BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of FPL SolarTogether program and tariff, by Florida Power & Light Company.	DOCKET NO. 20190061-EI DATED: September 3, 2019

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Cayce Hinton on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 3rd day of September, 2019.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20190061-EI - Petition for approval of FPL SolarTogether program and tariff, by Florida Power & Light Company

WITNESS: Direct Testimony of Cayce Hinton, Florida Public Service Commission; Appearing on behalf of the Staff of the Florida Public Service Commission

DATE FILED: September 3, 2019

DIRECT TESTIMONY OF CAYCE HINTON

Q. Please state your name and business address.

A. My name is Cayce Hinton. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

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

A. I am employed by the Florida Public Service Commission (Commission) as the Director of the Office of Industry Development and Market Analysis. I have been employed by the Commission since April 1999.

Q. Briefly review your educational and professional background.

A. In 1989, I received a Bachelor of Science degree in Business, with a major in Marketing, from the Florida State University College of Business. I have worked for the Commission for twenty years in a variety of roles, including seven years as the chief advisor for two different Commissioners.

Q. Please describe your current responsibilities.

A. The Office of Industry Development and Market Analysis (IDM) consists of four sections, two of which address the Commission's remaining responsibilities in regulating the telecommunications industry in Florida. The other two sections focus mainly on energy issues. IDM has the responsibility of developing eight different reports on an annual basis. We also have primary responsibility for monitoring activities at the Florida Legislature when in session and producing bill analyses when requested by legislators or their staff. I also give presentations before legislative committees when requested on the role of the Commission or particular topics under our jurisdiction. IDM also takes the lead on special projects, analyzes developing policies and prepares recommendations for implementing state laws, such as renewable energy, net metering, nuclear cost recovery, and storm protection plan cost recovery.

Q. Have you previously presented testimony before this Commission?

A. No.

Q. What is the purpose of your testimony?

A. My testimony is limited to discussing certain principles of Florida's regulatory framework and the regulatory treatment of new, electric generation, including solar photovoltaic. I will compare the regulatory treatment being requested for FPL's SolarTogether program with Florida's standard regulatory practices when addressing new electric generation assets. I will also identify policy considerations that are intended to illuminate and provide context for pending decisions regarding FPL's petition.

Q. Please explain the regulatory framework you are referring to.

A. Florida consumers are served by vertically integrated electric utilities that are considered natural monopolies. Florida has a regulatory framework established through statute that grants utilities specific rights and responsibilities, and that establishes particular roles and responsibilities for the Commission as the economic regulatory agency.

For example, as natural monopolies electric utilities are granted exclusive service territories, and they are allowed to charge rates to recover the prudent cost of providing electric service to customers within that territory. The utilities are also given an opportunity to earn a fair and reasonable return on their investment in plant used to provide electric service.

Along with those rights, utilities have the obligation to serve all customers within their service territory, and that service must be adequate, safe, and reliable. Utilities are not permitted to build unnecessary facilities or incur costs for unnecessary services. In addition, utilities may not unduly discriminate or show preference in providing service or charging rates.

The Commission's role is to ensure that customers receive adequate, safe electric service at rates that are fair, just, and reasonable. Those rates may only recover the cost of

plant that is actually used and useful in the public service. The Commission also oversees the reliability and sufficiency of the bulk power grid and ensures that any additions to the grid are necessary and cost-effective.

Q. Describe utility and regulatory practices that ensure sufficient and cost-effective electric service for Florida ratepayers.

A. A large part of that work is accomplished through the resource planning process, a traditional utility function performed to ensure reliable service at the least cost. Utilities annually assess forecasts of customer load and reserve margins for a ten-year period and perform a system reliability analysis. An evaluation of existing generating resources is conducted by the utility in order to identify potential opportunities to improve generation efficiency. If a need for additional capacity is identified in a given year, the utility will develop alternative resource plans, evaluating combinations of demand-side and supply-side resources, to determine the most feasible, cost-effective approach to meet that need. The important principle underlying this process is the idea of "least cost planning."

There are typically two paths for gaining approval for new electric generation assets. One path requires approval by numerous governmental agencies prior to the construction of new electric generation assets. The other path does not require prior-approval. The need for prior-approval depends upon whether the facility is subject to Florida's Electrical Power Plant Siting Act (PPSA). The PPSA applies to solar or steam generating facilities 75 megawatts (MW) or larger. If the utility selects a project as the most cost-effective alternative that meets those criteria, it must obtain a site certification through the PPSA for the project. In that case, the utility must file a petition for a determination of need from the Commission. The utility must support its forecasts of future need for the additional capacity and demonstrate cost-effectiveness by evaluating all alternatives, including purchases from third-party providers. The PPSA also requires obtaining environmental approvals from the Florida Department of

Environmental Protection, with ultimate approval of the site certification by the Governor and Cabinet. Once the project receives all necessary approvals, the utility may construct the facility and seek cost recovery in a future rate proceeding.

The other path forward is for projects that do not require PPSA certification. In that instance, the utility is not required to obtain prior-approval from the Commission to construct the facility. Cost recovery may be sought in a future rate proceeding at the Commission, where the utility will be required to address the prudence of its actions and costs.

