BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20190061-EI

In re: Petition for approval of FPL SolarTogether program and tariff, by Florida Power & Light Company.
_____________________________/

VOLUME 2
PAGES 262 through 395

PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Wednesday, January 15, 2020

TIME: Commenced: 9:30 a.m.
Concluded: 12:04 p.m.

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

REPORTED BY: ANDREA KOMARIDIS WRAY
Court Reporter

APPEARANCES: (As heretofore noted.)

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I N D E X

WITNESSES

EXHIBITS

NUMBER:	ID	ADMITTED
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P R O C E E D I N G S

(Transcript follows in sequence from Volume 1.)

CHAIRMAN CLARK: All right. I think it's 9:30. We're going to go ahead and get started this morning. We will call this meeting back to order.

Just two quick -- a couple of quick housekeeping details for the morning, kind of let you know what my intention is for a schedule today. We're going to probably take a five-minute break around 11:00 to give our court reporter an opportunity to stretch her fingers.

Then we're going to break for lunch at 12:00. We'll take one hour. We will return at 1:00, if -- if we're not done and wrapped up by that time period. That's kind of the schedule. And then we'll lay out an afternoon schedule, if necessary, when we reconvene.

I think we left off with Dr. Sim's cross by Mr. Moyle. So, Mr. Moyle, the floor is yours.

MR. MOYLE: Thank -- thank you, Mr. Chairman. And thank you for ending at -- ending at shortly after 6:00 last night. Appreciate it. It may have saved us some time.

CHAIRMAN CLARK: Good.

EXAMINATION

BY MR. MOYLE:

Q Good morning, Dr. Sim. How are you?

A Good morning. I'm fine. Thank you.

Q Let me just start by asking you to turn to the rebuttal testimony. There's a -- there's a quote that's on Page 7 of your rebuttal. And I'll just read it. It says, "The results of the updated analysis show that the FPL SolarTogether program will result in savings of 249 million CPVRR, as shown in Exhibit JE-7." I know you had adopted this testimony.

Wouldn't it be more correct to -- to say, rather than "will result," which is sort of a definitive statement, to say that -- that it's projected to result in savings of 249?

A Yes, I think both the -- the statement, as it stands, which is based on the projections or forecasts, will result, but your characterization of it's a projection is accurate as well, so --

Q Right. Right. I just didn't want there to be confusion because when we're talking about, will result in savings of "X," I mean, that sounds real definitive, but there is uncertainty with respect to what savings, if any, may -- may flow to either participants or the general body of ratepayers, correct?

A Yes, this is not a guarantee. Based on the forecasts that we have, the projection is this would be the savings result.

Q Okay. And in -- in the projections are -- are set forth -- Mr. Rehwinkel asked you some questions about Exhibit 10, JE- Exhibit 10, which is a sensitivity analysis of the general body of -- of customers. Do you have that in front of you?

A I'm on JE-10, yes.

Q Am I correct that's what you call a nine-box?

A Yes, that's what's referred to, in this docket, as the nine-box.

Q Okay. And I want to spend a little time talking about the nine-box and what it does because I think it's an important -- important piece of -- of information.

Over the years, FPL has used the nine-box analysis in a whole host of proceedings, correct?

A Something similar. I think, in certain cases, it was a nine-box, an eight-box, or a seven-box, but the general approach here, yes, it's been used a number of times over at least a decade.

Q And -- and the general approach is to make -- make certain assumptions and then make some projections and say, here's -- here is what we think will happen,

based on the information that is available to us and our assumptions; is that fair, generally?

A I wouldn't characterize it necessarily that way, as what we think will happen. It's, these are the projected results based on a series of nine combinations of fuel-cost forecasts and CO2-compliance- cost forecasts.

Q Okay. And in all your analyses, are those the two -- the two variables that are -- are used, fuel and -- is it carbon cost or environmental cost? What's the right -- right phrase there?

A I think of it as a CO2-compliance-cost projection or forecast.

Q Okay. But is that right, then, fuel cost and -- and CO2-projection costs are the two variables that are looked at?

A Those are the two forecasts that we vary to come up with the nine cells, but there are a number of variables or projections behind all of those.

Q Okay. And in this sensitivity analysis on the general body of -- of customers, there's two scenarios that show the general body of customers losing money or -- or being asked to provide monies, then, is that right, on the -- on the bottom of the box there?

A There are two scenarios in which the program is projected to not be cost-effective.

Q Okay. And in -- with respect to how you calculate your numbers, "you" being FPL, you -- you go for the -- the middle scenario of both fuel and carbon; is that right?

A Can you define what you mean we "go for"?

Q Well, that's -- that's what you set forth. There's a little phrase over there, "base scenario." What -- what is -- why is that base-scenario language there?

A Traditionally, what we've -- what we have presented in direct testimony has been a mid-fuel, mid-environmental compliance cost. And it's been referred to sometimes as a base case. And off of that, we build the nine-box scenarios of four different -- or eight different sensitivities.

Q Right. And that's what you've done in this case, when -- when you say there's a column there, net difference SolarTogether, no-SolarTogether plans, the number in the negatives there is 249, correct?

A In the middle column, the mid fuel/mid CO2 shows a negative 249, which represents a projected savings in that scenario of 249 million CPVRR.

Q Right. And that -- that sentence that I just asked you about, with respect to the projections, that's

the number that's in that sentence that you projected would be the savings, 249, correct?

A Yes.

Q Okay. So, with respect to the mid- -- mid-fuel number, as -- as we sit here today, is the fuel number at the mid-fuel cost number or is it at a low-fuel number? Where is it, as we sit here today?

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

Q Sure. The cost of fuel -- how would you characterize the cost of fuel today with respect to where it would -- where it would fit into this nine-box scenario?

A I don't know. And I think where the cost of fuel sits today is not that important. Whatever the cost is today, we're looking at in this nine-box of projections of fuel cost out over 30 years.

So, wherever the fuel cost is today doesn't have a whole lot of meaning for where it will be 25 or 30 years out in the future.

Q With respect -- so, everybody is telling me fuel cost is low. Are you hearing that in your professional world right now?

A Yes. Fuel costs, especially natural gas, are quite low compared to what it was and what it was projected to be, say, five or ten years ago.

Q So -- so -- and there's no carbon cost, correct, as we sit here today?

A As of today, there's no carbon cost.

Q And do you know when carbon costs are projected to happen in this -- in this nine-box scenario -- at what point in time?

A In the low-fuel cost, it is -- the assumption by ICF, the consultant who developed these, is that there will never be carbon-compliance costs.

In the mid-fuel, the first year of non-zero cost, I believe, is 2026.

Q And do you know if those costs assume what -- what number they assume for the carbon costs?

A They develop -- the ICF develops a dollar-per-ton compliance cost based on certain probabilities of regulatory asset or legislative action.

Q State or federal? Do you know?

A Primarily federal.

Q So -- so, notwithstanding the fact that the -- that the fuel is -- is low today and there's no carbon, the -- the base scenario that you use is -- is not reflective of -- of no carbon and low fuel, as we sit here today.

A No, I disagree. I mean, the mid-fuel

carbon -- or excuse me -- the mid-carbon-compliance cost assumes zero costs in 2020 and zero costs all way up to 2026. That's consistent with where we are today. There's no carbon-compliance costs from federal legislation that impacts us in 2020.

Q Does it assume low fuel today -- same thing with respect to low fuel?

A Yes, the mid-fuel takes into account the projection that was made in, I believe, December of 2018. It was FPL's official forecast then. And it took into account the trending of low fuel. That was the base case or the mid-fuel.

Q I assume that when you provide these nine-box analyses to the Commission and to people who are relying them -- on them for making decisions that you -- you track how the projections do compared to what actually happens; is that right?

A Let me see if I can rephrase the question and capture the gist of it. I -- I think what you're asking is does FPL take a look at the accuracy of its forecasts.

Q With respect to the nine-box, right.

