ignoring it in this

1 case.

2 CHAIRMAN BROWN: Mr. Wiseman?

3 MR. WISEMAN: Madam Chair, thank you. At
4 Page 6 of Mr. Koch's testimony, specifically at
5 Lines 6 to 8, he says: In other words, no
6 additional incentives are needed for the benefits
7 of the program to be realized by the general body
8 of customers.

9 I think it's legitimate for FEA to
10 determine -- to ask questions to determine what
11 type of analysis FPL has done in order to determine
12 or support Mr. Koch's testimony that no additional
13 incentives are needed to deliver these benefits.
14 And I -- at least as I understand the line of
15 question, that's where it's going.

16 CHAIRMAN BROWN: A little help from a friend.

17 MR. JERNIGAN: Much appreciated. Thank you.

18 CHAIRMAN BROWN: I'll allow the question.

19 MR. JERNIGAN: Thank you.

20 THE WITNESS: You're going to have to give it
21 to me again.

22 BY MR. JERNIGAN:

23 **Q Have to give it to you again.**

24 **A Yes, please.**

25 **Q So, you have not evaluated the cost offset**

1 **that the interruptible customers provide FP&L?**

2 A I think my answer would be the same as
3 previously. The benefits I'm referring to here in my
4 testimony come from the cost-effectiveness test that is
5 run, particularly the RIM test. And that's what I'm
6 referring to.

7 **Q So, your solution to -- to the -- or your**
8 **proposal here today is to return to the prior -- pre-**
9 **settlement credit level, correct?**

10 A Yes, that's correct because, basically, you
11 can achieve the same benefits for less money. You get
12 more bang for the buck. And that's, obviously, a big
13 objective of the company.

14 **Q But you performed no analysis to show that.**
15 **And they would last -- since 2000 -- I believe it was --**
16 **'12 to today?**

17 A No, that's incorrect. The last cost-
18 effectiveness analysis was provided as part of the 2015
19 DSM plan docket. So, it's, you know, basically a year
20 old.

21 **Q So, in 2015, that docket -- these credits were**
22 **approved?**

23 A What was approved in the DSM docket was that
24 the credits as set in the settlement were -- remained in
25 place. It didn't mean they were going to be in

1 perpetuity, these level of credits because the -- but at
2 that time, in 2015, the settlement, obviously, was still
3 in place. So, it was appropriate to keep the credits as
4 set in the settlement, but now we've come to the time
5 where that -- the sunsets.

6 **Q When is the next DSM docket?**

7 A They are typically every five years. And so,
8 the next -- there's two dockets for DSM. The first one
9 is the goals docket. That probably would be -- that
10 would be in 2019 and then 20- -- 2018 into 2019. And
11 then 2019 into 2020 would be the plan docket for meeting
12 the goals that the Commission sets in the prior docket.

13 **Q Are you aware of any other portion of a rate**
14 **case that says in -- that stuff -- that decisions**
15 **made -- that a settlement should be set back to the**
16 **prior -- pre-settlement levels such as maybe ROE?**
17 **Should we go back to prior ROE if the company's proposal**
18 **is not correct, there is -- not persuasive to the**
19 **Commission?**

20 MR. GUYTON: Objection. Beyond the scope of
21 this witness' testimony, who is limited to this one
22 issue.

23 CHAIRMAN BROWN: I'll allow it, if he -- if he
24 knows the answer, he can attest to it.

25 THE WITNESS: I'm afraid I'll have to ask you

1 to ask me again.

2 BY MR. JERNIGAN:

3 Q For example, if you believe the company is
4 unpersuasive in its attempt to change ROE, should we go
5 default back to pre-settlement decisions as to what ROE
6 should be?

7 CHAIRMAN BROWN: That wasn't exactly the
8 question.

9 MR. JERNIGAN: Well, it's --

10 CHAIRMAN BROWN: Now you're getting too
11 specific.

12 THE WITNESS: It's sounds like a no, but I
13 don't know how to answer that question because it
14 sounds -- that's outside of my realm of expertise.

15 MR. JERNIGAN: Thank you. No further
16 questions.

17 CHAIRMAN BROWN: Okay. Thank you,
18 Mr. Jernigan.

19 Sierra.

20 MS. CSANK: Yes, Madam Chair. I have a couple
21 of questions for this witness.

22 EXAMINATION

23 BY MS. CSANK:

24 Q Good evening, Mr. Koch.

25 A Good evening.

1 **Q It's nice to see you again.**

2 A Likewise.

3 **Q I would like to follow up on some questions**
4 **from colleagues, and specifically focus on Pages 5 and 6**
5 **of your prefiled rebuttal testimony. On Page 5, on**
6 **Lines 13 through 20, you describe to this Commission**
7 **your take on how the company's DSM should be established**
8 **or the levels at which it should be set.**

9 And there, you state that the appropriate
10 level of the incentives should not only be evaluated in
11 terms of the contributions towards the DSM goals --
12 presumably there, you're referring to the goals set in
13 2014; is that right?

14 A Well, in this case, it would be in any DSM
15 goals docket.

16 **Q Okay. So, the most recent DSM goals relative**
17 **to whatever time period we're in.**

18 A Well, this is a definition of how the process
19 works. And the process would apply in any case for any
20 DSM proceeding, whether it was the most recent or the
21 next one coming up.

22 **Q Understood. But let's say -- okay. I think**
23 **that's clear enough.**

24 And then, you say, moreover, that there has to
25 be some consideration of the effectiveness of the DSM

1 programs. And I want to explore that, effective -- the
2 word "effective" on Line 19, Page 5, and what that
3 means.

4 Is the efficacy of DSM only up to the last DSM
5 goals set by this Commission or could efficacy -- could
6 effective DSM measures actually exceed those goals and
7 deliver value to customers?

8 A What I'm referring to here in my testimony is
9 being effective in meeting the goals the Commission has
10 set. So, we wouldn't be searching to do more DSM than
11 is necessary, in essence, overbuilding DSM any more than
12 we would overbuild anything else that FPL does.

13 **Q That's interesting.**

14 Are you aware that last week the company filed
15 a brief with the 11th Circuit Court of Appeals that
16 represented that, should there be some delay in the
17 Sabal Trail pipeline coming on line, that the company
18 would have to deploy more demand response?

19 MR. GUYTON: Objection. Goes beyond the scope
20 of this witness' testimony. And Counsel is
21 assuming facts not in evidence and is effectively
22 testifying.

23 CHAIRMAN BROWN: Sustained. Sustained --

24 MS. CSANK: Madam Chair --

25 CHAIRMAN BROWN: -- on both points.

1 Please proceed.

2 MS. CSANK: I think it's crucial for the
3 Commission's understanding --

4 CHAIRMAN BROWN: Ms. Csank, I just ruled.
5 Please proceed.

6 MS. CSANK: All right.

7 BY MS. CSANK:

8 Q Mr. Koch, are you aware of the fact that the
9 energy market is moving incredibly rapidly and so that a
10 proceeding two years ago is quite stale in terms of the
11 level of DSM that may be cost-effective for FPL's
12 system?

13 MR. GUYTON: Objection. Goes beyond the scope
14 of the testimony. Counsel is testifying and is now
15 trying to raise an issue that would appropriately
16 be addressed in another proceeding.

17 CHAIRMAN BROWN: Sustained.

18 MS. CSANK: No further questions.

19 CHAIRMAN BROWN: Thank you.

20 MR. GUYTON: Thank you.

21 CHAIRMAN BROWN: Okay. Walmart.

22 MR. WILLIAMSON: No questions, ma'am.

23 CHAIRMAN BROWN: Thank you.

24 Larsons.

25 MR. SKOP: Yes, Madam Chair. Just one or two

1 questions.

2 EXAMINATION

3 BY MR. SKOP:

4 Q Good evening, Mr. Koch.

5 A Good evening, Mr. Skop.

6 Q In response to a line of questions from FIPUG,
7 you testified that credits negotiated as part of a
8 settlement agreement should expire and return to the
9 same pre-settlement level at the end of the current
10 settlement agreement, correct?

11 A I was speaking about this particular
12 settlement agreement, not --

13 Q Yes.

14 A In general, I think you were -- I think the
15 nature of your question was in general.

16 Q Okay. I'll -- all right. Well, let me make
17 that more specific. In response to a line of questions
18 from FIPUG, you testified: The credits negotiated as
19 part of the 2012 settlement agreement should expire and
20 return to the same pre-2012 settlement level at the end
21 of the current 2012 settlement agreement, correct?

22 A Well, I'm testifying that they do expire and
23 should be returned to the prior level.

24 Q Okay. But they should expire because they
25 were part of a negotiated settlement, correct?

1 A That is correct.

2 Q Okay. So, under that same line of logic being
3 advanced by FPL, would it be equally inappropriate for
4 this Commission to approve the requested limited-scope
5 adjustment to the extent that such GBRA adjustments are
6 also typically part of settlement agreements which
7 would otherwise require a limited-scope proceeding
8 before this Commission, prior to placing the plants into
9 rate base.

10 MR. GUYTON: Objection. Goes well beyond the
11 scope of this witness' testimony. It is specific
12 to these two CILC and CDR.

13 CHAIRMAN BROWN: Mr. Skop, you -- you spoke so
14 fast, I didn't even catch the question.

15 MR. SKOP: Okay. Do you want me to respond to
16 the objection first or should I just ask the
17 question again?

18 CHAIRMAN BROWN: Restate the question, please.

19 MR. SKOP: All right. So, under the same line
20 of logic being advanced by FPL, would it be equally
21 inappropriate for this Commission to approve the
22 requested limited-scope adjustment, to the extent
23 that GBRA adjustments are also typically part of
24 settlement agreements, which would otherwise
25 require limited-scope proceeding before the

1 Commission prior to placing the plant into rate
2 base.

3 CHAIRMAN BROWN: Mr. Skop, I'm sorry. That's
4 outside of the scope of this rebuttal witness.

5 MR. SKOP: Madam Chair, with due respect to
6 the objection, he testified that it's his opinion
7 that because something is in a settlement agreement
8 that, at the end of the settlement agreement, it
9 should expire or be reset.

10 The same -- under that same logic, the same
11 would hold true to the requested limited-scope
12 adjustment for GBRA treatment of the plants that
13 FPL proposes under the rate case.

14 CHAIRMAN BROWN: Well, under that logic,
15 you -- you open up a can of worms for pretty much
16 everything if you have that --

17 MR. SKOP: I'm -- I'm favorable for
18 settlement, but I'll withdraw -- I mean, if you
19 want to rule on the question, it's --

20 CHAIRMAN BROWN: Yeah, objection sustained.

21 MR. SKOP: All right. Thank you. No further
22 questions.

23 CHAIRMAN BROWN: Thank you.

24 Okay. Staff.

25 MS. BROWNLESS: One question.

1 FURTHER EXAMINATION

2 BY MS. BROWNLESS:

3 Q With regard to the exhibits that we discussed
4 earlier, Mr. Koch, did you prepare those exhibits or
5 were they prepared under your supervision and control?

6 A Yes.

7 MS. BROWNLESS: Thank you.

8 CHAIRMAN BROWN: Commissioners?

9 Redirect?

10 MR. GUYTON: I have no redirect. Thank you.

11 CHAIRMAN BROWN: Okay. And this witness does
12 not have any exhibits either, so --

13 MR. GUYTON: He does not. May he be excused?

14 CHAIRMAN BROWN: Yes.

15 Have a good night, Mr. Koch.

16 THE WITNESS: Thank you.

17 CHAIRMAN BROWN: All right. You guys, let's
18 take a dinner break. It is about 6:50. So, let's
19 recess until 7:30.

20 (Brief recess from 6:51 p.m. to 7:41 p.m.)

21 CHAIRMAN BROWN: We are on Ms. Deaton. Before
22 we take up -- or ask Ms. Deaton to come to the
23 stand, I just want to see if there are any
24 housekeeping items.

25 (No response.)

1 Okay. Then I want to give everybody -- folks
2 kind of an idea of what I'm thinking tonight and
3 tomorrow. I think we can get through three more
4 witnesses potentially tonight.

5 I don't want to rush anything, by any means,
6 but I think we need to address the exhibits
7 properly. And we have to give all of the attorneys
8 and parties an opportunity to properly cross-
9 examine the remaining witnesses, as we have done
10 for all of the other rebuttal witnesses.

11 So, only four witnesses are left. We've got
12 Deaton, Hevert, Deason, and Dewhurst. And we also
13 have to deal with the exhibits. So, what I'm
14 thinking is that we get through Deaton, Hevert,
15 Deason tonight, come back tomorrow morning around
16 9:00 a.m., take up Dewhurst and the exhibits, and
17 then conclude.

18 Just kind of giving you -- giving you my
19 thoughts. I mean, obviously, all of that is
20 subject to change, but I just want to let you know
21 where -- where we're at. We are not -- the Agency
22 is not closed tomorrow and -- as of now. And the
23 tropical storm is supposed to be making landfall,
24 as of right now, tomorrow night, late tomorrow
25 night, 8:00, 9:00.

1 So, that's -- those are my thoughts. Does --
2 does anybody have any comments or thoughts?

3 Commissioners? Staff? Parties?

4 Mr. Moyle?

5 MR. MOYLE: I'm -- I'm -- I -- I'm thinking,
6 if we want to get out at an earlier hour, maybe
7 Mr. Deason and Mr. Dewhurst could trade places? I
8 do have some questions for him -- you know, for
9 Mr. Deason --

10 CHAIRMAN BROWN: Well, that's helpful to know.

11 MR. MOYLE: And it will take some time, so --
12 and -- and they don't -- they pale in comparison to
13 the few questions for Mr. Dewhurst.

14 COMMISSIONER EDGAR: How does that help us get
15 out earlier?

16 MR. MOYLE: Because if we're going to do one
17 tomorrow, I'd rather do Mr. Deason tomorrow. It's
18 going to take some time.