Q. How do new generation additions affect rates?

A. Once the utility completes construction and the plant begins generating electricity for customers, the utility will place the costs of the project in rate base. Rates will not be adjusted, however, until the Commission approves a rate change in a subsequent rate proceeding. At that time the Commission will set rates to allow the utility to recover the prudently incurred costs of the new plant. Since the new generating plant is placed in service to benefit all ratepayers, the cost of that plant will be shared by all ratepayers in a non-discriminatory manner, according to their respective rate classes.

The Commission has historically held to the regulatory principle of allocating costs to the cost-causer. That way customers who may benefit from a project are not subsidized by customers who do not enjoy the same benefit. This principle applies to projects both large and small. When a new generating facility is built to meet increases in customer load, the general body of ratepayers is charged in a non-discriminatory manner because they are all the cost-causer. That is, they all equally enjoy the benefit of that additional capacity.

Q. Are there situations when only certain customers are charged rates for a project?

A. Yes. When special projects are requested by a particular customer or set of customers, the customers who benefit from the project cover the full cost of that project. For example, FPL currently has a program called SolarNow, which was first approved by the Commission

as a pilot program in 2014. Under SolarNow, customers voluntarily pay an additional fee to promote the development of small solar facilities throughout FPL's service territory. FPL collects these fees from participants and uses that revenue to finance construction of the solar facilities. The rates charged to customers who do not participate are not impacted by these construction projects. In voluntary programs such as SolarNow, non-participants are shielded from the costs of the program.

Q. How have utility-scale solar generating facilities been addressed in this regulatory framework?

A. In recent years, construction of utility-scale solar facilities have been the result of rate case settlement agreements that created a solar base rate adjustment, referred to as a SoBRA, to recover the costs of such facilities. Basically, the settlements authorized the construction of a certain amount of solar generation as long as the projects met certain criteria. Once approved by the Commission, the utility would adjust its base rates for all customers to recover the costs of the solar facilities without the need for a separate rate proceeding. All of the previous SoBRA units were below the 75 MW threshold and therefore did not require certification under the PPSA. Even though these projects were authorized as part of settlement agreements, the regulatory treatment is consistent with the idea that these facilities are determined by the Commission to benefit the entire body of ratepayers; therefore, the cost for these facilities is allocated to the entire body of ratepayers in a non-discriminatory manner.

Q. Does FPL's proposed SolarTogether program follow the same regulatory framework?

A. No. SolarTogether does not seem to fit in either of the paths of approval I previously discussed. It appears that FPL has taken solar facilities that have been identified by the utility as cost-effective for the general body of ratepayers and allocated the majority of benefits to participants in a voluntary program. The participating customers pay an additional charge and

receive a credit based upon the generation output of the facilities. The charge and credit have been designed to provide a payback period of 5 to 7 years for participants.

The capital costs of the proposed solar facilities would be added to FPL's rate base. The revenues from the SolarTogether charge would be included as base revenues in FPL's monthly earning surveillance reports. The administrative costs for the program would be reflected as base rate recoverable costs. FPL will not increase base rates during the term of its existing base rate settlement, but there may be a request to increase base rates to recover these costs in the future. However, the credits to participants would be recovered from the general body of ratepayers through FPL's fuel cost recovery clause.

Phase 1 of the program involves the construction of 1,490 MW, consisting of twenty 74.5 MW solar arrays. According to FPL witness Valle's testimony, the program contemplates additional phases, with implementation of each phase dependent upon customer interest in participation. Under this scenario, instead of adding generating units to satisfy projected reliability or economic needs for all customers, FPL's proposed SolarTogether program would add solar facilities based upon approving a tariff that reflects the desires of a select group of customers.

Mr. Valle explained in his testimony that customer interest in this program was related to "sustainability and financial goals." The program would offer participants an alternative to the installation of rooftop solar and provide a means to lower their electricity bills over time. The program would also allow participants to achieve desired corporate/political goals of 100% renewable energy. Mr. Valle explained that over 200 customers pre-registered for 1,100 MW of the project's 1,490 MW total, with many of them reserving subscriptions equal to 75% to 100% of their annual energy usage. This represents a very small percentage of FPL's 4.9 million customers participating in a program that impacts the entire body of ratepayers.

Q. Are you recommending that the Commission deny FPL's petition to approve the

SolarTogether program?

A. I am neither recommending approval nor denial. My only goal is to ensure the Commission is fully informed when making its decision. The SolarTogether program seems to represent a departure from traditional least cost planning principles. If generating facilities are being built to meet the desires of a certain portion of customers, should all the benefits and costs of the program be allocated to those customers as the cost causer? In addition, if solar additions are now a cost-effective generation addition for all customers, is it appropriate to implement a voluntary program that allocates the majority of benefits to a small group of customers? Finally, does this allocation of costs and benefits between participants and non-participants represent undue discrimination or preference? These questions express policy considerations raised by the SolarTogether program.

Q. Does this conclude your testimony?

A. Yes.