A Well, I wouldn't say in respect to the nine-box. Our load-forecasting group takes a look at the accuracy of its forecast with the benefit of hindsight.

And our fuel-cost-forecast folks in our EMT business unit do the same. They look at what the costs are and how they're trending versus their forecasts. And both groups adjust their forecast, if appropriate, according to what they find.

Q Let me ask you -- ask it maybe in a different way: Would you have the ability to come in and to say, you know, we've provided you, Commission, with these nine-box analyses, you know, multiple times for many, many years. We have always been within the mid-range that -- that is reflected on the nine-box -- would you have the ability to do that?

A No, I don't think anybody could do that because, again, it's a forecast that goes out over 30 years. You'd have to wait until the 30-year period was up in order to go back and see how accurate you were over that lengthy time period.

Q Why could you not do that? You just have to wait? The passage of time would prevent you from doing that or --

A I don't think anyone that I know of is smart enough to tell you a -- with complete accuracy what the 2025, say, natural-gas price delivered to a particular power plant is going to be and say, our forecast is right on that number.

Q No. No. I'm -- I'm not making myself clear. I'm talking about in the passage of time. You know, if I predict gasoline is going to be $2.40 in -- next year -- if next year comes and goes and gasoline is at 3.20, somebody could look at that and say, yeah, you missed it by a lot.

And I'm just trying to understand whether there's any way for -- for FPL to do an analysis to say, you know what, we are always within the parameters of the nine-box, based on our projections. Based on the -- the projections we made and the actual costs that are realized, you know, we are in -- in the nine-box scenarios. Could that be done?

A I think it could be done for only the first year of the 30-year period. For example, the fuel cost forecast was developed in December of 2018. We could look back now and see what the forecast was for 2019 and compare it to what the actual natural-gas price was in 2019, but we couldn't do that for 2020, 2021, 2022, because those haven't occurred yet.

Q Right. But -- but if you waited another year and another year and another year, you could, correct?

A We could, but each year, a new forecast comes out that takes into account what the actuals were for that past year, the most-recent year. And the forecast is -- is almost always adjusted accordingly.

Q Right. And I'm not talking about updating forecasts. I'm just talking about a snapshot in time. You're asking this Commission to approve a program and giving them this information that says, you know, you may save 250 million, and with respect to how accurate that is, you could look at that, as time goes forward, and say, we were right on the money, or we missed it by a little bit, or we missed it by a lot, correct?

A We could, but two points: Again, if we were to go out three or four years and look back, the forecast today would be replaced by forecasts that comes out for 2020, for -- then, again, in 2021, in 2022. So, it would be kind of a moving target as to what you were comparing.

And then, again, because we can't do that, that's the value of having the nine-box. We look at high-fuel, mid-fuel, and low-fuel sensitivities and try to cast a wide range for that and for CO2 costs in order to give -- in order to recognize and address the uncertainty in these forecasts.

Q Are the chances of falling into any one of these nine boxes -- are they equal?

A We do not assign probabilities to those. The only probabilities that are assigned are those for CO2 that ICF develops and uses in their projections.

Q And why do you not make any effort to assign probabilities?

A Because we have really no basis on which to assign probabilities. There are just simply too many market forces in play in regard to, say, fuel costs.

CO2 costs are assigned probabilities by ICF simply because they're weighing that on what they see, the likelihood of federal action -- and to, I think, an increasing degree -- state action in regard to CO2. So, they are -- they base it on political po- -- probabilities of legislation or regulation occurring.

Q So -- so, just to be clear, then, when, in your testimony that we -- we talked about, to start this examination, where you said it -- it will save 249 or they -- it's projected they'll save 249 million -- the chances of that happening are just as much as the chances of the general body of ratepayers having -- having a loss of money of 145 million.

A Again, we do not assign probabilities for -- for fuel cost, simply because we don't think there's a sound basis on which to do that.

Q And -- and you don't assign any probabilities as to which one of these scenarios is most likely to occur. You don't -- you don't put any kind of

predictive value on the -- the --

A   Same answer: We don't assign probabilities --

Q   Okay.

A   -- to them and we don't describe them as the most-likely scenario.

Q   All right. So -- so, then, notwithstanding, like, the base scenario and the use of the 259, you have no information to suggest that that -- that will happen any more so than customers will -- will experience a loss.

A   Partly -- I'll answer part yes, part no. Part no, we -- we don't assign probabilities, but on the other hand, we're looking at seven of nine scenarios here. And in seven of -- excuse me -- nine scenarios, and in seven of those nine scenarios, the customers are projected to benefit from the program.

So, we cast a wide net over these forecasts. And, again, seven out of nine show this program is going to be good for customers.

Q   Right. But because --

A   And even -- even in the -- let's say the low-fuel cost, low-CO2 -- you mentioned the 145 million that customers would -- in which customers would lose money. I disagree with that. I don't think there is a risk that customers will be worse off with the program in that scenario. And I'm happy to explain, if you'd like me to go into it.

Q Well, let me ask you to explain this: On the JE-10, you see where it says "low fuel costs/mid carbon costs," and there's a savings for the net difference SolarTogether for -- I guess that's participants, right -- of 82 million. You see that?

A Yes, that's 82-million benefit prior to the incentive payments of 137 million to the participants.

Q And then the participant net benefit -- that number is what? Explain that number, the 137.

A The participant net benefit -- excuse me just a moment. That's the CPVRR sum of what I will call incentive payments to the participants similar to what we have in load-management programs, for example, to entice customers to sign up for the program and then to continue to participate month after month on the program.

And if I -- if I may add to that, I think yesterday that was discussed as -- as a subsidy. And Commissioners, I don't view that the same way. I -- it's very similar to the -- taking some of the benefits that are projected for our load-management programs and then applying those as bill credits to our load-management customers. I see it's very analogous to that situation.

We do not call those incentive payments subsidies in regards to the DSM and, particularly, the load-management programs. And I -- therefore, I don't see them as a subsidy here; I view them as incentive payments.

Q A little beyond my -- my question, but top of the morning to you.

You can't tell that the -- the Commission -- I mean, you don't -- since you don't track this, you don't know, going forward, whether -- whether the end result, after the passage of time, is even within the -- the nine-box scenario. I mean, it's possible that -- that you could be beyond the parameters of the nine boxes, as time marches forward, correct?

A Mr. Moyle, if I'm --

Q If you could go, yes, no --

A If I'm --

Q -- and then explain, if you --

A The answer is no, but let me just state that if I'm still on the witness stand in 2051 here, I think then I can answer your question, but now, no one can answer that question as to where -- what the actuals are going to be. And that's why we use such a wide range of fuel and CO_2 costs.

Q And I'm not trying to ask you what the actuals are going to be. I'm just trying to draw out that there's uncertainty because we don't know. It's based on projections. So, it could be within these ranges; it could be beyond these ranges; isn't that correct?

A I will agree that there is great uncertainty. And it could be within, it could be without, or outside.

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

CHAIRMAN CLARK: Thank you, Mr. Moyle.

All right. I think we're moving on to staff.

MS. SIMMONS: Thank you, Chairman.

EXAMINATION

BY MS. SIMMONS:

Q Good morning, Dr. Sim. Kristen Simmons with Commission staff.

For the purposes --

A Good morning.

Q Morning.

For the purposes of my questions, the SolarTogether plan refers to the solar facilities, and the SolarTogether program refers to the facilities and the tariff.

You should have in front of you a group of documents that was passed out.

A I do.

MS. SIMMONS: Okay. The first one should be FPL's response to Staff's Interrogatory No. 255.

Mr. Chairman, this document has already been stipulated to as Exhibit -- Exhibit 51 on the comprehensive exhibit list.

BY MS. SIMMONS:

Q Dr. Sim, are you familiar with this document?

A Yes. I reviewed it in preparation for this hearing.

Q Okay. Great. This interrogatory addressed the resource additions of the no-SolarTogether plan and the resulting reserve-margin effects on FPL's system.