19 CHAIRMAN BROWN: So, just to be --

20 MR. MOYLE: We're not finishing up -- you're
21 saying we're going to do a witness tomorrow or --

22 CHAIRMAN BROWN: Yes. So --

23 MR. MOYLE: Yeah.

24 CHAIRMAN BROWN: And these are my thoughts --
25 obviously fluid, subject to change.

1 MR. MOYLE: Right.

2 CHAIRMAN BROWN: I'm just trying to give you
3 guys an estimation of where I see us today, right
4 now.

5 MR. MOYLE: Right.

6 CHAIRMAN BROWN: Ms. Brownless --
7 Ms. Brownless.

8 MS. BROWNLESS: Staff has questions for
9 Mr. Hevert and quite a substantial number of
10 questions, unfortunately, for Mr. Dewhurst. So, my
11 preference, because I'm almost to the stage where
12 asking anything logical is beyond my ability, I
13 prefer to allow Mr. Dewhurst to go last --

14 CHAIRMAN BROWN: Please don't say that.

15 MS. BROWNLESS: I prefer to have Mr. Dewhurst
16 go last.

17 MR. BUTLER: That is our preference as well.
18 That's what we want, as scheduled, for him to be
19 last.

20 CHAIRMAN BROWN: And that's my preference as
21 well.

22 So, let's just see how the night progresses.
23 We're -- the night is still young, as are we all.

24 (Laughter.)

25 MR. MOYLE: And I -- I do have one other

1 housekeeping matter -- well, more than a
2 housekeeping matter, but now might be the
3 appropriate time to raise it.

4 This -- this hearing has a lot of witnesses, a
5 lot of paper, and a lot of time invested in it.

6 CHAIRMAN BROWN: Very well aware of that.

7 MR. MOYLE: And I was going to ask to be given
8 the leave to make a five-minute closing statement.

9 CHAIRMAN BROWN: What?

10 MR. MOYLE: It's within your discretion as to
11 whether to allow it, I think, and --

12 CHAIRMAN BROWN: Mr. Moyle, this is the first
13 time I've heard of any such thing by any of the
14 parties.

15 MR. MOYLE: It -- it's coupled nicely with my
16 sequestration request -- no.

17 (Laughter.)

18 No. Sorry. Strike that.

19 No, I just -- in some Division of
20 Administrative Hearings, the judge will say, if you
21 want to do a brief closing --

22 CHAIRMAN BROWN: Listen, I --

23 MR. MOYLE: I just think it would help
24 because --

25 CHAIRMAN BROWN: I have no problems with

1 closing statements in a general -- as a general
2 proposition. However, that was not contemplated in
3 the pre-hearing order as such. None of the other
4 intervenors or parties have had an opportunity to
5 prepare closing statements. I'm -- I'm completely
6 open to the idea in subsequent proceedings.

7 However, this proceeding, we have a very nice
8 and tight pre-hearing order that is specifically
9 laid out. I don't know --

10 MR. MOYLE: Mr. Butler is really smart. I've
11 seen him work and I -- he can get a closing
12 statement together.

13 CHAIRMAN BROWN: You all are smart.

14 I appreciate the request, but unfortunately,
15 given -- given the pre-hearing order that's already
16 been issued -- but for future proceedings, I'm
17 absolutely open to the concept, but it -- it really
18 has to be proposed well in advance and discussed
19 thoroughly.

20 MR. MOYLE: Okay.

21 CHAIRMAN BROWN: All right. So, we are on
22 Renae Deaton at this time.

23 MS. CLARK: Yes, Madam Chairman.

24 CHAIRMAN BROWN: My understanding is
25 Ms. Deaton is sworn in already.

1 MS. CLARK: That's correct.

2 I believe we're ready, Madam Chairman.

3 CHAIRMAN BROWN: All right. Please proceed.

4 EXAMINATION

5 BY MS. CLARK:

6 Q Ms. Deaton, would you, again, state your name
7 and address for the record.

8 A Renae Deaton, 700 Universe Boulevard, Juno
9 Beach, Florida 33408.

10 Q And by whom are you employed and in what
11 capacity?

12 A Florida Power & Light, senior manager of cost-
13 of-service and load research.

14 Q And have you prepared and caused to be filed
15 29 pages of rebuttal testimony in this proceeding?

16 A Yes.

17 Q And you have no erratas to that; is that
18 correct?

19 A That's correct.

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

22 A Yes.

23 MS. CLARK: Madam Chair, I would ask that
24 Ms. Deaton's prepared rebuttal testimony be
25 inserted in the record as though read.

1 CHAIRMAN BROWN: We will insert Ms. Deaton's
2 prepared rebuttal testimony into the record as
3 though read.

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

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

I. INTRODUCTION

1

2

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

4 A. My name is Renae B. Deaton. My business address is Florida Power & Light
5 Company (“FPL” or the “Company”), 700 Universe Boulevard, Juno Beach,
6 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 exhibits:

- 11 • RBD-7 – FPL Generation Fleet 2015 vs. 1989
- 12 • RBD-8 – Comparison of CI Customer Fuel Savings To Additional
13 Revenue Requirement Under 12CP & 25%
- 14 • RBD-9 – Impact of Proposed Production Cost Allocations
- 15 • RBD-10 – Impact of MDS and Proposed Production Cost Allocation
16 Methods
- 17 • RBD-11 – Summary of Rate Class Impacts due to Proposed Alternative
18 Allocation Methods
- 19 • RBD-12 – Prior Commission Orders Rejecting Use of MDS
- 20 • RBD-13 – Revised MFRs E-1 and E6b

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

22 A. The purpose of my rebuttal testimony is to address cost of service study
23 (“COSS”) items and counter-proposals raised in the direct testimonies of South

1 Florida Hospital and Healthcare Association (“SFHHA”) witness Baron, Florida
2 Industrial Power Users Group (“FIPUG”) witness Pollock, Federal Executive
3 Agencies (“FEA”) witness Alderson, and Wal-Mart Stores East, LP and Sam's
4 East, Inc. (“Walmart”) witness Chriss (collectively “Intervenor Witnesses”). My
5 rebuttal testimony responds to the testimony of the Intervenor Witnesses
6 regarding their: (1) opposition to the use of the 12CP and 25% cost allocation
7 method for production plant, (2) proposals for alternative cost allocation methods
8 for production plant, and (3) proposals for use of a Minimum Distribution System
9 (“MDS”) cost allocation method for distribution costs.

11 II. SUMMARY

12
13 **Q. Please summarize your rebuttal testimony.**

14 A. The Intervenor Witnesses’ alternatives to the COSS allocation methods proposed
15 by FPL either do not match cost causation with the cost causer and/or are
16 inconsistent with FPL’s planning and operations. FPL’s proposal to move from
17 using the 12CP and 1/13th method to the 12CP and 25% method of allocating
18 production plant better matches cost causation with the cost causer and system
19 benefits, and recognizes the importance that energy use plays in the selection of
20 generation capacity. The efficiency improvements made to FPL’s generation fleet
21 have resulted in significant fuel savings, more than \$500 million in 2015 alone.
22 The large Commercial / Industrial (“CI”) customers’ share of the fuel savings is
23 nine times more than the increase in base revenue requirements resulting from the

1 use of the 25% energy allocation method, i.e., over \$200 million in fuel savings as
2 compared to \$22 million increase in revenue requirements.

3
4 Alternative proposals for production demand cost allocations proposed by the
5 Intervenor Witnesses, likewise, do not recognize all three FPL planning
6 requirements: (1) a minimum 20% summer reserve margin, (2) loss of load
7 probability (“LOLP”) of less than 0.1 days per year, and (3) a minimum 20%
8 winter reserve margin.

9
10 Proposals to require the use of the MDS cost allocation method for distribution
11 cost should continue to be rejected by the Florida Public Service Commission
12 (“FPSC” or the “Commission”), as they have been in past cases. FPL’s
13 distribution system is planned and built to meet customer demand. FPL does not
14 install distribution facilities in anticipation of connecting a customer that has no
15 load.

16 17 **III. OPPOSITION TO USE OF THE 12CP AND 25% COST ALLOCATION**

18 **METHOD FOR PRODUCTION DEMAND COST**

19
20 **Q. Is the Intervenor Witnesses’ opposition to FPL’s proposal to use the 12CP**
21 **and 25% method to classify and allocate production plant reasonable?**

22 **A.** No. The Intervenor Witnesses oppose the use of the 12CP and 25% method to
23 classify and allocate production plant and note that it would allocate a larger share

1 of production plant to their clients. As explained in direct testimony, and further
2 below, it is appropriate to allocate a larger share of production costs to large CI
3 customers to better align cost causation with cost causer and recognize the fuel
4 savings these customers have and will continue to realize as a result of FPL's
5 generation planning and operations.

6 **Q. What are the primary reasons the witnesses cite for their objection to the use**
7 **of the 12CP and 25% method?**

8 A. The primary arguments cited by intervenors are:

- 9 • FPL has used the 12CP and 1/13th method for over 30 years and has not
10 justified a change;
- 11 • No study was performed to determine the exact percentage that should be
12 allocated based on energy;
- 13 • FPL would be the only Investor Owned Utility ("IOU") in Florida not using
14 the 12CP and 1/13th method at this time;
- 15 • Combined cycle generation is less capital intensive than coal and nuclear, and
16 natural gas prices have fallen; and
- 17 • The amount of energy use required for combined cycle generation to be more
18 economic than peaking generation is small.

19 **Q. Are the Intervenor Witnesses correct that there have been no significant**
20 **changes in circumstances that warrant deviating from the 12CP and 1/13th**
21 **method?**

22 A. No. The Intervenor Witnesses note that FPL has used the 12CP & 1/13th method
23 since 1983 and claim there have been no changes to support a change from this

1 allocation method (Pollock at page 46, lines 20-22; Barron at page 13, lines 8-10).
2 On the contrary, much has changed in the last 32 years to warrant a change in the
3 allocation method. As FPL witness Kennedy notes, FPL's system heat rates have
4 improved drastically, 25% better than 1990, and 23% better than the fossil
5 industry average. This improvement has saved customers more than \$500 million
6 in fuel costs in 2015 alone and \$8 billion since 2001. Since 1990, FPL has added
7 significant base and intermediate load generation, including replacing three fossil
8 steam generation plants since 2012. The capital expenditures at the Cape
9 Canaveral, Riviera and Port Everglades sites were used to replace older, more
10 depreciated plants with state-of-the art, highly efficient combined cycle
11 generation. Exhibit RBD-7 illustrates the changes to the generation portfolio mix
12 since 1990. In 1989, 14% of installed summer capability was peaking generation,
13 vs. 9% in 2015. These changes have resulted in significant energy cost savings
14 for our customers, which is an important consideration in choosing the type of
15 generating unit to fill a capacity need.

16
17 Exhibit RBD-8 illustrates the annual savings large CI customers (the groups
18 SFHHA, FEA, Walmart, and FIPUG represent) receive as compared to the
19 additional revenue requirements allocated to them as a result of using the 12CP
20 and 25% method. This chart illustrates that in 2015 large CI customers' share of
21 the \$500 million in fuel savings was more than 9 times the additional base
22 revenue requirement responsibility they would incur under a 12CP and 25%

1 allocation method, i.e., over \$200 million in savings as compared to \$22 million
2 in additional revenue requirements.

3 **Q. Witnesses Pollock and Baron assert that FPL has not adequately supported**
4 **the change to the 12CP and 25% method because FPL has not filed an**
5 **analysis or study showing that 25% is the proper amount of production plant**
6 **to be classified as energy-related (Pollock at page 52, line 20 to page 53, line**
7 **1; Baron at page 14, lines 3-10). Do you agree with these assertions?**

8 A. No. While it is correct that FPL did not conduct an analysis or study to determine
9 the *exact* percentage of production plant that should be classified and allocated
10 based on energy, an increase in the energy allocation to at least 25% is justified
11 based on the rationale and precedent set in previous Commission orders and staff
12 recommendations where allocations to energy of more than 1/13th were approved.

13

14 As witness Chriss notes, the 25% energy allocation is a judgmental determination,
15 as is the 12CP & 1/13th method (Chriss at page 15, lines 8-15). Judgmental
16 allocations are contemplated by the NARUC Electric Utility Cost Allocation
17 Manual (“NARUC Manual”) (p. 57-58) and have been part of this commission’s
18 decisions regarding the appropriate allocation method for over 30 years. The
19 12CP and 25% method is an appropriate and fair allocation method that has been
20 previously approved by this Commission in Order No. PSC-09-0283-FOF-EI for
21 Tampa Electric Company (“TECO”), and recommended by staff in Docket No.
22 090079-EI for Duke Energy Florida (“DEF”).

1 **Q. Does the rational used in recommending and approving the use of the 12CP**
2 **and 25% method for DEF and TECO apply here?**

3 A. Yes. In approving the use of the 12CP & 25% method for TECO, the
4 Commission agreed with TECO:

5 “Witness Ashburn testified that the proposed methodology provides a
6 more appropriate allocation of production plant within the cost of service
7 study when considering how power plants are planned and operated.
8 Witness Ashburn stated that the Company has installed a significant
9 amount of base and intermediate-load generation, which was more
10 expensive to install than peaking generation, but less expensive to operate
11 over time.”

12 “TECO noted in its brief that the selection of the appropriate cost
13 allocation method is a matter of judgment upon which reasonable people
14 can disagree, and it comes down to a judgment decision which affects how
15 much of the revenue requirement should be allocated to each class. We
16 agree with TECO on this point.”

17 “FIPUG argued that we have never embraced the 12 CP and 25 percent
18 AD cost of service. We are not bound by any prior decisions in this matter,
19 if we believe that circumstances warrant a change in cost methodology.
20 While the 12 CP and 1/13 AD method has been relied upon frequently in
21 the past, we have also deviated in the past from that method.”