For the no-SolarTogether plan, FPL's reserve margin in 2023 would be 20.03 percent, excluding the addition of the 469-megawatts combustion turbine in 2023, correct?

A That's correct.

Q Does this mean the no-SolarTogether plan shows the addition of a 469-megawatt combustion turbine in a year in which FPL will not have a reserve-margin need?

A It does. And the reason for that is, when our optimization model is looking at creating a resource plan, it looks, essentially, at two things: No. 1, what resources are needed to meet a reliability need, both in that year and in subsequent years; and No. 2, what's the most-economic choice or addition of resource options.

And our model found that it was more economic to go above the 20-percent minimum reserve margin in that year and add the combustion turbines rather than add resources in subsequent years.

MS. SIMMONS: Okay. Thank you for that explanation.

Let's turn to the next document provided, which is a copy of your deposition transcript.

Mr. Chairman, may I please have that marked as -- as Exhibit 66?

CHAIRMAN CLARK: 66, yes.

MS. SIMMONS: Thank you.

(Whereupon, Exhibit No. 66 was marked for identification.)

BY MS. SIMMONS:

Q Dr. Sim, during your deposition, do you recall discussing a comparison between natural-gas combined cycles and solar facilities?

A Are you -- are you referring to the portion of the deposition that Mr. Moyle was posing the question?

Q Yes.

A Yes, I do recall.

Q Okay. How would you compare natural gas

versus firm solar from a reliability standpoint for summer reserve margin?

A I believe the questioning in the deposition was of an -- an equal amount of firm solar capacity versus the same amount of -- I think it was 735 megawatts of firm solar, which is the firm value of the 1,490-megawatts nameplate of SolarTogether versus 735 of combined cycle. Is that the --

Q Yes, that's what I'm referring to.

A -- precedence of the question?

Q Yes.

A Okay. Yes.

And your -- your question is: How do they compare from a reliability standpoint?

Q Correct, for summer reserve margin.

A For summer reserve margin, we would view them equally. 735 megawatts of firm capacity is -- is 735 megawatts of firm capacity, regardless of the source, for summer-reserve-margin purposes.

Q And summer reserve margin typically controls FPL's system planning for unit additions, correct?

A Yes, it is -- of our three reliability criteria, it is the one that is, and has been for some time, driving our resource needs.

Q So, would it be correct to say that FPL sees

solar and natural-gas combined- -- combined-cycle as cost-competitive resource options in their normal system planning?

A They're certainly competitive. No question about it. Solar costs have dropped. On the other hand, natural-gas prices have dropped, natural-gas combined-cycle units costs have dropped, and the efficiency of those units have gotten -- have continued to improve.

So, I think the natural-gas-generation industry has recognized the competition it's facing from solar and, naturally, they are striving to become competitive. And we see those as a very good thing for our customers.

Q One of your comments addressed the lead time for natural-gas combined cycles. You noted that combined cycles had a five-year lead time and that, in a direct comparison between them, solar almost wins by default because it has a shorter lead time to -- to construct, correct?

A Yes, with the added explanation that, in the early years, in the years, say, one through four, if we have resource needs, we simply can't get a -- a combined-cycle in service in that time frame. So, it's not a viable option.

So, we would look at solar, which can be put up within, say, 18 months to two years, roughly; batteries and combustion turbines that can be added more quickly. So, those become the viable option in the shorter term.

MS. SIMMONS: Okay. Thank you.

Let's please turn to FPL's response to Staff's Interrogatory No. 193.

Mr. Chairman, this is marked as Exhibit 39 on the comprehensive exhibit list.

BY MS. SIMMONS:

Q Dr. --

A I'm there.

Q Okay. Great.

Dr. Sim, are you familiar with this document?

A Yes. Again, I reviewed it in for preparation of the -- for the hearing.

Q Okay. This interrogatory asked if FPL's 2019 ten-year site plan was a least-cost plan to serve the general body of ratepayers. You responded that the 2019 ten-year site plan was, indeed, the resource plan with the lowest electric rates for FPL's general body of customers, correct?

A Yes, it was the -- again, I don't use the term "least cost." FPL, I don't believe, has ever used that cost [sic] in its ten-year site plan -- the phrase "least cost." We use "the most economic" or "the best plan with the lowest system levelized electric rate." And the ten-year site plan was just that plan to address a ten-year need.

Q Okay. And -- and for clarification, I did use "lowest" as opposed to "least." And in the Staff Interrogatory No. 193, the last sentence does say: The resource plan which included the cost-effective DSM is the plan that results in the lowest electric rates for FPL's customers, and it is rep- -- it is presented in the 2019 ten-year site plan, correct?

A It does say that --

Q Okay.

A -- which is consistent, I believe, with the explanation I just gave.

Q Okay. Thank you.

A Okay.

MS. SIMMONS: Next, I would like you to refer to the fifth document provided, which is a graph titled "Levelized System Average Electric Rate."

Mr. Chairman, may I please have that marked as Exhibit 67.

CHAIRMAN CLARK: 67.

MS. SIMMONS: Thank you.

(Whereupon, Exhibit No. 67 was marked for identification.)

BY MS. SIMMONS:

Q Dr. Sim, I'll give you a moment to look this graph over.

A (Examining document.) If you'd give me a moment to look at our discovery responses from which I believe this was taken.

Q Certainly. And it might be helpful -- I believe the -- the next document that I provided to you may help in that.

A Okay. This is Exhibit No. 46?

Q Correct.

A Okay. If you'd give me just a moment.

(Examining document.) The graph appears to be an accurate replication of the levelized system average rate in response to that interrogatory, yes.

Q Okay. Thank you.

So, subject to check, does this exhibit show that FPL's 2019 ten-year site plan yields the lowest electric rates to FPL's general body of customers?

A That's what the numbers show, but I would caution that I don't believe that it is appropriate to compare the ten-year site plan with the SolarTogether plan or the no-SolarTogether plan.

Should I explain?

Q Please.

A Okay. The ten-year site plan was -- was the result of an analysis designed with a particular objective; and that was, determine the resource plan that is the most-economic, best plan over an entire ten-year period.

The SolarTogether plan -- the objective was entirely different. It was to take those ten years, forget the last eight, go down to the first two, 2020 and 2021, look at the solar that was -- it was in the ten-year site plan, which I believe was 447 megawatts in each year.

To that, accelerate 600 megawatts from 2022 into 2021 and then determine the value of those solar facilities. Completely different objective and, therefore, because you don't -- you have different objectives for the two resource plans, I don't think it's appropriate to compare the levelized system average rate or CPVRR of the two plans.

Q But the no-SolarTogether plan does not have 900 megawatts of solar, correct?

A That's correct, but still, that was part of a pair of resource plans with which we were trying to answer the question that was posed to us as what is the value of the -- let's call it 1,500 megawatts of

solar -- added in 2020 and 2021.
Q Okay. Thank you.
So, if you would, just humor me because my next couple of questions will still compare the ten-year site plan to the no-SolarTogether plan.
A (Indicating.)
MS. SIMMONS: Thank you.
Let's now move to FPL's response to Staff's Interrogatory No. 205, Attachment No. 4, Tab 1.
Mr. Chairman, this is marked as Exhibit 40 on the comprehensive exhibit list.
CHAIRMAN CLARK: Okay.
BY MS. SIMMONS:
Q Dr. Sim, you sponsored this document, correct?
A Just one moment. Are we done with --
Q Yes.
A -- Exhibit 67 for the moment?
Q Yes, we are.
A I believe I have now adopted this interrogatory response.
Q Great.
A Okay.
Q So, this interrogatory asked FPL to evaluate the cost-effectiveness of its SolarTogether plan, including program administrative costs, but excluding

the effects of the credits and charges from the associated tariff against Flor- -- excuse me -- against FPL's 2019 ten-year site plan.

Looking at the column titled "Net Difference," the positive values that FPL's 2019 -- sorry -- the positive values mean that FPL's 2019 ten-year site plan is more cost-effective than the SolarTogether plan, correct?

A I think my answer would be no, for the same discussion we just had. I wouldn't compare the two plans. I don't think it's appropriate to do so. And I think it's -- would be inappropriate to say that one plan was more cost-effective than the other. One plan may have a lower CPVRR, but they're not comparable plans because they were designed with different objectives in mind.

Q Okay. Well, so, you see on the table the 523 million, correct?

A In the last column, yes.

Q Yes. Is the $523 million the cost of acceleration of the 600 megawatts of solar for the SolarTogether plan -- excuse me -- plan?

A No. The CPVRR difference between these two plans is driven by a number of things. Primarily, it's driven by, in the ten-year site plan, when we're trying to find out what the most cost-effective addition of resource is over a ten-year period.

We allowed solar to be built after 2021. So, there's much more solar in the latter years of the ten-year site plan than we allowed to be in the SolarTogether or the no-SolarTogether plan.

This, again, with those two resource plans -- excuse me -- what we were attempting to do is simply isolate what the value was of solar in 2020 and 2021.

MS. SIMMONS: Okay. Thank you.

If we could move on to -- skip the next document that I provided and move to the document titled "Solar PV Percent of Net Energy Load."

Mr. Chairman, may I please have that marked as Exhibit No. 68.

CHAIRMAN CLARK: We'll mark it so.

MS. SIMMONS: Thank you.

(Whereupon, Exhibit No. 68 was marked for identification.)

BY MS. SIMMONS:

Q Dr. Sim, I will give you a moment to look this over. And the next document provided may help you in looking at the information that put this graph together.

A Thank you.

I think the print gets smaller every year.

(Laughter.)

(Examining document.) Okay. Thank you.

Q This exhibit is based on data from FPL's response to Staff Interrogatory No. 250, which showed FPL's net energy for load by energy source on a percent basis. The line graph shows a solar-energy percentage from the ten-year site plan, the no-SolarTogether plan, and the SolarTogether plan.

If you would humor me, and subject to check, would you agree that the 2019 ten-year site plan -- the blue line on the graph has the same or more solar energy than the SolarTogether plan for every year, except 2021?

A I'm sorry. The -- you're comparing the ten-year site plan to which?

Q The Solar- --

A The other two?

Q The SolarTogether plan, which would be the green line.

A Yes, and that's to be expected for the sole reason that, when we were looking at the ten-year site plan, we were allowing solar to be built in -- in years -- excuse me -- after 2021, but we were not allowing it to be built in the no-SolarTogether plan or the SolarTogether plan because, again, the objective was simply to isolate the value of solar in 2020 and 2021.

MS. SIMMONS: Okay. Thank you.

Let's move to the last document that I provided, FPL's response to Staff's Interrogatory No. 237.

Mr. Chairman, this document has already been stipulated to as Exhibit 46 in the comprehensive exhibit list.

CHAIRMAN CLARK: Yep.

BY MS. SIMMONS:

Q Dr. Sim, are you familiar with this document?

A Yes. I did review it in preparation for today.

Q Okay. Thank you.

This interrogatory asked FPL to evaluate the cost-effectiveness of its SolarTogether program, which includes administrative costs and -- and the effects of charges and credits, as well as the low-income carve-out.

In all of these scenarios, low-income participants see a payback period of zero years beginning from 2020, correct?

A That's correct.

Q And this would mean that the low-income participants see an immediate payback, correct?

A Yes.

Q In the low fuel cost/mid CO2, and the low fuel cost/low CO2 scenarios, non-participants show "NA" for their payback periods, correct?

A Correct, looking solely at the impact of the program.

Q This would mean that the non-participants do not see a payback within the life of the SolarTogether program, correct?

A Not for the program, but what this ignores is what is happening to the overall cost on the FPL system.

MS. SIMMONS: Okay. Thank you. That -- that was all my questions I had.

CHAIRMAN CLARK: All right. Okay. We will move to Commissioners now. Commissioners have questions?

I don't see any lights. So, I'll start with the first couple, Dr. Sim. I want to refer back just one second to Exhibit No. 67, the levelized system average electric rate. I just want to put this in -- in context for -- for myself.

Looking at this document, my understanding would be that the difference between not having this plan or even having the version of this plan with charges and credits versus following the proposed ten-year site plan -- how would that impact a typical 1,000-kilowatt-hour typical residential bill? Am I reading this to say it would be the difference between $95.32 on the energy side and $95.45? That's seven-cent -- eight- -- I'm sorry. That's 13-cent a month.

THE WITNESS: On a -- on a levelized basis, yes, but the caution to this is, in the SolarTogether plan -- again, we assumed there would be no solar after 2021, where, in the ten-year site plan, we allowed solar to be built after that. Again, the objective was solely to find out what the value was of those two years of adding solar on the schedule given.

In reality, what would happen is there will be solar built after 2021, but that would have corrupted the analysis of what the value was of the next increment, the next 20 solar facilities.

CHAIRMAN CLARK: So, you're saying, as time goes on, the number would have even gotten closer.

THE WITNESS: Yes, sir, it would have merged very close to what the ten-year site-plan projection was.

CHAIRMAN CLARK: Meaning that, for a typical residential consumer, putting this program in place, even in the up-front years, the typical difference is gonna -- they would see as 12-, 13-cent a month in cost diff- --

THE WITNESS: Again, I'll -- I would say that, from what is shown here, the differential would shrink dramatically. There would be very little difference between the ten-year site-plan projection and the SolarTogether plan, if we were to include the solar that would logically be built after it.

CHAIRMAN CLARK: And this -- this model -- this system-average rate model includes a medium fuel/medium carbon cost, correct -- continues to run that same assumption?

THE WITNESS: I believe this represents the medium fuel/medium CO2 only.

CHAIRMAN CLARK: On that issue, when it comes to the -- the CO2 compliance -- I think sometimes it's misleading, things about carbon tax and how those numbers are -- are developed into models.

Are we talking about a, quote, tax or are we talking about compliance costs to bring CO2 into some sort of compliance model?

THE WITNESS: It's a good question. The way ICF presents the data to us is as a compliance cost.

CHAIRMAN CLARK: What -- what kind of things might that include? Would that be, for example, sequestration or some sort of -- of manipulation of carbon, itself, and the cost to actually, physically do that?

THE WITNESS: It's been a couple of years since I sat down with them to -- to ask how their model was working, at least at that time, but it's -- it's basically a combination of things. And -- and there are options with which the regulat- -- or different avenues with which the legislation or regulation could take form. And there are different avenues with which utilities could react to it.

It could be sequestration. It could be additional solar that would be built, that would otherwise not be economic. There -- in regard to the legislation, it could be a tax. It could be an RPS standard.

They take all of that in, assign probabilities to different outcomes, and provide us a probability-weighted projection of what those compliance costs would then be.

CHAIRMAN CLARK: Okay. My final question is kind of with your -- your resource-planning hat on.

And I'm, I guess, trying to understand the dynamics of demand. And -- and my question is: What drives this need? As a resource planner, is this a resource-planning need, and how do you differentiate that, if this is a customer-demand program, in -- in your integration models?

THE WITNESS: I would -- I would say the -- answering in kind of a chronology as to how this -- this worked its way through FPL. Mr. Valle and his staff came to us and said, we've recognized that there is a large customer demand for a project that we're going to call SolarTogether.

And let's take -- let's go back to the ten-year site plan as the starting point, where we looked at reliability needs for all of the ten-year periods and our models determine what the most cost-effective string of additions were over that ten-year period to meet that reliability need.

Mr. Valle and his staff came to us and said, let's take, for 2020 and 2021, the exact same solar additions that are in the ten-year site plan that were the most cost-effective way to meet the reliability needs, but our de- -- our customer desire or demand is greater than that.