22

1 “Based on the record, we find that TECO's proposal for a 12 CP and 25
2 percent Average Demand Allocation is reasonable and therefore it shall be
3 approved.” (pages 82 – 85)

4

5 In recommending the 12CP and 25% method for DEF, the staff stated:

6 “Although there were several accepted cost allocation methodologies
7 discussed, there is no one 'correct' cost allocation methodology. It is a
8 matter of judgment.” (page 298)

9

10 “Staff is persuaded by PEF's arguments that units being constructed today
11 are more expensive because they provide benefits other than just
12 additional capacity... Based on the record, staff believes a 12 CP and 25
13 percent Average Demand allocation is reasonable, balances the interests of
14 the parties, is based on Commission precedent, and should be approved.”
15 (page 299)

16

17 **Q. Is the fact that other Florida IOUs are currently using the 12CP and 1/13th**
18 **method a valid reason to use it here?**

19 A. No. Currently all the other Florida IOUs use that method; however, the use of the
20 method is pursuant to a settlement or stipulation for Gulf Power Company
21 (“Gulf”), TECO, and DEF. The use of the 12CP & 1/13th method pursuant to a
22 settlement does not infer approval by this Commission. In the order approving
23 the use of the 12CP and 25% method for TECO, the Commission noted as much

1 in reference to the use of the 12CP and 1/13th method in settlement agreements for
2 DEF:

3 “In its 2000 rate case,^[1] Progress Energy Florida, Inc. (PEF) (then
4 Progress Energy Florida) filed the MFR required study, and two additional
5 studies: 12CP and 25 percent AD and 12CP and 50 percent AD. That rate
6 case was settled among all the parties and the stipulation provided that the
7 12CP and 1/13 AD methodology would continue to be used during the
8 term of the stipulation.^[2] PEF again requested a 12CP and 25 percent AD
9 cost allocation methodology in its 2005 rate case,^[3] which was also settled
10 by stipulation using the 12CP and 1/13 AD cost methodology. In both
11 cases, the cost of service methodology was never formally reviewed or
12 approved, but simply accepted as part of the stipulations.”

13
14 What the intervenors failed to note is that while TECO and DEF agreed to use the
15 12CP and 1/13th method in settlement, both filed and supported the use of the
16 12CP *and* 50% method in their most recent rate case filings (see testimony of
17 TECO witness Ashburn pages 31-32, lines 4-25 and 1-3 in Docket No. 130040-EI
18 and testimony of DEF (then Progress Energy Florida) witness Slusser p. 18-19 in
19 Lines 19-25 and 1-12, Docket No. 090079-EI).

^[1] Docket No. 000824-EI, In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light.

^[2] Order No. PSC-02-0655-AS-EI, issued May 14, 2002, in Docket No. 000824-EI, In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light.

^[3] Docket No. 050078-EI, In re: Petition for a Rate Increase by Progress Energy Florida.

1 **Q. Should the Commission should ignore the role energy plays in generation**
2 **selection because FPL is installing combined cycle as opposed to nuclear or**
3 **coal generation and gas prices have fallen as witnesses Alderson, Baron and**
4 **Pollock all imply (Alderson at page 10, lines 1-22; Barron at page 14, lines 1-**
5 **11; Pollock at page 51, lines 1-22)?**

6 A. No. The type of generation is irrelevant as it pertains to the capital substitution
7 justification for using an energy allocation for production plant, as fuel savings
8 can be realized regardless of the generation type. As discussed above, FPL's
9 capital expenditures have produced significant fuel savings and it is just and fair
10 to allocate a larger share of production plant based on energy to better align cost
11 causation with cost causer and recognize the fuel savings customers have and will
12 continue to realize. I would also note that the proposed energy allocation is only
13 25% and not 70% that was previously approved for the St. Lucie plant (Order No.
14 12348).

15 **Q. Witness Baron uses a screening curve to evaluate the appropriateness of the**
16 **12CP and 25% method. Do you agree with his analysis?**

17 A. No. Witness Baron claims that any energy usage above the breakeven point,
18 where the utility would be indifferent between the choice of a peaking gas turbine
19 and combined cycle unit, does not cause the company to incur any additional
20 capital cost and should be ignored for cost allocation purposes. Witness Baron
21 fails to recognize that the base and intermediate load generation brings benefits to
22 customers during all hours of use, not just those hours below the break-even
23 point.

1 **Q. Witness Baron cites increased unit costs for off-peak energy as a reason why**
2 **the 12CP and 25% method should not be adopted. Do you agree?**

3 A. No, as discussed above, the base and intermediate load generation brings benefits
4 to customers during all hours of use, including off-peak use. If FPL had no off-
5 peak use, there would be no need for base and intermediate load generation. It is
6 appropriate that all customers share in the higher capital cost of combined cycle
7 generation given the resulting overall lower system cost per megawatt hour.

8

9 **IV. ALTERNATE PROPOSALS FOR ALLOCATION OF PRODUCTION PLANT**

10

11 **Q. What alternatives did the Intervenor Witnesses propose for allocation of**
12 **production plant?**

13 A. Witnesses Pollock and Baron advocated maintaining the 12CP and 1/13th method.
14 I have previously discussed why it is appropriate to switch from 12CP and 1/13th
15 to the 12CP and 25% method. Witnesses Alderson and Chriss both present other
16 alternatives for allocation of production plant. These alternatives are:

- 17 • 4CP (or 6 CP)
18 • 4CP summer / 1CP winter
19 • Average and Excess (“A&E”)

20 **Q. Please describe the 4CP and 6 CP proposals.**

21 A. The 4CP proposal advocated by witnesses Alderson and Chriss is a demand only
22 allocation based on the four highest summer coincident peaks. 100% of
23 production demand-related costs are allocated based on the sum of each rate class’

1 demand at the time of the system peak during the months of June through
2 September, divided by the sum of the system peaks for June through September.
3 Witness Chriss also stated that since historical data for May and October are
4 within 90% of the summer peak, he would agree with a 6CP allocation (Chriss at
5 page 5, lines 1-10). A 6CP allocation would be applied in a similar manner as the
6 4CP method using the rate class coincident peaks during the months of May
7 through October, rather than June through September.

8 **Q. Please describe the 4CP summer / 1CP winter proposal.**

9 A. The 4CP summer / 1CP winter proposal advocated by witness Alderson is similar
10 to the 4CP proposal, except it includes the winter peak demand (January) with the
11 four summer peak demands. Production demand related costs are allocated based
12 on the sum of the four summer peaks of June through September plus the January
13 peak for each rate class as a percent of the sum of the system peaks in those same
14 months.

15 **Q. Is it appropriate for production plant to be allocated exclusively on the basis**
16 **of contribution to system peaks, as would be the case under the 4CP, 6CP or**
17 **the 4CP / 1CP proposals?**

18 A. No. All of these demand-only allocation proposals fail to recognize important
19 considerations that this commission has acknowledged in setting production plant
20 allocations: (1) generation capacity is needed to serve load every month, not just
21 four, five, or six months of the year, to meet the annual LOLP criteria in FPL's
22 resource planning process; and (2) energy use has an influence on the type of
23 generating units added, which drives capital expenditures on FPL's system.

1 Additionally, the summer only allocation methods fail to recognize that FPL's
2 resource planning includes a winter reserve margin criteria.

3
4 While the decision to add additional generation capacity is driven by load
5 requirements, the *type* of generation capacity added - and thus the total cost of the
6 unit additions - is influenced by the number of hours the units are expected to run.

7 As Dr. Steven R. Sim, FPL's Resource Assessment and Planning witness in
8 Docket No. 060225-EI, In re: Florida Power & Light Company's Petition to

9 Determine Need for West County Energy Center Units 1 and 2 Electric Power
10 Plant, noted, "the type of resources that should be added is primarily based on a

11 determination of the resources that result in the lowest average electric rates for
12 FPL's customers" (Sim Direct Testimony, page 5, line 23 through page 6, line 2).

13 If MW capacity were the only consideration in the generation plan, the
14 Company's generation portfolio would consist solely of peaking units that have

15 the lowest fixed costs. This is clearly not the case. Witness Pollock admits that
16 generation is chosen based on the lowest overall cost: "[h]aving determined that

17 capacity is needed, FPL has chosen the generation technology that would result in
18 the lowest overall cost. CCGTs are the most efficient generating technology and

19 thus are also the lowest cost source of capacity." (Pollock p. 51, lines 20-22)

20 **Q. Are there other problems with demand-only allocations for production**
21 **plant?**

22 A. Yes. Methods such as the those proposed by intervenors, which do not recognize
23 that generation is needed to serve load every month of the year and that do not

1 recognize the importance energy use plays in the generation selection process, can
2 result in some rate classes, such as the street light rate class, being allocated little
3 or no production plant even though all rate classes clearly benefit from, and rely
4 on, the system's production resources.

5 **Q. Witness Chriss states that if the Commission wishes to maintain an energy**
6 **allocation, it should use an A&E method for allocation of production plant**
7 **cost. Do you agree?**

8 A. No. Under the A&E method a portion of production plant costs equal to FPL's
9 annual system load factor would be allocated on average demand ("AD"). The
10 remaining costs would be allocated on the difference between a rate class's group
11 non-coincident peak demand ("GNCP") and its average, which is the "excess"
12 demand component of the formula. FPL's average load factor projected for the
13 2017 Test Year is 56%. Therefore, under the A&E method, 56% of production
14 plant would be allocated on average demand. The "excess" demand component,
15 44% for 2017, would be allocated to rate classes based on the difference between
16 their GNCP and their average demand.

17
18 The A&E method uses the GNCP to determine the allocation of the "excess"
19 demand component of the formula. As described above, that means that 44% of
20 the total production costs for 2017 would be allocated utilizing the rate class
21 GNCP as the basis. The class GNCP demand is rarely coincident with the peak
22 demand on the system. Use of this non-coincident demand to allocate production
23 plant is inconsistent with FPL's generation planning process described previously.

1 Moreover, use of the class non-coincident peak demand to allocate production
2 plant does not reflect cost-causation and directly contradicts witness Chriss' direct
3 testimony.

4 **Q. Does the use of the class non-coincident demand in the A&E method**
5 **proposed by Walmart witness Chriss contradict his direct testimony?**

6 A. Yes. As stated in his direct testimony, Mr. Chriss correctly recognizes that "...
7 the timing and size of a utility's production plant are made to meet the maximum
8 demand placed on the system by all customer classes, also known as its
9 **coincident** peak ("CP")" (emphasis added) (Chriss p. 16, lines 14 – 16). Using
10 the class **non-coincident** peak demands to allocate production plant directly
11 contradicts that statement.

12 **Q. Have you prepared an exhibit identifying the cost shifts as a result of these**
13 **alternate proposals?**

14 A. Yes, Exhibit RBD-9 shows the impacts on rate class revenue requirements due to
15 the various proposed allocation methods. Page 1 shows that under the 4CP
16 method \$73 million is shifted from larger CI customers to residential and small
17 general service customers. The residential rate class would see an increase of \$63
18 million and the small general service rate class would see an increase of \$10
19 million.

20

21 Page 2 of RBD-9 shows the impact of the proposed 4CP summer & 1CP winter
22 method. In this case, residential customers would be the only class negatively

1 impacted, as \$91 million would be shifted from all other customer classes to
2 residential.

3

4 Page 3 of RBD-9 shows the impact of the A&E method. In this proposal, several
5 rate classes would see higher costs. The residential rate class increases \$34
6 million; the small general service rate class increases \$6 million; and lighting
7 customers see a \$17 million increase.

8 **Q. Is there a method that uses system demand data to calculate the AD**
9 **weighting as A&E does but uses the coincident peak to allocate production**
10 **plant?**

11 A. Yes, the NARUC Manual on pages 57 and 58 discusses the use of the 1CP and
12 AD and the 12CP and AD methods. Under these methods, the percentage of
13 production plant classified and allocated based on energy is calculated by the
14 percentage of the AD to the sum of the system peak (either 1CP or 12CP) and the
15 AD. For FPL the amount of production plant classified as energy-related would
16 be 36% under the 1CP and AD method and 39% under the 12CP and AD method.
17 Either of these methods would be more appropriate than witness Chriss' proposal
18 to allocate production-related demand costs based on non-coincident peak
19 demand. I also should note that both methods result in a greater portion of
20 production costs being allocated on an energy basis than FPL's proposed 12CP
21 and 25% method.

22

1 **V. PROPOSALS FOR USE OF A MINIMUM DISTRIBUTION SYSTEM COST**
2 **ALLOCATION METHOD FOR DISTRIBUTION COSTS**

3 **Q. Witnesses Baron, Pollock and Alderson advocate the use of the MDS method**
4 **for allocating distribution costs. Do you agree with this proposal?**

5 A. No. The Commission should reject the MDS method in this case for the
6 following reasons:

- 7 • The MDS method presumes a type of electric system and a method of
8 planning that is not reflective of FPL's distribution system;
- 9 • The MDS method arbitrarily shifts all benefits obtained from economies
10 of scale to the larger customers and inherently ignores the impact of
11 diversity and double-counting;
- 12 • Witnesses Baron and Pollock inappropriately rely on the use of the MDS
13 classifications used by Gulf and TECO as part of a stipulation and
14 settlement agreements as a proxy to re-classify FPL distribution costs; and
- 15 • Outside of stipulations and settlement agreements, the Commission has
16 consistently rejected this method for IOUs.

17 **Q. Please explain.**

18 A. First, the MDS method assumes that a certain investment in transformers,
19 conductors and poles is required solely as a result of connecting customers to the
20 electric system. Thus, the MDS method is based on a set of theoretical
21 distribution facilities designed to serve the zero or minimum load requirements of
22 customers. This Commission has previously stated this type of system is purely
23 fictitious and has no grounding in the way the utility designs its systems or incurs

1 costs because no utility builds to serve zero load (Order No. PSC-02-0787-FOF-
2 EI, page 76, issued June 10, 2002, in Docket No. 010949-EI, In re: Request for
3 rate increase by Gulf Power Company). Moreover, the Commission's analysis is
4 consistent with FPL's approach to distribution planning, as the central criterion
5 used in planning FPL's distribution system is kW load requirements, not the
6 number of customers served.

7
8 Next, the MDS method arbitrarily shifts all benefits obtained from economies of
9 scale to the larger customers even though there are economies of scale in serving
10 residential customers. In dense urban areas, not only are multiple residential
11 customers frequently served off the same transformer, but the size of such a
12 transformer is frequently comparable to that used for commercial customers. For
13 example, a high-rise residential condominium and a high-rise office building have
14 very similar facility requirements of FPL, but MDS would inappropriately shift
15 costs from the office building to the condominium.