What we want to do is we want to take 600 megawatts that you're planning on building in 2022 and accelerate it into 2021. And they said, would you please analyze that through your models as to what the value versus doing no solar is of those -- what amounted to 1,500 megawatts of -- of solar in those two years.

So, we analyzed it the normal way. And what we found was there were -- it met all of our reliability needs. The acceleration of solar from 2022 into 2021 actually increases our reliability in 2021. The 20 solar projects result in significant gains in fuel diversity, less reliance on fossil fuel.

The third was -- as mentioned in the direct testimony I'm sponsoring, there were significant decreases in system emissions, including CO2.

And last but not least, there were projected savings. And we looked at -- we looked at it in the testimony as -- on a CPVRR basis. And what we found was the total bucket of dollars, the net benefits, were 249 million. And we provided those results back to Mr. Bores and to Mr. Valle for them to, then, design the particulars of the program.

And going back to the cost-effectiveness, I mentioned that in the direct testimony and the rebut- -- or the rebuttal testimony, we came up with the -- explained the 249 million.

Since that time, as I was asked to replace Mr. Enjamio in here, and thinking of the -- the bill credits that are part of the program design as an incentive payment, similar to load management, I went back and looked at this from a RIM-test perspective, that we looked at through all of the DSM-goals hearing.

And I took Mr. Bores' rebuttal testimony. He has, his first column, a string of CPVRR benefits and a string of CPVRR costs. And I laid it out like a RIM test. And when you take the total benefits minus the total cost on a CPVRR basis, you come up with this 112 million that we have been referring to, but as the RIM test, you divide the benefits by the cost. And we came -- I came up with a 1.03 benefit-to-cost ratio.

So, not only is this program projected to be cost-effective on a CPVRR basis, it's projected to be cost-effective on the RIM-test basis.

CHAIRMAN CLARK: All right. Thank you, Dr. Sim.

Commissioner Polmann.

COMMISSIONER POLMANN: Thank you,

Mr. Chairman.
     Good morning, Dr. Sim.
     THE WITNESS: Good morning, sir.
     COMMISSIONER POLMANN: A couple of different sets of questions here. Others have touched on a few points. I'll see if I can make -- make sense of this between us.
     In response to questions from -- from staff, Ms. Sims -- Ms. Simmons, there was discussion -- the ten-year site plan compared to the no- -- no-SolarTogether resource plan. And I understand your position that they're not comparable.
     I -- I'm trying to understand, having accelerated the solar program or bringing the construction of the 600-megawatt forward, are you -- have you essentially brought 600 megawatts out of the ten-year site plan forward a year?
     THE WITNESS: Essentially, yes, sir.
     COMMISSIONER POLMANN: Is that what I understand? So, is that what makes those -- the comparison that was being discussed -- is that what makes these things not comparable? Can you clarify that for me? What -- how do you mean that they're not comparable?
     THE WITNESS: I think the primary reason --

there are several reasons I don't think they're comparable, but the primary reason is, in looking to value what the benefit was of those 1,500 megawatts, we had to look at it as if -- with the assumption that there was no solar going to be added after it. That way, the 20 solar projects were being viewed as the benefit on the system without being watered down by future solar. And we believe that is the right way to look at it.

But in the ten-year site plan, we allowed solar to be built throughout all of the ten years, and it was built in most of them. So, for that reason and because the objective that led us to the -- the objective of the different analyses, what's the best plan over ten years versus what's the value just for those -- for solar in those two years, we came out with different answers.

There are two different mathematical questions and I don't think the answers to the two are directly comparable for that reason. A -- a more-apt comparison would be if someone were to say, well, your ten-year site plan gives the best resource plan; what was the second-best resource plan over those years, or what was the tenth best.

That was -- that would be a comparison of resource plans that were developed using the exact same assumptions with the exact same objective, which is not the case for the SolarTogether plan.

COMMISSIONER POLMANN: Thank you.

Given the -- the SolarTogether analysis that -- that you've done in that case, looking at the 2020-2021 time period -- because that's when these projects are being -- being developed on an accelerated --

THE WITNESS: Yes.

COMMISSIONER POLMANN: -- basis relative to the -- to the prior ten-year site plan schedule, but you're also ind- -- you also indicated in response to the Chairman's questions that -- and I believe your words were that -- that additional solar would logically be built in subsequent years?

THE WITNESS: Yes.

COMMISSIONER POLMANN: How do -- how should we now view what was the ten-year site plan -- it's now something different because you -- you've adjusted the solar-development effort by accelerating.

So, what is FPL's view, now, of what was the ten-year site plan? Is it -- is it no longer the ten-year site plan? Has it been supplanted? Do you no longer have a ten-year site plan? Should we --

THE WITNESS: We -- we do have a ten-year site plan. I would answer the question, Commissioner, this way: All else equal, with no changes in forecast, anything else, when it comes time to do the 2020 ten-year site plan, if this program were not approved by the Commission, I think we would go back to the 2020 -- to the 2019 ten-year site plan and we would show the same, roughly, 450 megawatts of non-SoBRA solar and -- being added in 2020, the same 450, roughly, megawatts of solar being added in 2021. And the 600 megawatts that would be -- that were to be accelerated in the program would fall back to 2022.

But if you were to approve the program, which we hope is the case, and all else equal, we would then use that as the starting point. That would be our solar rollout schedule for the next 20 solars and would form the basis on which we would then view what were the correct additions to be added in 2022 through the rest of the ten-year period.

COMMISSIONER POLMANN: One of the things that -- okay. Thank you.

Let me -- let me move to follow up with

discussion you had with Mr. Moyle. And -- and if we could move back to Exhibit JE-10, if you could pull that out, please.

THE WITNESS: Yes, sir, I have it.

COMMISSIONER POLMANN: This is what was referred to as the nine-box. And there was quite a bit of discussion there about the fuel cost and the environmental-compliance costs. And I understand what you explained about not assigning probabilities. I believe I understand that, but you -- you talked about these various scenarios as some examination of uncertainty?

THE WITNESS: Yes.

COMMISSIONER POLMANN: And I -- and you were making the distinction between uncertainty and probability, if I -- if I understood that. Now, within this box, am I correct in understanding that the uncertainty that -- that's -- that's being displayed in the nine-box is essentially an operating-cost uncertainty in the sense of a -- a fuel cost and a compliance cost that is a pass-through cost, through a clause, that the customer is going to pay? It's not a fixed cost; it's a variable cost that is a pass-through and -- and the customer sees that, essentially, as an operating

expense; is that --
     THE WITNESS: Yes, sir. That --
     COMMISSIONER POLMANN: Is that correct?
     THE WITNESS: That's fair. Certainly fuel is a pass-through through the clause. And the way we have modeled the CO2-compliance cost is the same way, it's a variable cost.
     Now, it might turn out to be a fixed cost, depending upon the legislation --
     COMMISSIONER POLMANN: Sure.
     THE WITNESS: -- or regulation, but for -- but for modeling purposes, yes, sir.
     COMMISSIONER POLMANN: Now, by comparison, the -- the capital development of the infrastructure, the solar infrastructure, itself -- is that being examined here in the program as a -- essentially a known cost? These -- there's some uncertainty here in what's displayed in -- in the Exhibit JE-10, in the nine-box. You're looking at different scenarios.
     THE WITNESS: Yes.
     COMMISSIONER POLMANN: Is the capital of $1.8 billion -- if I'm correct on that number -- is -- is there any uncertainty in your -- in your analysis on that or is that taken, from your

planning perspective, as a -- as a known value or a fixed value?

THE WITNESS: We are taking it essentially as a given, the cost -- the capital cost of solar, the capital cost of CTs, of combined cycles, et cetera. And, frankly, we think we have a pretty good handle on --

COMMISSIONER POLMANN: So, that's a single --

THE WITNESS: On all of the --

COMMISSIONER POLMANN: A single value as opposed to this nine-box with a range of values.

THE WITNESS: Essentially, yes.

COMMISSIONER POLMANN: And then you -- you discussed the participant cost in the program. That's an in- -- viewed as an incentive, that those participants -- there's an incentive payment as opposed to a subsidy kind of a thing. You -- you've called that in- --

THE WITNESS: Yes, sir.

COMMISSIONER POLMANN: An in- --

THE WITNESS: That's the way I view it.

COMMISSIONER POLMANN: Now, those participants -- are they paying all of that capital costs and -- and therefore, they earn the -- they're earning the return? I'm trying to understand how much of the $1.8 billion -- because you're taking that as a fixed component here. Are they paying -- their contribution is fixed. They enter into this program and -- so, there's no uncertainty for their contribution.

THE WITNESS: True.

COMMISSIONER POLMANN: They are general ratepayers. So, they have some uncertainty with regard to the fuel costs and so forth, but their capital investment is a fixed value.

THE WITNESS: What they are contributing towards the cost of the solar facilities is fixed, as I understand it, and it is paying -- the way we look at it, there's the -- there's the cost of the solar facilities and there is the projection of avoided capital and other fixed costs.

So, I probably have the numbers slightly wrong, and Mr. Bores can -- can correct that when he comes up next, but it's roughly 1.8 billion in solar capital costs, and we're subtracting about 540 million off of that to come up with a net fixed cost for solar.

And the participants' contributions, I believe, are covering slightly over 100 percent. I believe it's 104.5 percent.

COMMISSIONER POLMANN: Okay.

THE WITNESS: Something along those lines.

COMMISSIONER POLMANN: Okay. I'll follow up with -- with the next -- another witness on -- on the other details, but thank you for your -- for your help on the uncertainty and probabilities. I appreciate your answers.

THE WITNESS: Yes, sir.

COMMISSIONER POLMANN: Thank you, sir.

That's all I have, Mr. Chairman.

CHAIRMAN CLARK: Thank you, Commissioner.

Any other Commissioners?

I -- I do want to follow up with one question. We're talking about the -- the credits or the incentives back to the consumers. As Commissioner Polmann was asking, the contribution from the participants is a fixed cost. What they're going to receive from their participation in the program is a variable, is that correct, based on production output of the facilities?

THE WITNESS: Yes, there is some uncertainty there -- not, I would say, a large degree of uncertainty, but there's some uncertainty there.

CHAIRMAN CLARK: So -- and that is going to fluctuate based on end-of-the-year analysis of the performance of each particular system that -- or the system as a whole; is that correct?

THE WITNESS: Essentially, yes. Were weather patterns as expected, was there more solar radiation, less solar radiation, and did the facilities, themselves, mechanically or, in this case, chemically and electrically operate as -- as projected.

CHAIRMAN CLARK: My final question is relating to the escalation of the variable return to the consumer. I believe that was fixed at a 1.7-percent escalation rate; was that correct?

THE WITNESS: I believe that's correct.

CHAIRMAN CLARK: Was that -- where does that number come from and why did you look at a fixed escalation rate for a 30-year period?

THE WITNESS: I will give you what I understand the answer to be, but would suggest Mr. Bores has the definitive answer to it. I believe it was projected at 1.7, or determined to be 1.7, because they were shooting for a seven-year simple payback for the participants and the math worked to the point where you needed 1.7.

It's -- it's somewhat similar again, going back to the DSM goals -- if you -- if you may recall, they -- we were arguing there that we thought a two-year simple payback was appropriate for DSM participants, and there was some argument that it should be a one-year payback. And that was an issue discussed.

So, we worked towards a two-year payback in designing incentives. Here, they were working towards a seven-year, much more conservative payback as to what the incentive payment should be and the escalation thereof.

CHAIRMAN CLARK: Okay. Thank you very much.

Mr. Cox.

MR. COX: Yes, Chairman, just a few redirect questions for Dr. Sim.

FURTHER EXAMINATION

BY MR. COX:

Q Dr. Sim, you recall when you were questioned by counsel for the Office of Public Counsel, Mr. Rehwinkel -- he was asking you about various parts of your testimony where you used the word "need." Do you recall that -- those questions?

A Yes, both in the deposition and yesterday.

Q And specifically, yesterday, and -- and he -- he was asking you about -- do you recall where he was asking you whether something was a resource or

reliability need versus one that was based on customer demand or -- or customer need, if you will?

A Yes.

Q Okay. Just a basic clarification question: Is FPL seeking to modify the definition of "need" for need-determinations cases under the Power Plant Siting Act?

A I would say no. The -- in the Power Plant Siting Act, the -- my understanding is the definition of "need" is reliability-based; what are our resource needs to meet our reliability criteria. I think we have introduced a -- a desire from customers that was not expressed in years past by our customers.

Our customers have evolved, and we're trying to recognize that there is -- in addition to reliability needs, there is a -- a new factor that we are trying to address in the request to the Commission for approval of this program, but it does not change the -- the definition of "resource need" for reliability purposes.

Q Thank you.

My next question I want to ask you related to some questions you were asked by counsel for FIPUG. And he was asking you specifically about Exhibit JE-10, which has been referred to as the nine-box analysis in this case?

A Yes.

Q And you were giving him an answer where you were discussing the sensitivity where you used the low fuel cost and the low CO_2 costs that gave a benefit -- actually, gave a cost to the -- to the general body of customers of 145 million. And he asked you specifically, are customers worse off in that scenario. Do you recall that question?

A I do.

Q And I think your answer was that you did not feel that customers were worse off. And I was going to ask if you could provide an explanation as to why you didn't think customers were worse off in that specific scenario.

A I will try to explain it. I referred to the explanation I'm about to give as what I'll call the Linda Ronstadt rule of resource planning. And let me try to explain. Ms. Ronstadt had a song years about she and some boy dancing to the beat of a different drum. And there's a line in that song that says -- talk- --

COMMISSIONER BROWN: Sing it.

THE WITNESS: No.

COMMISSIONER BROWN: Sing it.

(Laughter.)

THE WITNESS: That would be too painful for all involved.

But there's a line in the song about, you can't see the forest for the trees. And that's what has happened here. There's been much emphasis on the program will cost 145 million if we're in a low fuel cost/low CO2 scenario.

But let me ask you to turn back to JE-9. And Mr. Valle discussed this briefly yesterday. So, I'm going to expand on this just a bit to try to explain.

If you look at JE-9 and you look at, in the middle row of the middle box, mid fuel/mid CO2, you see that the CPVRR total cost projection for no-SolarTogether is 48,851,000,000. The SolarTogether plan is similar, 48,603,000,000. So, for purposes of this discussion, let's just round this up slightly to 49 billion to make it easy to talk to.

Let's go down to the third box and the first row, the low fuel cost/low CO2 cost. There we see for the no-SolarTogether plan 39 billion 972, and with SolarTogether, 39 billion 980. For purposes of this discussion, let's round that up slightly, as we did before. This is 40 billion.

So, under the mid fuel/mid CO2, it's $49 billion total cost that our customers would pay. Under the low fuel cost/low CO2, it's 40 billion. That's a $9-billion difference.

So, let's simplify this a bit where we're saying that customers would lose 145 million if the program were to be approved and where we hit a low fuel/low CO2 cost, but yet, the very thing that caused the program not to be cost-effective are going to save customers $9 billion. To make the math a little easier, let's divide both numbers by a million. 145 million becomes 145. Nine billion, or nine thousand million, becomes 9,000.

So, I think if you went to a customer and said, gee, if we -- if we put this program in, you might lose $145, and then we explained, but the way you lose 145 million [sic] is you'd save 9,000 -- I think the customer's first reaction would be, okay, what's the risk. I -- I could lose 145, but I'd gain 9,000. And I think their other reaction, after thinking about it, would be, to heck with this, can you make that happen. That would be a great thing for me. Where do I sign up for it.

So, that's the point, I think, that was missed that -- and it was a point that OPC's witness hammered on quite a bit, but I think it's -- can't see the forest for the trees. I think customers would be much better off with the program. If 145 million are lost, they gain 9,000, so --

BY MR. COX:

Q Thank you, Dr. Sim.