16
17 The diversity of residential customers' loads also creates economies of scale.
18 Because each residential customer's maximum demand will not coincide exactly
19 with other customers on the same transformer, engineering procedures dictate that
20 transformers serving multiple residential customers need not be sized to serve the
21 sum of every customer's maximum demand. FPL's distribution planners can, and
22 do, routinely add new customers to existing transformers because of the diversity

1 of residential loads. By contrast, no such diversity is applicable to a large
2 commercial customer served from a single transformer.

3
4 The MDS method also double counts the kW loads of customers for the
5 investment in transformers associated with their so-called minimal load
6 requirements. This double counting occurs because customers would first be
7 allocated their cost of the so-called minimum load transformers based on the
8 number of customers. The remaining cost of transformers would then be
9 allocated on the basis of their maximum individual customer non-coincident
10 peaks (“NCP”), with no adjustment for that portion of the maximum customer
11 peaks which is provided under the minimum load transformer. The impact of this
12 double counting on the residential and the small commercial rate class customers
13 is especially great because they represent 98% of secondary distribution
14 customers and 88% of secondary customer NCP.

15 **Q. Does the Company’s proposed method of allocating distribution plant avoid**
16 **these problems with the MDS method?**

17 A. Yes. FPL’s method classifies meters, service drops and primary pull-offs as
18 customer-related and classifies the remaining balance of distribution plant as
19 demand-related. Thus, under FPL’s method substations, poles, conductors
20 (excluding primary pull-offs) and transformers are classified as demand-related
21 and are properly allocated among the rate classes using various measures of peak
22 demand.

1 **Q. If one were to use the MDS method, do witnesses Baron and Pollock properly**
2 **determine the amount of distribution costs to classify as customer related for**
3 **FPL?**

4 A. No. Witnesses Baron and Pollock inappropriately rely on Gulf and TECO'S
5 MDS classifications as proxies for FPL's distribution plant accounts. The Gulf
6 and TECO systems are different than FPL's in terms of size (physical service area
7 and number of customers), geography, and the diversity of customers being
8 served.

9
10 Witness Pollock did not perform an analysis to compare FPL's distribution cost to
11 either Gulf or TECO. Instead, he proposed that FPL simply use the average of
12 Gulf and TECO's results to classify 26% of distribution costs as customer related.

13
14 Mr. Baron performed an analysis only of Account 364 – Poles, Towers and
15 Fixtures to compare Gulf and TECO's costs to FPL's costs for the purpose of
16 classifying plant under the MDS method (page 44-45, lines 9-20 and line 1-16).

17 In his comparison, he states that Gulf used the cost of 35' poles and smaller as the
18 basis for classifying 65% of costs in this account to the customer component. He
19 also notes that TECO's study assigned 64% of Account 364 as customer related.

20 For FPL, Mr. Baron used a subaccount that also includes more expensive 40' and
21 45' poles in addition to 35' poles to calculate a customer component percentage of
22 70%. He then concludes that these percentages are close enough to be able to
23 declare that Gulf's and TECO's MDS classification results are a good proxy for

1 *all* of FPL’s distribution costs, which is convenient for his argument, but
2 unsuitable as a basis for allocating FPL’s costs.

3 **Q. Does the NARUC Manual support the use of the MDS method in this case as**
4 **the Intervenor Witnesses claim?**

5 A. No. Witnesses Baron, Pollock, and Alderson imply that the NARUC Manual
6 endorses, if not requires, the use of the MDS method (Pollock at page 57-58, lines
7 15-21 and 1-16; Baron at page 35-36, lines 18-21 and lines 1-20; Alderson at page
8 24, lines 1-15). However, as the Commission has previously observed, the
9 NARUC Manual states that the choice of method will depend on the unique
10 circumstances of the case (Order No. PSC-02-0787-FOF-EI, page 75, in Docket
11 No. 010949-EI).

12

13 It is important to note that the NARUC Manual was not intended to prescribe one
14 allocation method over another. In fact, the preface states:

15 “the writing style should be nonjudgmental; not advocating any one
16 particular method, but trying to include all currently used methods with
17 pros and cons.”

18 The NARUC Manual further states:

19 “In making this determination, *supporting data* may be more important
20 than *theoretical considerations*. Allocating costs to the appropriate groups
21 in a cost study requires a special analysis of the nature of distribution plant
22 and expenses” (page 89) (Emphasis added)

1 Moreover, the NARUC Manual also recognizes that MDS may not be an accurate
2 way to segregate customer- and demand-related costs. Specifically, the NARUC
3 Manual states:

4 “Cost analysts disagree on how much of the demand costs should be
5 allocated to customers when the minimum-size distribution method is used
6 to classify distribution plant. When using this distribution method, the
7 analyst must be aware that the minimum-size distribution equipment has a
8 certain load-carrying capability, which can be viewed as a demand-related
9 cost.” (page 95)

10 In other words, the NARUC Manual itself does not endorse any particular cost
11 allocation method. It also recognizes that the MDS method has an inherent flaw -
12 that the so-called customer-related costs have a demand component to them.

13 **Q. You previously indicated that the central criterion used in planning the FPL**
14 **distribution system is kW load requirements, not the number of customers**
15 **served. Does this mean that the need to serve individual customers never**
16 **influences distribution plant additions?**

17 A. No. There are certainly cases where line extensions are required to serve specific
18 customers. This is where a strong and consistently enforced contribution-in-aid-
19 of-construction (“CIAC”) policy comes into play. As outlined in Rule 25-6.064,
20 F.A.C., customers are required to pay for the cost of any line extension to the
21 extent that the expected revenues do not offset the cost of the line extension. In
22 this manner, customers with “minimum load requirements” must pay for the cost
23 of any requested line extensions above that which would otherwise be required to

1 serve the expected load. This is a far more equitable outcome than the cost
2 allocation resulting from the MDS method, because the specific customers
3 necessitating the line extension bear the cost.

4 **Q. Is the requirement to pay a line extension CIAC limited to large**
5 **commercial/industrial customers?**

6 A. No, not at all. A CIAC would be required in any case where the expected load
7 and revenue does not offset the required investment. In fact, the CIAC line
8 extension formula is routinely applied to new residential customers and
9 subdivisions.

10 **Q. Do the Intervenor Witnesses offer any other arguments for applying the**
11 **MDS method in this case?**

12 A. Yes. The Intervenor Witnesses cite the fact that the Commission has recently
13 approved settlement agreements that provide for the use of the MDS method by
14 Gulf and TECO as reasons to require MDS by FPL. As discussed previously, the
15 approval by the Commission of a settlement agreement that includes MDS does
16 not necessarily constitute endorsement or specific approval of that method as the
17 most appropriate approach. I would also like to point out that, unlike the changes
18 in the makeup of our generation system that has driven the decision to use a
19 different allocation method for production plant, there have been no changes in
20 the distribution system to justify moving to the MDS method.

21 **Q. FIPUG witness Pollock states that the distribution storm hardening**
22 **requirement is not needed to meet customer load, but instead is required to**
23 **connect customers to the grid. Do you agree?**

1 A. No. As Mr. Pollock noted, the storm hardening rule was implemented to “require
2 the cost-effective strengthening of critical electric infrastructure to increase the
3 ability of transmission and distribution facilities to withstand extreme weather
4 conditions; and reduce restoration costs and **outage times** to end-use customers
5 associated with extreme weather conditions” (emphasis added). Clearly if there is
6 no load on the system then there is no outage. Storm hardening is required to
7 serve customer’s demand and energy needs, not to serve customers with no
8 demand.

9
10 Mr. Pollock implies that only residential customers benefit from storm hardening,
11 and should bear the majority of the cost. This is clearly not the case. Certainly
12 commercial and industrial customers benefit from storm hardening at least as
13 much, if not more than residential customers. Businesses cannot operate without
14 electricity. Even those with backup generation will incur higher operating costs
15 during an outage. It is fair and appropriate that all customers share the cost of the
16 approved storm hardening plans.

17 **Q. Witnesses Baron and Pollock use a pole per customer analysis to attempt to**
18 **illustrate that FPL’s demand only allocation is unreasonable. Is this analysis**
19 **appropriate?**

20 A. No. First of all, the cost of service study allocates costs, not poles. Second, FPL
21 has a large percent of residential customers that are served from underground that
22 do not require a pole beyond the feeder. FPL also has a large, dense urban
23 population residing in multiple-occupancy buildings such as condominiums,

1 apartment complexes and high-rise buildings. As a result, it is not appropriate to
2 use a pole per customer analysis to evaluate the cost of service allocation method.

3 **Q. Have you performed a calculation of the cost shifts that would result from**
4 **the proposed use of the MDS method?**

5 A. Yes. I would first note that while 88% of FPL customers are residential
6 and only 2% are CI demand customers, the residential customers account for only
7 59% of FPL's load while the CI demand customers account for 35%. As stated
8 previously, FPL's system is designed on the basis of load, and CI customers have
9 significantly higher loads per customer than residential. This is the reason that any
10 attempt to change the cost allocation to a customer-based one, i.e., MDS,
11 inappropriately shifts costs to residential customers. The Intervenor Witnesses'
12 proposed use of the MDS method would shift costs away from medium and large
13 commercial rate classes, classes in which the witnesses' clients take service, onto
14 residential and small commercial rate classes.

15
16 Exhibit RBD-10 provides a comparison of the rate class revenue requirements as
17 proposed by FPL and those that would result from the use of the proposed MDS
18 method. As can be seen on page 1 of Exhibit RBD-10, the residential rate class
19 would be allocated \$66 million in additional costs using MDS than the amount in
20 FPL's 2017 Test Year cost of service study. Likewise, the small general service
21 rate class would be allocated \$8 million more. In total, use of the MDS method
22 would shift \$74 million in costs away from larger CI rate classes represented by
23 the Intervenor Witnesses and onto residential and small commercial rate classes.

1

2 Witnesses Baron, Pollock, and Alderson all support use of MDS, and they also
3 support the use of alternatives to FPL's proposed 12CP and 25% production cost
4 allocation method as discussed previously. The combined impact of the use of
5 MDS with the use of the alternative production allocation methods supported by
6 the Intervenor Witnesses is shown on pages 2 – 5 of Exhibit RBD-10. For the
7 residential rate class, the impacts are:

- 8 • 12CP & 1/13th + MDS: \$90 million
- 9 • 4CP + MDS: \$128 million
- 10 • 4CP / 1CP + MDS: \$157 million
- 11 • A&E + MDS: \$99 million

12

13 Exhibit RBD-11 summarizes the impacts to the rate classes due to the alternative
14 COSS allocation methods proposed by the Intervenor Witnesses.

15 **Q. Are the reasons the Commission cited for rejecting the MDS method in prior**
16 **cases still applicable?**

17 A. Yes. The reasons cited in prior cases remain applicable in this case. Exhibit RBD-
18 12 contains a list of Commission Orders rejecting the use of the MDS method.
19 Further, the justifications the Intervenor Witnesses rely on, the stipulation and
20 settlement agreements in the Gulf and TECO cases and the storm hardening
21 requirement, do not provide a valid basis for the Commission to deviate from
22 those prior decisions for FPL. FPL's methods of allocating distribution costs
23 remain valid for FPL, and the MDS proposal should be rejected.

1

2

VI. IDENTIFIED ADJUSTMENTS

3

4 **Q. Were there any items in the Notice of Adjustments (“NOA”) impacting the**
5 **COSS?**

6 A. Yes. Item numbers 15 and 16 in Attachment 1 to the NOA filed on May 7, 2016
7 impacted the COSS. Item 15 identified an issue with the cost basis for
8 transmission pull-offs that resulted in customer-related unit costs for the
9 transmission rates (CILC-1T, GSLD(T)-3, and SST-TST) being about \$1000 too
10 high. Item 16 identified an issue with inclusion of \$3.1 million of wholesale
11 interchange revenue in revenues from sales of electricity that should have been
12 reclassified to other operating revenues. The reclassification from sales revenues
13 to other revenues is needed in order to not impact retail revenue reflected in MFR
14 E-6. This had no impact on revenue recovered through base rates and only a
15 minor impact on unit cost.

16 **Q. Do you have any exhibits that reflect these adjustments?**

17 A. Yes, Exhibit RBD-13 reflects the revised MFR E-1 and E-6b for items 15 and 16
18 in the NOA.

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

20 A. Yes.

1 BY MS. CLARK:

2 Q Ms. Deaton, do you have exhibits that were
3 identified in your rebuttal testimony as RBD-7 through
4 RBD-13?

5 A Yes.

6 Q Were these exhibits prepared under your
7 direction, supervision, or control?

8 A Yes.

9 MS. CLARK: Madam Chair, I would note these
10 exhibits have been pre-identified in the staff's
11 comprehensive exhibit list as Exhibits 390 through
12 396.

13 CHAIRMAN BROWN: So noted.

14 Staff?

15 EXAMINATION

16 BY MS. BROWNLESS:

17 Q Good evening, Ms. Deaton. Did you have an
18 opportunity to review your response to what's been
19 identified on the comprehensive exhibit list as 522,
20 which are work papers related to your rebuttal
21 testimony?

22 A Yes.

23 Q And did you prepare those work papers or were
24 they prepared under your direct supervision and control?

25 A Yes.

1 Q Okay. Are they true and correct, to the best
2 of your knowledge and belief?

3 A Yes.

4 Q If I were to request the same documents today
5 as were requested then, would you produce the same
6 documents?

7 A Yes.

8 Q Are any portions of your work papers and
9 documents confidential?

10 A No.

11 MS. BROWNLESS: Thank you, ma'am.

12 FURTHER EXAMINATION

13 BY MS. CLARK:

14 Q Ms. Deaton, would you provide a summary of
15 your rebuttal testimony, please.

16 A Yes.

17 Good evening, Madam Chairman and
18 Commissioners. I'm here today to rebut the testimony of
19 Witnesses Alderson, Baron, Pollock, and Chriss.

20 The three items I will be addressing are the
21 opposition of the use of the 12CP and 25-percent method
22 for production cost allocation; the proposals for
23 alternative production cost allocations; and three, the
24 proposals for the minimum distribution system or MDS.