Just one last question. I want to turn some of the questions that staff asked you on their Exhibit No. 67, which was the levelized system average rate -- electric rate of resource plans comparison. There's a --

A Yes, sir, I have it.

Q -- graph with several bars on it comparing the levelized system average electric rates.

Looking at this -- this comparison with the visual that's provided, what's the relative difference between the ten-year-site-plan rate and the rate for the SolarTogether plan as proposed with the charges and credits?

A I'm sorry. Can you rephrase the question?

Q What's the -- the -- not relative, but the absolute difference between the values? If you could, maybe do a quick bit of math there between the -- the two resource plans being the ten-year site plan and the SolarTogether plan as proposed with the charges and credits?

A It is .00 -- no, it is point- -- yes, it is point- -- .0093 cents on a levelized basis, I believe.

Q And -- and do you bel- -- believe that's -- looking at this representation, it make it look like there's a very significant difference. Is it -- is it a -- is it a significant difference, in your mind?

A Again, I don't view it as a significant or insignificant difference. I just view them as not being comparable and, therefore, the difference between them has no meaning to me.

MR. COX: Okay. Thank you, Dr. Sim.

No further questions.

CHAIRMAN CLARK: All right. That concludes everybody. Let's move to exhibits.

Mr. Cox.

MR. COX: Yes, thank you, Chairman Clark. FPL would move Dr. Sim's exhibits. They were marked as Exhibit 7 through 10 and 30 through 35.

CHAIRMAN CLARK: Okay. So ordered.

(Whereupon, Exhibit Nos. 7 through 10 and 30 through 35 were admitted into the record.)

CHAIRMAN CLARK: All right. Who else has exhibits?

Staff?

MS. SIMMONS: Mr. Chairman, I would like to move into the record Exhibits 67 and 68.

CHAIRMAN CLARK: Okay. So ordered.

(Whereupon, Exhibit Nos. 67 and 68 were admitted into the record.)

CHAIRMAN CLARK: Mr. Rehwinkel, did you have any?

MR. REHWINKEL: No. When -- when staff didn't move 66 in, I didn't have anything to say.

CHAIRMAN CLARK: Okay. Thank you, sir.

MR. REHWINKEL: Thank you.

CHAIRMAN CLARK: All right. I believe that concludes -- is that --

MR. COX: Yes, it does. May Dr. Sim be excused for purposes of his direct and rebuttal testimonies?

CHAIRMAN CLARK: You're excused, Dr. Sim.

MR. COX: Thank you.

THE WITNESS: Thank you.

CHAIRMAN CLARK: All right. We're going to take a five-minute break while we're at a good spot here, five minutes on the money. And we'll start back with the next witness.

MR. COX: Thank you.

(Brief recess.)

CHAIRMAN CLARK: All right. If everyone will find a seat, we will -- Mr. Bores, were you here yesterday and sworn in yesterday?

THE WITNESS: Yes, I was.

CHAIRMAN CLARK: Okay. Great.

All right. Mr. Cox.

MR. COX: Yes, thank you, Chairman Clark. FPL calls its next witness, Scott Bores.

EXAMINATION

BY MR. COX:

Q I heard you say, Mr. Bores, you have been sworn in, correct?

A Yes, I was.

Q Okay. Could you please state your name for the record.

A Scott Bores.

Q Mr. Bores, who's your current employer and what's your business address?

A Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q What's your current position with FPL?

A Senior director of financial planning and analysis.

Q In this case, have you caused to be filed ten pages of direct testimony on July 29th, 2019?

A Yes, I have.

Q Do you have any changes or corrections to this

testimony as filed?

A No.

Q And if I were to ask you the same questions today as contained in that testimony, would your answers be the same?

A Yes.

MR. COX: Chairman Clark, FPL would request that Mr. Bores' prefiled direct testimony be inserted in the record as though read.

CHAIRMAN CLARK: So ordered.

MR. COX: Thank you.

(Whereupon, Witness Bores' prefiled direct testimony was inserted into the record as though read.)

Q. Please state your name and business address.

A. My name is Scott R. Bores. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Senior Director of Financial Planning and Analysis.

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

A. I am responsible for FPL's corporate budgeting, financial forecast, load forecast, and analysis of financial results.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Connecticut in 2003 with a Bachelor of Science degree in Accounting. I received a Master of Business Administration from Emory University in 2011. I joined FPL in 2011 and have held several positions of increasing responsibility, including Manager of Property Accounting, Director of Property Accounting, and my current position as Senior Director of Financial Planning and Analysis. Prior to FPL, I held various accounting roles with Mirant Corporation, which was an independent power producer in Atlanta, Georgia, as well as worked for PricewaterhouseCoopers, LLP. I am a Certified Public Accountant ("CPA") licensed in the State of Georgia and a member of the American Institute of CPAs. I have previously filed testimony before the Florida Public Service Commission ("FPSC" or the "Commission"), most recently related to the impact from the Tax Cuts and Jobs Act of 2017, Docket No. 20180046-EI.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibit:

- Exhibit SRB-1 Summary CPVRR Analysis for FPL SolarTogether Phase 1

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain the financial modeling performed to calculate the charges and credits associated with the FPL SolarTogether Program (or "the Program").

Q. Please provide an overview of the modeling performed to support the calculation of the charges and credits associated with FPL SolarTogether.

A. The financial modeling for FPL SolarTogether is consistent with that used in other dockets, most notably FPL's Solar Base Rate Adjustment ("SoBRA") filings. FPL calculated the total base revenue requirements over a 30-year period for each of the five projects proposed in Phase 1 of the Program. In addition to the traditional capital and operating costs, FPL SolarTogether requires certain administrative costs to operate, which were included in the base revenue requirements and will be discussed further in my testimony. FPL also calculated the benefits associated with building 20 solar energy centers ("Centers"), from both a base and clause perspective. These benefits, described in further detail by FPL witness Enjamio, more than offset the base revenue requirements and result in a projected $139 million cumulative present value of revenue requirements ("CPVRR") net benefit.

Q. What are the design features of FPL SolarTogether that impact the financial modeling?

A. FPL SolarTogether has several design features that impact the financial modeling of the Program. These are described in further detail by FPL witness Valle, and are an integral part of the assumptions in the financial analysis. First, FPL designed the participant pricing in the Program to achieve a 7-year simple payback. FPL witness Valle explains that this is based on feedback FPL received from customers in the early design stage of the Program. Second, FPL designed the Program to allocate 20% of the total CPVRR net benefit to the general body of customers, with the remaining 80% allocated to the Program participants. Third, despite the foregoing allocation of benefits, the Program allocates 96.4% of the total base revenue requirements to participants and the remaining 3.6% to the general body of customers. To ensure the general body of customers are allocated 20% of the net CPVRR benefit at the onset of the Program, approximately 5% of the estimated clause benefits are allocated to the general body of customers, with the remaining 95% of the total clause revenue benefits allocated to participants. These assumptions result in a net CPVRR benefit both for participants and the general body of customers and will be described in greater detail later in my testimony.

Q. Please describe the total base revenue requirements for FPL SolarTogether.

A. As demonstrated on Exhibit SRB-1, the total base revenue requirements, including administrative costs, is $4.270 billion in nominal terms, which results in a CPVRR equivalent of $1.849 billion. This amount represents the revenue requirements associated with constructing and operating the 20 Centers proposed under the Program.

Q. What administrative costs does FPL expect to incur as part of the FPL SolarTogether Program?

A. FPL expects to incur $3.6 million in capital costs to develop a web-based platform and modify the existing billing system in order to administer and separately identify the FPL Solar Together impact on participating customer bills. In addition, FPL expects to incur additional annual program operations and maintenance ("O&M") expenses. The total CPVRR of the billing system and administrative costs over the 30-year period is approximately $11.5 million.