25 FPL's proposal to use the 12CP and 25-percent

1 method better reflects FPL's generation and operations
2 than the 12CP and 1/13th method.

3 Based on the rationale and precedent set in
4 prior Commission orders and staff recommendations, FPL's
5 proposal to the increase, the percentage of production
6 plant, classified and allocated on an energy basis to at
7 least 25 percent is justified.

8 FPL has added base and intermediate load
9 generation, including three modernizations since 2012,
10 and has made other efficiency improvements that have
11 resulted in significant savings and low bills.

12 You have heard Witness Kennedy discuss the
13 efficiency improvements that have resulted in more than
14 \$8 billion in fuel savings since 2001 and more than
15 \$500 million in savings in 2015 alone.

16 Using the 12CP and 25-percent method does
17 allocate more production plant to the larger commercial
18 and industrial rate classes by about \$22 million, but
19 this amount is dwarfed by the fuel savings they have
20 received as a result of FPL's investment in efficient
21 base and intermediate generation.

22 To illustrate the impact of the fuel savings,
23 I have prepared Exhibit RBD-8 behind me showing the
24 comparison of the 2015 fuel savings to the increase in
25 revenue requirements due to the use of 12CP and

1 25-percent method.

2 As you can see, the CI demand customers' share
3 of the 2015 fuel savings is shown in green, is more than
4 \$200 million for net impact of \$180-million decrease.
5 The fuel savings is more than nine times the increase in
6 the base revenue requirements.

7 Intervenor witnesses' alternative production
8 cost-allocation methods should be rejected. Intervenors
9 propose to either maintain the status quo at 12CP and
10 1/13th or use alternative methods such as the 4CP
11 method, which allocates all production plant based on
12 the demand.

13 The methods proposed by Alderson and Chriss do
14 not reflect FPL's generation planning and operations,
15 but simply shift cost away from their customers and on
16 to -- excuse me -- away from their clients and on to
17 other customers. Witnesses Alderson and Chriss'
18 proposals would shift between 57 million and \$91 million
19 in costs to the residential and small commercial rate
20 classes.

21 Regarding the allocation of distribution plan,
22 the Commission should continue to reject the use of the
23 MDS for FPL for three main reasons. One, MDS is a
24 hypothetical system and has no grounding in the way that
25 FPL designs its distribution system or incurs cost.

1 Two, MDS arbitrarily shifts all benefits
2 obtained from economies of scale of FPL's dense urban
3 population to larger customers.

4 And three, MDS inherently ignores the impact
5 of load diversity and double counting. The use of MDS
6 would shift -- inappropriately shift approximately
7 \$74 million to the residential and small general-service
8 customers.

9 Combined with the allocation -- alternative
10 allocation methods proposed by other witnesses, the use
11 of MDS would shift between \$98,000,000 and 163,000,000
12 to residential and small commercial classes. The
13 intervenors' cost-of-service proposals should be
14 rejected and the Commission should approve FPL's
15 proposed cost-of-service allocation methods.

16 This concludes the summary of my
17 direct testimony -- my rebuttal testimony. Thank you.

18 MS. CLARK: We tender the witness for cross-
19 examination.

20 CHAIRMAN BROWN: Thank you.

21 And good evening, Ms. Deaton.

22 THE WITNESS: Good evening.

23 CHAIRMAN BROWN: Thanks for joining us.

24 Public Counsel?

25 MS. CHRISTENSEN: No questions.

1 CHAIRMAN BROWN: FIPUG?

2 MR. MOYLE: We do have some questions. And I
3 have a couple of exhibits I was hoping I could get
4 some help with.

5 CHAIRMAN BROWN: Staff, could you please help
6 assist Mr. Moyle in distributing some exhibits,
7 please.

8 So, we have two exhibits here. Would you like
9 to mark them now or hold off?

10 MR. MOYLE: We'll just go ahead and mark them
11 now, if we could --

12 CHAIRMAN BROWN: Let's just wait for Counsel
13 to get them.

14 MR. MOYLE: Did you --

15 MS. CLARK: Not yet.

16 CHAIRMAN BROWN: Okay. So, we're going to be
17 at 781 and --

18 MR. MOYLE: Why don't we mark that letter of
19 January 5th, 2012, from Senator Altman regarding
20 MDS as 781, if we could.

21 CHAIRMAN BROWN: The great Senator Altman --
22 Altman letter of January 5th, 2012, regarding MDS
23 will be marked as 781 -- without the "great"
24 included in there.

25 (Whereupon, Exhibit No. 781 was marked for

1 identification.)

2 MR. MOYLE: You may have to revise that to
3 Representative after last night, too, but -- and
4 then 782, if we could have that marked the energy
5 charges 12CP 25 percent.

6 CHAIRMAN BROWN: All right. So, we're going
7 to mark as 782, energy changes 12CP 25 percent
8 compared to 12CP 1/13th as, again, 782.

9 (Whereupon, Exhibit No. 782 was marked for
10 identification.)

11 CHAIRMAN BROWN: Ms. Deaton, do you have a
12 copy of both of those exhibits?

13 THE WITNESS: I do.

14 CHAIRMAN BROWN: Okay.

15 Mr. Moyle, you may proceed.

16 MR. MOYLE: Thank you.

17 EXAMINATION

18 BY MR. MOYLE:

19 Q Good evening.

20 A Good evening.

21 Q What's been marked as 782 is a discovery
22 response. Did you -- were you involved in the
23 preparation of that response and do you recognize it?

24 A I believe this was sponsored by Witness Cohen.

25 Q It has the 12CP and 25-percent graphs, is that

1 **right, showing the cost?**

2 A This is going to the revenue increase. I -- I
3 don't allocate the revenue increase.

4 Q Okay. So, you're not -- you're not
5 comfortable answering questions on this?

6 A This is not my -- I did not sponsor this.

7 Q Okay. And you don't have any familiarity with
8 it, either?

9 MS. CLARK: Madam Chairman, I would point out
10 that she did the cost of service and is familiar
11 with the allocations of those costs, but -- based
12 on 12CP and 1/13th, and also on 12CP and
13 25 percent. But in terms of -- of how it plays out
14 in rates, those questions should have been asked to
15 Ms. Cohen.

16 CHAIRMAN BROWN: Okay. There is a standing
17 question, though. I'll allow the question to see
18 if she is familiar with this.

19 THE WITNESS: I don't think these numbers
20 reflect what's in the E-1s that I sponsor.

21 BY MR. MOYLE:

22 Q Okay. So, let me -- let me ask it this way:
23 You are in -- you're suggesting that the intervenors
24 like Mr. Pollock and others who have said 12CP and
25 1/13th -- you're saying, no, we shouldn't do that; we

1 should 12CP and 25 percent, correct?

2 A I'm sorry. Can you repeat the question?

3 Q Sure. You're -- you're advocating or
4 suggesting that a 12CP and 25-percent methodology is
5 what this Commission should adopt as compared to a 12CP
6 and 1/13th approach; is that right?

7 A That's correct. I think the Commission should
8 increase the amount of production plant that's allocated
9 and classified on energy.

10 Q Okay. And do you know, with respect to how
11 that would impact people in various rates, like
12 industrials and the military and hospitals -- do you
13 have information as to who would be affected by the
14 change that you're supporting?

15 A I believe that that was addressed in my direct
16 testimony in Exhibit RBD-6 as far as the revenue
17 requirements. But as far as the revenues, how that
18 would play out, that would be Witness Cohen.

19 Q Okay. And -- and you would agree that what --
20 what you do is you try to set and allocate rates based
21 on cost causation; is that right?

22 A Yes.

23 Q Are there other factors that go in, but -- to
24 your calculation -- I mean, cost causation is kind of
25 the Holy Grail of what you do; is that fair?

1 A We allocate total system costs between retail
2 and wholesale based on cost drivers, and then we
3 allocate the retail costs that are allocated to retail.
4 We allocate it among the retail rate classes based on
5 cost drivers. As I discussed in my direct testimony,
6 those cost drivers are customer-related, demand-related,
7 and energy-related.

8 **Q Okay. Fuel savings is not a cost causer, is**
9 **it?**

10 A The type --

11 **Q Yes --**

12 A -- of plant --

13 **Q Yes, no, please.**

14 A -- fuel savings, the --

15 **Q Historical --**

16 A Yes.

17 **Q I'm sorry.**

18 A Yes -- I'm sorry. Yes, fuel savings or fuel
19 costs are a cost driver because the -- as I -- as I
20 discuss in my rebuttal testimony, resource planning --
21 Dr. Sim takes into account the total cost over the life
22 of the asset when deciding which unit to install,
23 whether it's a peaking unit or a base-load unit.

24 And peaking units are cheaper to build, but
25 cost more to run. And combined cycle units are more

1 expensive to build, the capital costs are higher, but
2 the fuel costs and total costs are lower.

3 So, therefore, fuel is a -- is a cost driver
4 in selection of the type of generating plant to meet --

5 **Q Does he also consider --**

6 A -- demand and energy.

7 **Q Does he also consider, DSM, Mr. Sim, when you**
8 **describe what he considers when determining what should**
9 **be done to meet a load?**

10 A I believe that's included in the discussions
11 in the ten-year site plan.

12 **Q So, that would be a yes?**

13 A Yes.

14 **Q Okay. So, I didn't ask that question very**
15 **well. I want to ask the question with respect to a**
16 **historical perspective. If someone had saved money**
17 **historically, that would not be anything that would be**
18 **pertinent to you as you were trying to determine how**
19 **costs should be allocated on a going-forward basis,**
20 **correct?**

21 A No, that's not correct. It's absolutely
22 pertinent. We allocate embedded system costs. And the
23 embedded costs is what customers are paying going
24 forward.

25 **Q And the people who you are rebutting, whose**

1 testimony you're rebutting -- I know you had said it's
2 my client, the Florida Industrial Power Users Group,
3 right?

4 A Yes, Witness Pollock.

5 Q Witness Pollock.

6 And then the military and the Federal
7 Executive Agencies, right -- you're rebutting their
8 testimony?

9 A I believe Witness Baron is South Florida
10 Hospital -- Health and Hospital Association, and Witness
11 Chriss is Walmart. And Witness Alderson is the Federal
12 Executive Agencies.

13 Q Okay. And all of them are suggesting that the
14 MD- -- MDS should be something that should be considered
15 and adopted by this Commission, correct?

16 CHAIRMAN BROWN: Mr. Moyle, these facts are
17 already in the record.

18 Q Are you aware of any -- any -- well, you're
19 not aware, are you, of any problems or issues related to
20 the use of MDS by Tampa Electric Company or Gulf Power
21 Company, correct?

22 A I'm not aware of their use of MDS, no.

23 Q And let me refer you to Exhibit 781, which is
24 the letter of January 5th from -- 2012, from Senator
25 Altman. Are you aware that --

1 MS. CLARK: I have an objection to asking --

2 MR. MOYLE: I didn't ask my question.

3 MS. CLARK: I have an objection to any
4 questions on this letter.

5 CHAIRMAN BROWN: Okay. Please state them.

6 MS. CLARK: The fact that there was testimony
7 from Ms. Alderson on the issue of MDS from the
8 Federal Executive Agencies doesn't provide the
9 basis to ask questions about a letter regarding
10 military bases.

11 CHAIRMAN BROWN: Quite candidly, I have not
12 even looked at the letter just yet. And I'm
13 curious about what the question and the relevancy
14 of this exhibit is, just looking at the title of
15 it.

16 So, Mr. Moyle, before you ask a question, can
17 you please respond to Ms. Clark's objection?

18 MR. MOYLE: Well, sure. I think -- I think
19 the relevancy of it is, with respect to considering
20 the factors that are considered with respect to who
21 benefits from the MDS and who it -- who it supports
22 and why it is something that should be pursued, you
23 know, is important.

24 And I think this letter, with respect to how
25 it impacts military bases in the Panhandle, Eglin,

1 Tyndall, Pensacola -- that that is something that
2 should be before the Commission and -- and relevant
3 as part of the consideration of whether to extend
4 that to -- to other areas.

5 I mean, there has been testimony about Patrick
6 Air Force base being included and --

7 CHAIRMAN BROWN: I get it. And you don't
8 represent the military, nor do you represent FEA.

9 MR. MOYLE: No, but they're my friends.

10 (Laughter.)

11 MS. CLARK: I would like to be clear that they
12 are our friends as well.

13 CHAIRMAN BROWN: They are all of our friends.

14 MR. JERNIGAN: I have a lot of friends.

15 MS. CLARK: But just because you have a friend
16 doesn't mean you get to ask about that.

17 MS. BROWNLESS: Madam Chair, if I may.

18 CHAIRMAN BROWN: Yes, please.

19 MS. BROWNLESS: I believe Ms. Deaton has
20 testified that she didn't prepare this letter,
21 knows nothing about this letter, therefore -- and
22 that this letter, obviously, has nothing to do with
23 this case because it's from the 2011 Gulf Power
24 Company case.

25 So, to the extent that this is not direct

1 testimony -- this is rebuttal testimony -- how can
2 Mr. Moyle tie this to specifically what Ms. Deaton
3 is rebutting, which is the specific testimony of
4 the intervenor witnesses in this case.

5 CHAIRMAN BROWN: I appreciate that advice.

6 MR. MOYLE: And I can explain how -- how --

7 CHAIRMAN BROWN: Yes.

8 MR. MOYLE: So, the MDS issue was not part of
9 the case in chief. It was raised by intervenors
10 and said, you all should do the MDS in the way that
11 TECO has done it and that Gulf has -- has done it.
12 And her rebuttal is, now, the first time to talk
13 about MDS.

14 So, it's not something like, oh, I should have
15 asked it on direct because it wasn't even in play.
16 It was put in play by -- by the intervenors in
17 their testimony that they filed. And then she's
18 rebutting it now. So, I think, respectfully, that
19 it should be a little more latitude on the MDS
20 issue.

21 CHAIRMAN BROWN: And I will tell you -- I
22 mean, I -- I've read this. Her prefiled rebuttal
23 testimony does address some of the intervenors'
24 testimony with regard to MDS and how -- and the
25 TECO case, along with the others.

1 But I'm just trying to understand how this
2 2012 letter from Senator Thad Altman -- who is a
3 great man -- how it relates to this particular set
4 of rebuttal testimony. I -- I just can't see -- I
5 mean, if you want to broaden the scope of the
6 MDS --

7 MR. MOYLE: Well, let me -- how about if I --
8 how about if I come at it this way: There's also
9 testimony about, oh, well, there are settlements
10 and you shouldn't consider them. This issue was
11 considered in a pretty active way, as you -- as
12 you -- as the record will reflect. So, you know, I
13 think, to the extent that it relates to the
14 Commission's -- well...

15 MS. CLARK: You know, there's a --

16 MR. MOYLE: I --

17 MS. CLARK: He can ask about the settlement.
18 This is -- this doesn't relate to that. The letter
19 does not relate to that.

20 CHAIRMAN BROWN: Mr. Moyle?

21 MR. MOYLE: Well -- okay. Let me come -- let
22 me see if I can come at it another way.

23 CHAIRMAN BROWN: Okay.

24 BY MR. MOYLE:

25 **Q Do you know that -- that with respect to the**

1 partial settlement in the Gulf case, that the Commission
2 substantively considered the MDS issue? Do you know
3 that one way or the other?

4 A Yes, I know that the Commission considered MDS
5 for Gulf, but that's not -- doesn't make it appropriate
6 for FPL.

7 Q And you don't have any information about --
8 about Gulf and how it's being implemented, or TECO,
9 right?

10 A How what?

11 MS. CLARK: I believe she answered that.

12 A I'm sorry?

13 Q You haven't had conversations with people from
14 Gulf or TECO and said, hey, how -- how is MDS working
15 and, you know, how do you implement that? None of that
16 conversation has taken place; is that right?

17 A No.

18 MR. MOYLE: Can I have just one minute?

19 CHAIRMAN BROWN: Sure.

20 MR. MOYLE: Okay. Those -- those are all the
21 questions. Thank you.

22 CHAIRMAN BROWN: Thank you, Mr. Moyle.
23 Hospitals?

24 MR. WISEMAN: Thank you, Madam Chair. And
25 we've provided the staff a number of exhibits that,

1 if they want to distribute at this point --

2 CHAIRMAN BROWN: Thank you.

3 MR. WISEMAN: And I would ask that they be
4 marked as we get to them, please.

5 CHAIRMAN BROWN: Okay. Thank you.

6 MR. WISEMAN: Thank you.

7 CHAIRMAN BROWN: Okay. So, how many exhibits
8 are you handing out?

9 MR. WISEMAN: Four.

10 CHAIRMAN BROWN: Okay. I have four.

11 MR. WISEMAN: Collated.

12 CHAIRMAN BROWN: Thank you. You have done an
13 excellent job at exhibits. I just want to give you
14 credit.

15 MR. WISEMAN: Thank you. Collation is my
16 middle name.

17 CHAIRMAN BROWN: You've been really good.
18 You may proceed whenever you're ready.

19 MR. WISEMAN: Thank -- thank you.

20 EXAMINATION

21 BY MR. WISEMAN:

22 Q Good evening, Ms. Deaton.

23 A Good evening.

24 Q Can you refer to your testimony at Page 7 --

25 actually, starting at the bottom of Page 6, Line 22. Do

1 you have that?

2 A I have.

3 Q Good. Do you agree that, starting there on
4 Page 6, Line 22 and then running over to seven and
5 actually a couple of more pages, there you're describing
6 the circumstances that you say support the switch from
7 12CP and a 13th methodology to the 12CP and 25-percent
8 methodology; is that correct?

9 A Yes.

10 Q All right. And if you could go to Page 7,
11 specifically Lines 5 to 11, that's where you're
12 describing a circumstance that you actually referred to
13 in your oral presentation where you say that FPL's
14 generating facilities produced \$500 million in savings
15 for customers in 2015 alone, correct?

16 A Yes.

17 Q And would you agree that, further down on the
18 page, you reference Exhibit RBD-8, which is the large
19 poster board that's been -- that's blown up behind you,
20 correct?

21 A Yes.

22 Q And if I understood both your testimony and --
23 your written testimony and your oral summary, it's your
24 position that large CI customers have gained nine times
25 the benefits from fuel savings as compared to the

1 additional revenue requirement they would be required to
2 bear under the 12CP and 25-percent methodology; is that
3 right?

4 A Yes, based on 2015.

5 Q Okay. And so the record is clear, when you
6 use the phrase -- I'm on Page 7, Line 17. When you use
7 the phrase there, "large CI customers," the "C" stands
8 for commercial, correct?

9 A "CI" is commercial industrial.

10 Q Right. Okay. So, it's -- you're -- CI is
11 referring to commercial customers, large commercial
12 customers and large industrial customers; is that right?

13 A Yes.

14 Q Okay. Great.

15 Can you refer to your Exhibit RBD-8 -- do you
16 have that in front of you?

17 A Yes.

18 Q And would you agree that that has a depiction
19 of the \$200 million in savings and the \$22 million in
20 increased revenue requirement for large CI customers,
21 correct?

22 A Yes, this is total demand metered CI
23 customers.

24 MR. WISEMAN: All right. If I could, now,
25 have marked for identification -- this would be

1 FPL's response to SFHH Interrogatory No. 241.

2 CHAIRMAN BROWN: Thank you. You even have it
3 in order. I appreciate it.

4 783 we're going to mark that as, as you've
5 just described.

6 MR. WISEMAN: Thank you.

7 (Whereupon, Exhibit No. 783 was marked for
8 identification.)

9 BY MR. WISEMAN:

10 Q Ms. Deaton, in this interrogatory, we asked
11 if -- it's been marked for identification as Exhibit
12 No. 783. We asked for a quantification of residential
13 fuel -- of the residential customers' fuel savings in
14 2015, correct?

15 A Yes.

16 Q And this is the response that was provided,
17 correct?

18 A Yes.

19 Q And if we turn to the first page of the
20 attachment, this is -- is a replica of your exhibit,
21 RBD-8, correct?

22 A Yes.

23 Q And then, if we turn to the page immediately
24 behind that, these have -- this page has the data that
25 are the underlying support for the Exhibit RBD-8,

1 correct?

2 A Yes.

3 Q All right. Now, would you agree that the data
4 on the attachment -- these reflect the calculations of
5 fuel savings for each rate class that's listed there,
6 correct?

7 A Yes. It is the allocation of the
8 approximately \$500 million in fuel savings that was
9 referenced in Witness Kennedy's testimony.

10 Q Okay. And would you agree that, if we go over
11 to the column that says "net impact," that shows the
12 change in the revenue requirement for each rate class
13 that results from moving from a 12CP and 1/13th
14 methodology to a 12CP and 25-percent methodology,
15 correct?

16 A This shows the comparison of the change in the
17 revenue requirements under 12CP and 25 versus 12CP and
18 1/13th, as compared to the fuel savings, yes.

19 Q Okay. Now, let's look at the residential
20 class, RST-1, according to this chart -- or this
21 spreadsheet, excuse me -- the residential class would
22 gain fuel savings of \$265.7 million -- I'm sorry -- did
23 in 2015; is that correct?

24 A Yes, that's correct. And as I responded in
25 discovery that -- I explained that all customers are

1 automatically receiving the benefit of the fuel savings.
2 However, all the customers are not paying what I would
3 consider a -- a fair share of the capital costs.

4 So, while residential customers do have -- are
5 getting their fuel savings, I think they're paying too
6 much on the generation capital costs.

7 MR. WISEMAN: Madam Chair, I'm fine with
8 Ms. Deaton explaining her answers. I don't have
9 any problem with that. That's been the protocol.
10 But that answer -- and I'm not moving to strike
11 it -- but that answer had nothing to do with what I
12 asked.

13 CHAIRMAN BROWN: Okay.

14 Ms. Deaton, just please be succinct and
15 directed to the -- the lawyers' specific request
16 for questioning when he cross-examines you.

17 THE WITNESS: Okay.

18 CHAIRMAN BROWN: Thank you.

19 BY MR. WISEMAN:

20 Q All right. So, Ms. Deaton, you agree that
21 residential ratepayers, according to this spreadsheet,
22 in 2015, gain two -- \$265.7 million in fuel savings,
23 correct?

24 A That's correct.

25 Q Okay. And if we look over on the column, net

1 impact, where we're looking at the impact of changing to
2 a -- to the 12CP and -- I'm sorry. If we look to the
3 middle column, the one that says "increased revenue
4 requirements due to 12CP" -- and the rest of it is cut
5 off. You see that column?

6 A Yes.

7 Q That's actually the column that's showing
8 the -- the incremental change in revenue-requirement
9 responsibility, correct?

10 A That's correct.

11 Q Okay. And so, if we look at that middle
12 column for the residential class, we see that, as
13 opposed to being allocated additional costs as a result
14 of the change from the 12CP and the 13th methodology to
15 the 12CP and 25-percent methodology, the residential
16 class would actually get reduced -- a reduced revenue
17 requirement of \$24.6 million; is that correct?

18 A Yes. And as I explained in my direct
19 testimony, when you change the allocation, the net
20 impact is zero. Some customer classes go up; some go
21 down. For this allocation method, residential NGS go
22 down.

23 Q Okay. Now, would you agree that -- you see on
24 this page, this spreadsheet, that there are -- a number
25 of rate classes are highlighted, correct?

1 A Yes.

2 Q And that was the highlighting that you
3 provided in response to the discovery request, correct?

4 A Yes. Those are the classes that I
5 consolidated for the graph on the chart.

6 Q Right. So, to get the \$200 million in
7 savings, you took the fuel savings for the CILC1D,
8 CILC1G, CILC1T, GSDT1, GSLDT1, GSLDT2, and GSLDT3 rate
9 classes, correct?

10 A Yes. As I discussed earlier, it's the demand
11 metered CI customers that are shown in the graph.

12 Q All right. Now, can you refer to Page 6 of
13 your testimony. And if you could, look at Lines 1 to 5,
14 please. Do you have that? I'm sorry. Are you there?

15 A Yes.

16 Q All right. So, starting up on -- toward the
17 end of -- excuse me -- Line 1, you say: Further below,
18 it -- as explained in the direct testimony, and further
19 below, it's appropriate to allocate a larger share of
20 production costs to large CI customers to better align
21 costs causation with cost causer and recognize the fuel
22 savings those customers have and will continue to
23 realize as a result of FPL's generation, planning, and
24 operations, correct?

25 A Yes.

1 **Q** Okay. So, it's your position that large
2 **commercial and industrial customers are the cost**
3 **causers?**

4 A That's not what I said. I am responding to
5 intervenor witnesses that -- that represent the large CI
6 customers. It's actually, you know, the -- the
7 allocation method allocates more cost to lighting
8 customers and other customers as well, as you can see in
9 the detail of the file we just looked at.

10 **Q** Is it your testimony that large -- large
11 **commercial and industrial customers are the cost causers**
12 **who are causing FPL to add generation capacity to its**
13 **system?**

14 A As I explained in -- no -- I -- well, yes.
15 Yes.

16 **Q** All right.

17 A All customers contribute towards our system
18 peak. All customers use energy and contribute to the
19 need for base- and intermediate-load generation.
20 Therefore, all customers are cost causers. And the
21 allocation of how much to put on an energy basis is a --
22 a judgmental allocation. But it's been 1/13th for a
23 while.

24 Tampa has moved to a 25 percent -- or did move
25 to 25 percent. And we feel it's appropriate to move

1 also to a larger share on the energy portion, given the
2 fuel savings that are -- all customers are benefiting
3 from.

4 **Q It's your testimony that Tampa currently**
5 **operates under a 12CP and 25- --**

6 CHAIRMAN BROWN: Just want to --

7 **Q -- percent methodology?**

8 CHAIRMAN BROWN: -- make sure that Tampa --
9 it's not Tampa -- it's not the City of Tampa that
10 you're referring to.

11 THE WITNESS: Tampa Electric Company.

12 CHAIRMAN BROWN: Thank you.

13 THE WITNESS: And I'm referring to the order
14 the Commission approved, 12CP and 25 for Tampa.
15 They are currently are not using 12CP and 25.

16 BY MR. WISEMAN:

17 **Q All right. Now, why don't you turn to Page 15**
18 **of your testimony. Do you have that?**

19 A Yes.

20 **Q Okay. So, at Page 4 -- I'm sorry -- at**
21 **Lines 4 to 5, you would agree that you represent there**
22 **that the initial driver of adding capacity to the system**
23 **is load requirements, correct?**

24 A That's one of the requirements.

25 **Q Okay. Are you changing your testimony? Is it**

1 one of the requirements or is it the -- the driver of
2 adding -- of adding additional generation capacity?

3 A It's driven by load requirements. We have
4 reserved-margin requirements, as I discussed in my
5 direct testimony, and we have loss-of-load
6 probabilities.

7 MR. WISEMAN: All right. Great.

8 Can we have marked for identification as the
9 next exhibit in order the direct testimony of
10 Steven R. Sim on behalf of FPL in West County
11 Energy Center, Units 1 and 2 need proceeding?

12 CHAIRMAN BROWN: Okay. We will mark for
13 identification purposes as 784, direct testimony of
14 Sim on behalf of FPL and West County Energy Center
15 need proceeding.

16 (Whereupon, Exhibit No. 784 was marked for
17 identification.)

18 CHAIRMAN BROWN: Ms. Deaton, you have a copy
19 of that in front of you, correct?

20 THE WITNESS: I do.

21 CHAIRMAN BROWN: Okay. Please proceed.

22 BY MR. WISEMAN:

23 Q And in fact, you refer to this testimony on
24 Page 15, just a couple of lines down from where I was
25 asking you the question about right now; isn't that

1 correct?

2 A Yes.

3 Q All right. And do you recognize the document
4 that's been marked as Exhibit 784 as Dr. Sim's testimony
5 that you referred to in your prepared testimony?

6 A Yes.

7 Q Okay. Can you turn to Page 8 of Dr. Sim's
8 testimony, please.

9 A Yes.

10 Q Okay. Starting at Line 6, Dr. Sim was asked:
11 How did FPL decide it needed additional resources for
12 the 2009, 2011 time frame, and what was the magnitude of
13 these resource needs.

14 Do you see that?

15 A Yes.

16 Q And then at Lines 8 to 9, he says: There are
17 two analytical approaches that FPL uses, correct?

18 A Yes.

19 Q Okay. Can you read out loud his testimony
20 from Line 9 through 14?

21 A At the first full sentence?

22 Q Yeah, start -- starting -- yeah, starting the
23 first full sentence on Line 9 where he's discussing --

24 CHAIRMAN BROWN: The --

25 Q Discussing what the first approach is.

1 A The first approach is to make projections of
2 reserve margins for both winter and summer peak hours
3 for future years -- years. A minimum reserve margin
4 criteria of 20 percent is used to judge the protected
5 reserve margins. The 20 percent reserve margin criteria
6 is based on reliability planning standard FPL committed
7 to maintain and the Commission approved in Order
8 No. PSC-99-2507-S-EU.

9 **Q Okay. And then, at -- starting at Line 16,**
10 **Dr. Sim describes the second analytical -- analytical**
11 **approach that FPL uses to determine the timing and**
12 **magnitude of its future resource needs. Can you read**
13 **that --**

14 CHAIRMAN BROWN: Mr. Wiseman, is there a
15 question other than her reading this exhibit into
16 the record?

17 MR. WISEMAN: I'm going to do this very
18 quickly, but -- but I think there will be a
19 question coming, but I think I have to set up the
20 predicate for it.

21 CHAIRMAN BROWN: Okay. Well, I think you --

22 MR. WISEMAN: If she could read just the
23 couple of sentences --

24 CHAIRMAN BROWN: I think you already set the
25 predicate up for it saying she cited this --

1 Dr. Sim's testimony in her testimony.

2 BY MR. WISEMAN:

3 Q All right. You would agree that the second
4 passage sets forth Dr. Sim's explanation of what the
5 second analytical approach is, correct?

6 A Yes.

7 Q Okay. And then, if you could, turn over to
8 Page 9. Would you agree that on Lines 4 to 5, Dr. Sim
9 is describing what has driven FPL's projected additional
10 resource needs as the summer reserve margin criterion.

11 A Yes.

12 Q And then at Lines 7 to 9, would you agree that
13 he says that -- said that significant levels of
14 additional reserves were needed for 2009, 2010, and 2011
15 to meet the summer reserve margin of 20 percent,
16 correct?

17 A Yes.

18 Q All right. Now, would you refer -- you have
19 your MFRs there?

20 A Yes.

21 Q Okay. Do you have MFR-E10? That's one that
22 you sponsored.

23 A Yes.

24 MS. CLARK: I need to get that.

25 MR. WISEMAN: Sure.

1 MS. CLARK: Just a minute.

2 MR. WISEMAN: And it's -- well, all I need
3 from it, if it will help -- Ms. Deaton, when you
4 get there, if you would, refer to Attachment No. 2
5 of 5, Page 3 of 34.

6 CHAIRMAN BROWN: Two of five.

7 MR. WISEMAN: Attachment 2 of 5, Page 3 of 34.

8 THE WITNESS: I'm there.

9 CHAIRMAN BROWN: Got it?

10 MS. CLARK: We're getting it.

11 CHAIRMAN BROWN: Ms. Deaton, whenever you're
12 ready --

13 THE WITNESS: I'm there.

14 BY MR. WISEMAN:

15 Q Okay. Ms. Deaton, would you agree that this
16 schedule shows the class contribution to the average of
17 the 12 monthly coincident peak demands for these various
18 rate classes?

19 A Yes.

20 Q Okay. So, let's go over to Column 15 where it
21 shows the contribution to the retail average 12-month
22 coincident peak. Do you see that?

23 A Yes.

24 Q Okay. So, you would agree, for the CILC1D
25 rate class, its contribution is 1.8595 percent, correct?

1 A Yes.

2 Q And CILC1G is 0.0727 percent, correct?

3 A Yes.

4 Q CILC1T is 09 -- 0.9701 percent, correct?

5 A Yes.

6 Q And then let's skip down to GSLDT1. Its
7 contribution is 8.7580 percent, correct?

8 A Yes.

9 Q And two more; GSLDT2 -- its contribution is
10 1.7383 percent, correct?

11 A Yes.

12 Q And last one, GSLDT3 -- its contribution is
13 0.1179 percent, correct?

14 A Yes.

15 Q Okay. Will you accept, subject to check, that
16 the total contribution of those six rate classes is
17 13.5165 percent?

18 A Sounds about right.

19 Q Okay. Now, two more that I want you to go
20 over. Do you see there is GSDT1 on Line 6, Row 6?

21 A Yes.

22 Q Okay. And you would agree that its
23 contribution to the average 12 monthly coincident peak
24 demand is 21.6935 percent, right?

25 A Yes.

1 Q And then the last one, the residential class
2 on 13 -- its contribution is 58.9036 percent, correct?

3 A Yes.

4 Q Okay. Would you accept, subject to check,
5 that the GSDT1 and RST-1 rate classes on a combined
6 basis contributed 80.5971 percent to the average
7 12-month coincident peak?

8 A Yes.

9 Q All right. Now, can you refer to your
10 testimony at Page 19, please. You would agree this --
11 this is where you start describing the -- your
12 disagreement with Witnesses Baron, Pollock, and Alderson
13 concerning the use of the MDS method, correct?

14 A Yes.

15 Q All right. If you could, look at -- starting
16 at Lines 5 through 15, you describe four reasons that
17 you disagree with the adoption of the MDS method, right?

18 A Yes.

19 Q Okay. And the very first one, your first
20 reason that you disagree is at Lines 7 to 8 where you
21 say that the MDS method presumes a type of electric
22 system and a method of planning that's not reflective of
23 FPL's distribution system, correct?

24 A Yes.

25 Q Okay. Now, if I understood your testimony a

1 little bit earlier, you said that there should be a
2 demand component and a customer component of -- of
3 rates, just as a general matter. There is -- there can
4 be a demand component and a customer component, correct?

5 A The -- we classify cost as -- by cost driver,
6 whether it's driven by the number of customers, the
7 kilowatt demand of customers, or the energy use of
8 customers.

9 Q Okay. And your opposition to the MDS method
10 is based upon a proposition that the -- the use of a
11 customer component for -- would not be applicable to the
12 way the system is designed, correct?

13 A That's correct. Our system is designed to
14 meet customers' demand. And only the meters and service
15 drops actually vary with the number of customers
16 installed.

17 MR. WISEMAN: All right. Can we now have
18 marked for identification as the next in order
19 FPL's response to SFHHA Interrogatory No. 143?

20 CHAIRMAN BROWN: We're going to number that as
21 785. And that's FPL response to Hospital
22 Interrogatory No. 143.

23 (Whereupon, Exhibit No. 785 was marked for
24 identification.)

25 CHAIRMAN BROWN: Ms. Deaton, do you have a

1 copy of that in front of you?

2 THE WITNESS: Yes.

3 CHAIRMAN BROWN: All right. Please proceed,
4 Mr. Wiseman.

5 MR. WISEMAN: Thank you.

6 BY MR. WISEMAN:

7 Q Ms. Deaton, this interrogatory response was
8 prepared by you or under your supervision, correct?

9 A Yes.

10 Q And you would agree that this interrogatory
11 response indicates that FPL has not performed any
12 analysis of how costs would be allocated under a
13 theoretical minimum distribution system, correct?

14 A Since January 1st, 2011.

15 Q I'm -- since at least January 1, 2011,
16 correct?

17 A Yes.

18 Q Okay. And probably before.

19 A That's correct.

20 MR. WISEMAN: Okay. If we could now have
21 marked for identification as the next exhibit in
22 order --

23 CHAIRMAN BROWN: 786. So, we're going to mark
24 excerpts from FPL's distribution system planning
25 manual -- we're marking that as 786.

1 (Whereupon, Exhibit No. 786 was marked for
2 identification.)

3 CHAIRMAN BROWN: And Ms. Deaton, I assume you
4 have a copy of that in front of you?

5 THE WITNESS: Yes.

6 CHAIRMAN BROWN: Okay. And that's the last
7 exhibit.

8 MR. WISEMAN: Yes.

9 CHAIRMAN BROWN: All right. Please continue.

10 BY MR. WISEMAN:

11 Q Ms. Deaton --

12 A I'm sorry. I forgot to mark it. What was the
13 number?

14 Q Oh, I'm sorry.

15 CHAIRMAN BROWN: 786.

16 THE WITNESS: Thank you.

17 BY MR. WISEMAN:

18 Q Ms. Deaton, can you turn to the first page of
19 Exhibit 786.

20 A Yes.

21 Q And let's -- let's agree, for ease of
22 reference, so the record is clear -- do you see there
23 Bates pages at the bottom -- Bates-numbered -- numbers
24 at the bottom, bottom right-hand corner?

25 A FPL RC- -- what -- I'm sorry? Which --

1 CHAIRMAN BROWN: Yes.

2 A FPL RC16?

3 Q No, the number right above that where it says
4 SFHHA 014- -- 014543.

5 A Yes.

6 Q Okay. To the extent we need to refer to page
7 numbers, why don't we use those page numbers. I think
8 the record will be clearer if we do that.

9 A They are not sequential.

10 Q I'm sorry?

11 A They are not sequential.

12 Q No, they're not. These are excerpts.

13 CHAIRMAN BROWN: All right.

14 Q Okay.

15 A Okay. I don't know if I'll be able to find
16 them. Okay.

17 Q Okay. Well, hopefully -- we're going to do --
18 we'll just do it page by page. So, hopefully it will be
19 easy.

20 A Okay.

21 Q This is, you would agree, the distribution
22 engineering reference manual and, if you know, FPL
23 provided this in response to an SFHHA interrogatory?

24 A POD, I believe.

25 Q Yes -- oh, thank you very much for that

1 **correction.**

2 Okay. Let's turn to the next page after the
3 cover, which is -- has the Bates No. 014636. Do you
4 have that?

5 A Yes.

6 **Q All right. Now, up at the very top, in the**
7 **center of the page, it says distribution design theory,**
8 **transformer loading. Do you see that title?**

9 A Yes.

10 **Q Okay. And then there is a paragraph**
11 **underneath that with an Arabic number three. Would you**
12 **agree the 3rd sentence in that paragraph says**
13 **transformer loading for the majority of cases --**

14 CHAIRMAN BROWN: Mr. Wiseman, again, you're
15 reading -- you're reading material into the record
16 that's already identified as an exhibit. If there
17 is a question -- I know you're trying to lay a
18 predicate.

19 MR. WISEMAN: Okay.

20 CHAIRMAN BROWN: Please get to the question.

21 BY MR. WISEMAN:

22 **Q All right. Would you agree that the first**
23 **paragraph has an indication that transformer loading**
24 **should be based upon the number of customers?**

25 A It says, should be based on the -- I'm

1 sorry -- (examining document) -- based on serving a
2 maximum number of customers from a transformer, as shown
3 in Section 5.5.1.

4 Q Okay. Now, let's go to the next page, which
5 is one -- Bates No. 14748. And you would agree that up
6 at the top of the page, this indicates that this is
7 the -- these are the distribution planning guidelines,
8 right?

9 A Yes. I'm just confused with -- these things
10 are out of order and -- I have a copy of the full
11 document. So, I'm trying to figure out where these come
12 from.

13 Q Well --

14 CHAIRMAN BROWN: Mr. Wiseman, I assume you're
15 getting to a question.

16 MR. WISEMAN: I am getting to a question. And
17 I don't think the order of the pages really
18 matters.

19 CHAIRMAN BROWN: Well --

20 MR. WISEMAN: I mean, if FPL wants to put in
21 the whole document through optional completeness,
22 that's fine with me.

23 MS. CLARK: Madam Chairman, I would suggest
24 that this witness is being asked to answer
25 questions, apparently, based on these excerpts. I

1 think she has the right to have before her the
2 whole of the document, not just these selected
3 pages, which are obviously out of --

4 CHAIRMAN BROWN: Well, she always has -- she
5 always has the right, but Mr. Wiseman hasn't gotten
6 to a question yet. So, maybe excerpts are
7 appropriate at this time.

8 MR. WISEMAN: And she -- and frankly, FPL
9 didn't produce to us the whole manual.

10 CHAIRMAN BROWN: All right. Mr. Wiseman, are
11 you getting to a question?

12 MR. WISEMAN: Yeah.

13 BY MR. WISEMAN:

14 **Q Turn to the next page in the document --**

15 A I -- can I just put some context on this page
16 about Padmore transformers. On the page before it,
17 Page 5 of 15 -- this is Page 6 of 15 -- there is a
18 section titled "Adding new load to existing residential
19 transformers."

20 And it says: Often necessary to connect new
21 customer or customers to an existing transformer
22 secondary installation. It may be possible to do this
23 without changing out the transformer.

24 As a general rule, for residential
25 subdivisions, customers may be added to the secondary,

1 as long as new summer load will not exceed 150 percent
2 of transformer load.

3 So, there, it shows that you're talking about
4 the load for the transformers not the number of
5 customers.

6 **Q All right. Can you turn to Page --**

7 MS. CLARK: Madam Chairman, I have an
8 objection to him using these excerpts because,
9 obviously, there is more context to what he is
10 asking her to read.

11 It would be my preference that she be allowed
12 to have the whole document before her, which I
13 understand she has.

14 CHAIRMAN BROWN: Oh.

15 MR. WISEMAN: I don't have the whole document.
16 FPL didn't produce the whole document. I have
17 more -- I have more pages.

18 CHAIRMAN BROWN: Yes.

19 MS. CLARK: Well, I guess, to be clear, I
20 would expect him to give the whole document that
21 FPL produced.

22 CHAIRMAN BROWN: Okay. But Mr. Wiseman, my
23 understanding is that Ms. Deaton has the entire
24 copy, correct, in front of her?

25 THE WITNESS: I'm -- I'm pretty sure we have

1 what we provided, yes.

2 CHAIRMAN BROWN: Okay. Well, I still don't
3 know what the question is yet, other than reading
4 the material from the excerpts. So, I'm still
5 waiting for a question that -- for relevance.

6 MR. WISEMAN: All right.

7 BY MR. WISEMAN:

8 Q Would you -- turn to Page -- Bates Page 04 --
9 I'm sorry -- 014749.

10 A I'm sorry. Did we not use 748?

11 Q 014749.

12 A Okay.

13 Q I think it's -- I mean, if you just follow the
14 exhibit, the pages are in order. That would be easiest.
15 But you know, do it however you want, is -- I'm fine
16 with it.

17 A Thank you.

18 Q Tell me when you're there. Do you have that?

19 A Yes.

20 Q Okay. Would you agree that this page
21 indicates again that there are customer-related
22 considerations in the distribution guidelines?

23 A Where -- where are you talking about?

24 Q I'm on -- I'm on Page 1 -- 014749, looking at
25 Paragraph 4B, Paragraph 5B, Paragraph 6A, and

1 **Paragraph 7A.**

2 MS. CLARK: Madam Chairman, if he is just
3 asking her what these items say, I would suggest we
4 simply put the -- whatever FPL produced into the
5 record.

6 COMMISSIONER GRAHAM: We can do that.

7 MS. CLARK: Oh, Mr. Chairman.

8 COMMISSIONER GRAHAM: That's fine. But --

9 MS. CLARK: So we can move on.

10 COMMISSIONER GRAHAM: -- we're going to give
11 her the opportunity to answer the question, if she
12 chooses to.

13 THE WITNESS: I see a lot of discussion about
14 overloads. There's a little bit about high
15 customer-count limits -- not sure what that relates
16 to.

17 COMMISSIONER GRAHAM: So, the answer is, I
18 don't know?

19 THE WITNESS: That is correct.

20 MR. WISEMAN: You know what we could do -- if
21 F- -- to save a lot of time, if FPL -- I -- I
22 assume you're not object- -- going to object to the
23 introduction of this document other than for
24 optional completeness. You want to put the whole
25 document in?

1 COMMISSIONER GRAHAM: She's already agreed to
2 that.

3 MR. WISEMAN: If that's the agreement, then we
4 can cite to every one of these procedures in the
5 brief and show that there is a clear customer
6 component to the good design of their distribution
7 system. I'm fine with that.

8 COMMISSIONER GRAHAM: So, does that complete
9 your questions?

10 MR. WISEMAN: Just -- I'm -- FPL is agreeable
11 to that?

12 COMMISSIONER GRAHAM: She's already said so.

13 MR. WISEMAN: Okay.

14 MS. CLARK: We are agreeable to this, the
15 entire matter that we --

16 COMMISSIONER GRAHAM: -- that you provided.

17 MS. CLARK: -- produced, yes, to be entered
18 into the record.

19 MR. WISEMAN: That's fine.

20 Then I just have one other -- I think one
21 question.

22 BY MR. WISEMAN:

23 **Q In your oral presentation, you indicated that**
24 **MDS wasn't appropriate for a large urban area?**

25 **A It's not appropriate for FPL's large urban**

1 area is what I said.

2 Q Okay. Is FPL's large urban area more urban
3 than New York City?

4 A No.

5 MR. WISEMAN: Thank you. I have no further
6 questions.

7 COMMISSIONER GRAHAM: Okay.

8 Who's -- Walmart -- I'm sorry. AARP.

9 MR. LAVIA: Retail Federation.

10 COMMISSIONER GRAHAM: Retail Federation.

11 (Laughter.)

12 MR. LAVIA: No, no questions, Mr. Chairman.

13 COMMISSIONER GRAHAM: I don't -- I don't have
14 the Chairwoman's list in front of me.

15 MR. LAVIA: One -- one of those jokers down on
16 this end. No questions.

17 COMMISSIONER GRAHAM: FEA?

18 MR. JERNIGAN: No questions. Thank you.

19 COMMISSIONER GRAHAM: Sierra Club.

20 MS. CSANK: Just a few --

21 COMMISSIONER GRAHAM: Sure.

22 MS. CSANK: -- Mr. Chairman.

23 EXAMINATION

24 BY MS. CSANK:

25 Q Good evening, Ms. Deaton.

1 A Good evening.

2 Q I'm Diana Csank with the Sierra Club.

3 I would like to turn to Page 15 of your
4 testimony.

5 A I'm there.

6 Q And there, you describe FPL's selection of
7 resource additions and the need for energy-focused
8 resource -- resources such as combined cycle plants as
9 well as capacity-focused resources such as combustion
10 turbines. With me so far?

11 A I don't know if I use those exact words. I'm
12 sorry.

13 Q Well, let's turn to the words that you do
14 actually use. So, on Line 11, you refer to resources
15 that result in lower average electric rates. And then
16 further on down, on Line 17, through 18, you refer to
17 generation technology that would result in the lowest
18 overall cost.

19 A Yes. I'm quoting Dr. Sim in -- in one case
20 and Mr. Pollock in the other.

21 Q Would you agree that these two are different
22 metrics, and they do not necessarily lead to identical
23 results?

24 A No.

25 Q So, it's your position that generation

1 **technology that would result in the lowest overall cost**
2 **will always necessarily lead to the lowest average**
3 **electric rates?**

4 A If you install the lowest-cost option, that
5 will lower bills.

6 Q **That's not the question I asked. I asked if**
7 **those were two identical metrics.**

8 A I'm not following the distinction.

9 Q **Let's try that one more time. Maybe I was not**
10 **being clear. I'm sorry.**

11 When FPL is making decisions, resource
12 decisions, it can select a resource that results in the
13 lowest average electric rates, and it can also select a
14 resource that would result in the lowest overall cost,
15 but the -- one does not necessarily yield the other.

16 A How is that possible?

17 MS. CLARK: Madam Chairman, I would point out
18 Sierra Club has taken no position on this -- on the
19 issues that Ms. Deaton covers.

20 MS. CSANK: If I may have just a tiny bit of
21 latitude, I only have a few questions. And I think
22 it does clarify some issues that pertain to the
23 ones that we have taken positions on.

24 COMMISSIONER GRAHAM: Let's just get to the
25 questions.

1 MS. CSANK: Okay.

2 BY MS. CSANK:

3 Q I guess, to clarify, Ms. Deaton -- hopefully
4 this is within your purview -- a low CPVRR plan may not
5 be the plan that results in the lowest residential
6 rates, for example. Would you agree with me on that?

7 A No.

8 Q Okay. Let's turn to Page 7 of your testimony.
9 And there, on Lines 12 through 15, you state that, in
10 1989, 14 percent of installed summer capability was
11 peaking generation versus 9 percent in 2015.

12 And your contention is that significant energy
13 cost savings have been achieved for customers through
14 the reduction in the proportion of peaking generation in
15 FPL's system.

16 A That's correct.

17 Q And my question is: Is that something that
18 the company analyzed; whether it could achieve greater
19 savings by reducing the amount of peaking generation
20 additions that are in its request in this case?

21 A I'm sorry. It -- in my direct testimony,
22 in -- in Dr. Sim's, I believe -- and I'm not the
23 resource planning witness -- that every time we need --
24 we have a need and we show it in our ten-year site plan,
25 we select the least-cost option to meet that need,

1 whether it's peaking or base or what -- or anything
2 else.

3 MS. CSANK: Thank you, Ms. Deaton.

4 I have one exhibit to circulate.

5 COMMISSIONER GRAHAM: Sure.

6 Staff.

7 Staff, are we on 787?

8 MS. HELTON: Yes, sir.

9 THE WITNESS: I hate to interrupt, but if --
10 if we're going to go much longer, I'm going to need
11 a break.

12 COMMISSIONER GRAHAM: I'm sorry?

13 THE WITNESS: I'm going to need a break if we
14 go much longer.

15 COMMISSIONER GRAHAM: Okay. How many more
16 questions do you have?

17 MS. CSANK: I have just a couple on this
18 exhibit, and then I'm done.

19 COMMISSIONER GRAHAM: Okay.

20 MS. CSANK: Is that okay with you, Ms. Deaton,
21 or would you prefer to take a five-minute break?

22 THE WITNESS: No, I'm -- a couple more --

23 MS. CSANK: Are you sure?

24 THE WITNESS: Yeah.

25 MS. CSANK: Okay. I want to make sure you're

1 comfortable.

2 COMMISSIONER GRAHAM: Okay.

3 MS. CSANK: I'll keep it brief.

4 So, Commissioner Graham, may I have the number
5 again?

6 COMMISSIONER GRAHAM: We're on 787.

7 MS. CSANK: And we're marking that for
8 identification in the record.

9 COMMISSIONER GRAHAM: Yes. And short title?

10 MS. CSANK: Alternatives to seven combustion
11 turbines.

12 COMMISSIONER GRAHAM: Okay.

13 (Whereupon, Exhibit No. 787 was marked for
14 identification.)

15 MS. CLARK: Madam -- Mr. Chairman?

16 COMMISSIONER GRAHAM: Yes.

17 MS. CLARK: I believe this is beyond the scope
18 of her rebuttal.

19 COMMISSIONER GRAHAM: Ms. Csank?

20 MS. CSANK: Commissioner Graham, we just went
21 through multiple passages where she refers to
22 resource selection. And I think she's opened the
23 door. And Sierra Club has submitted that that's a
24 very important issue in this case. And we maintain
25 that it continues to be so. And it's clearly

1 within the scope of her rebuttal testimony. And I
2 aver to you that I will only ask a couple of
3 questions so this will --

4 COMMISSIONER GRAHAM: I will allow the
5 question. So, continue.

6 MS. CSANK: Thank you.

7 BY MS. CSANK:

8 **Q So, Ms. Deaton, you've referred to Dr. Sim.**
9 And Dr. Sim is in the resource planning department. So,
10 generally speaking, you're familiar with Dr. Sim's work
11 as it relates to your job responsibilities; is that
12 correct?

13 A I am aware of Dr. Sim's job responsibilities.

14 **Q And you're aware of the generation that's**
15 **included in the company's request in this case.**

16 A I have nothing to do with the generation
17 decisions. All I do is take the cost -- the net plant
18 in service that's production-related and allocate it
19 between retail and wholesale. And then I allocate it to
20 the retail rate classes.

21 To the extent, I think, that a greater
22 allocation is warranted for energy than has been in the
23 past because of the efficiencies in fuel savings
24 produced by these plants, as discussed by Witness
25 Kennedy, then that is the extent of my work in this case

1 on production resources.

2 Q But we just went over the fact that, in your
3 rebuttal testimony, you discuss resource selection and
4 you make certain statements about selecting the lowest
5 overall cost resource.

6 A It's my understanding resource planning
7 selects the lowest-cost option. That's what's
8 required -- my understanding and the rules and by this
9 Commission.

10 Q So, let's just turn to this exhibit, 787
11 that's before you. And this is FPL's late-filed
12 deposition exhibit, which states that: In response to
13 Sierra Club's question with respect to the alternatives
14 studied to the seven new combustion turbines, quote, FPL
15 does not have any of the analysis conducted to review
16 alternative scenarios prior to selection of its peaker
17 uprate project, end quote.

18 Do you see that?

19 A I -- I don't see the question. I see the
20 answer.

21 Q Well, let me represent to you that -- that
22 because this was a late-filed deposition, the question
23 didn't appear on the document.

24 A Yes, and my understanding -- again, I'm not
25 the resource planning witness -- is that the peakers are

1 not a -- an addition to serve a new capacity need. They
2 are replacement to serve existing capacity needs. And
3 the net megawatt difference between the old peakers and
4 the new peakers is, I believe, about 36 megawatts, so --

5 **Q Ms. Deaton, before you go on --**

6 A -- the analysis that was prepared and
7 discussed by Witness Barrett -- I'm aware of that. And
8 that -- that was compared to running the existing
9 peakers with the maintenance costs and the inability to
10 purchase replacement parts versus putting in new CTs to
11 fill that same need that was the -- my understanding of
12 the analysis.

13 Again, Mr. Barrett --

14 **Q If I may, respectfully --**

15 COMMISSIONER GRAHAM: Thank you, Ms. Deaton.

16 MS. CSANK: Thank you.

17 COMMISSIONER GRAHAM: Ms. Csank, can you get
18 to the question?

19 BY MS. CSANK:

20 **Q Just a final question right now -- thank you**
21 **for that explanation, actually. All I needed from you,**
22 **Ms. Deaton, please, is to confirm whether you have any**
23 **reason to doubt the accuracy and the authenticity of**
24 **this exhibit and what it says.**

25 THE WITNESS: I think this is Mr. Barrett's

1 exhibit.

2 MS. CLARK: Yeah, I object.

3 COMMISSIONER GRAHAM: I think she said a
4 couple of times that this is out of her realm.

5 MS. CSANK: She also said that she, with all
6 due respect, is interfacing with resource planning.
7 And she's necessarily familiar with what the
8 company is putting forward in terms of generation
9 and how it's allocated in terms of cost.

10 So, I think that, to the extent -- she can
11 tell me she doesn't know, but I should be able to
12 ask her --

13 COMMISSIONER GRAHAM: That's correct. And I
14 believe she said she doesn't know.

15 THE WITNESS: I don't know.

16 MS. CSANK: Okay. No further questions.
17 Thank you.

18 COMMISSIONER GRAHAM: Thank you.
19 Walmart?

20 MR. WILLIAMSON: (Inaudible.)

21 COMMISSIONER GRAHAM: Okay. Let's take a
22 five-minute break, then.

23 THE WITNESS: Thank you.

24 COMMISSIONER GRAHAM: We'll come back at five
25 after nine.

1 COMMISSIONER GRAHAM: We'll come back at five
2 after nine.

3 (Brief recess from 9:00 p.m. to 9:05 p.m.)

4 (Transcript continues in sequence in Volume
5 36.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

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
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,
employee, attorney or counsel of any of the parties, nor
am I a relative or employee of any of the parties'
attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED THIS 1st day of September, 2016.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #EE866180
EXPIRES FEBRUARY 09, 2017