Q. What base system benefits are expected to arise as a result of the construction of the solar energy centers proposed for the FPL SolarTogether Program?

A. As noted on Exhibit SRB-1, FPL expects to realize $1.184 billion in nominal base system benefits, with a CPVRR equivalent of $479 million. These system benefits relate to the avoidance of generation capital and O&M, transmission interconnection costs, start-up costs, as well as variable O&M costs.

Q. What is the resulting net CPVRR for the base revenue requirements after accounting for the base system benefits?

A. The resulting net CPVRR of the base revenue requirements is $1.370 billion.

Q. How does the $1.370 billion CPVRR translate into the monthly Subscription Rate and corresponding Subscription Charge?

A. FPL SolarTogether is designed to recover 96.4% of the Program revenue requirements from the participants through a levelized Subscription Rate ("Subscription Rate"). This amounts to $1.321 billion in net CPVRR (96.4% of $1.370 billion). FPL divided the $1.321 billion by the present value of the available nameplate MW_{AC} over the 30-year period (16,289 MW_{AC}) to develop a levelized annual rate of $81.12 per kW-year. The annual rate of $81.12 per kW-year is divided by 12 to get the monthly Subscription Rate of $6.76 per kW-month. The remaining 3.6% or $48.9 million of net CPVRR (3.6% of $1.370 billion) is allocated to the general body of customers. However, as discussed further in my testimony, the general body of customers will also be allocated clause related system benefits that more than offset these costs, yielding a net CPVRR benefit of $28 million for all customers. The Subscription Rate is multiplied by the participant's subscription level resulting in the total charge ("Subscription Charge") that will appear on the participant's bill.

Q. How is FPL proposing to recover the revenue requirements of FPL SolarTogether?

A. FPL is proposing to recover the net Program base revenue requirements through current base rates. The difference between the levelized Subscription Charges and the actual base revenue requirements each month, including the revenue requirements allocated to the general body of customers, will be reflected as base rate recoverable costs or benefits and included within FPL's earnings surveillance report. At the time of the next base rate review, both revenue related to the projected levelized Subscription Charges from participants and the projected base revenue requirements will be included for recovery via base rates.

Q. Please describe the total clause system benefits expected to arise as a result of FPL SolarTogether.

A. As depicted on Exhibit SRB-1, FPL expects to realize nominal clause system benefits of $5.185 billion, which results in a CPVRR equivalent of $1.509 billion. These benefits primarily relate to avoided fuel, emissions, and gas transportation costs.

Q. What percentage of the total CPVRR benefit is being allocated to participants in FPL SolarTogether?

A. As described earlier in my testimony, as part of the overall Program design, FPL made the determination to allocate 20% of the total CPVRR net benefit ($28 million) to the general body of customers. The remaining 80% of the total CPVRR net benefit ($111 million) will be allocated to participants in the Program.

Q. How did FPL calculate the amount of clause system benefits to be allocated to participants in FPL SolarTogether?

A. The amount of clause system benefits allocated to participants was determined based on allocating the remaining 80% of the overall CPVRR net benefit and targeting the 7-year payback. This resulted in approximately 95% or $1.432 billion of the clause system benefits being allocated to participants.

Q. How are the system benefits translated into a Benefit Rate and corresponding monthly Subscription Credit?

A. Utilizing the expected annual generation from the 20 Centers included within the system impact analysis and described further by FPL witness Enjamio, FPL calculated the dollars per kWh benefit ("Benefit Rate") that allowed for the remaining 80% of the expected total CPVRR net benefit to be allocated to participants, while allowing participants to achieve the targeted 7-year simple payback. The Benefit Rate will be multiplied by the actual generation associated with the participant's subscription level resulting in the total credit ("Subscription Credit") that will appear on the participant's bill.

Q. What is the resulting Benefit Rate being offered to FPL SolarTogether participants?

A. In the first year of enrollment, participants would receive a Benefit Rate of $0.034288 for every kWh produced by their subscribed capacity. The Benefit Rate will then escalate at 1.45% annually.

Q. Please explain how the escalation rate of 1.45% for the Benefit Rate was determined.

A. The escalation rate for the Benefit Rate was determined through an iterative process performed to ensure that the Subscription Credit allowed participating customers to achieve a targeted 7-year simple payback, based on the projected kWh output for the 20 Centers, while allocating the remaining 80% of the total Program CPVRR benefit.

Q. Do the total system savings resulting from FPL SolarTogether exceed the Subscription Credit?

A. Yes, FPL projects that the total system savings will exceed the Subscription Credit being paid to participants and lead to the expected $28 million of CPVRR net benefit for the general body of customers. The amount of the Subscription Credit being paid to participants is projected to exceed the actual system savings during the early years; however, the actual annual clause system savings are projected to be greater than the credit paid to participants over the life of the Program, as noted on Exhibit SRB-1.

Q. How is FPL requesting to recover the Subscription Credit that will be provided to FPL SolarTogether participants?

A. As all of the components of the Subscription Credit are clause-related items, FPL is requesting to include the cost of the credit within the Fuel Clause and would allocate that cost to all customers on the basis of kWh sales. Over the course of the Program’s life, the clause system benefits are projected to reduce the fuel factor charged to all customers.

Q. Does this conclude your direct testimony?

A. Yes.

BY MR. COX:
Q Mr. Bores, did you also have Exhibit SRB-1 attached to your prefiled direct testimony?
A Yes, I did.
Q Do you have any changes or corrections to that exhibit?
A No, I do not.
MR. COX: Chairman Clark, this exhibit has been identified as Exhibit 11 on the staff comprehensive exhibit list.
BY MR. COX:
Q Turning to your rebuttal testimony, Mr. Bores, have you caused to be filed ten pages of rebuttal testimony on September 23rd, 2019, in this proceeding?
A Yes, I did.
Q Did you also cause to be filed an errata on January 9th, 2020, correcting your September 23rd, 2019, rebuttal testimony?
A Yes.
Q At this point, do you have any other changes or corrections to that testimony?
A No, I do not.
Q And if I were to ask you the same questions today as -- that were contained in your September 23rd, 2019, rebuttal testimony as corrected, would your

answers be the same?

A Yes.

MR. COX: Chairman Clark, FPL requests that Mr. Bores' September 23rd, 2019, prefiled rebuttal testimony be inserted into the record as though read.

CHAIRMAN CLARK: So ordered.

MR. COX: Thank you.

(Whereupon, Witness Bores' prefiled rebuttal testimony was inserted into the record as though read.)

ERRATA SHEET OF SCOTT R. BORES

September 23, 2019 – Rebuttal Testimony

PAGE #	LINE #	CHANGE
Page 7	13	Delete "SRB-1" and insert "SRB-2"

Q. Please state your name and business address.

A. My name is Scott R. Bores. 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 exhibit:

- Exhibit SRB-2 Updated CPVRR Analysis for FPL SolarTogether Phase I

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to explain the updates made to the FPL SolarTogether Program (or "the Program") that result in the projected cumulative present value of revenue requirements ("CPVRR") benefits improving from $139 million to $249 million. In addition, I will explain the revisions to the overall FPL SolarTogether pricing that result in the projected $249 million CPVRR benefits being allocated 55% to participants and 45% to the general body of customers. Finally, I will explain why the Florida Public Service Commission ("Commission") should reject the claims by Office of Public Counsel ("OPC") witness James R. Dauphinais that the general body of customers bears all Program risks and is not being provided a reasonable allocation of the benefits.

Q. Please describe the updates made to the FPL SolarTogether CPVRR analysis.

A. FPL made two updates to the CPVRR analysis that resulted in an increase in the projected CPVRR benefit to $249 million. First, FPL removed allowance for funds used during construction ("AFUDC") from Projects 3, 4 and 5 as they are no longer expected to qualify for AFUDC under FPL's accounting policy. This change reduced FPL's overall construction cost and increased the projected CPVRR benefit by $45 million. Second, at the request of Commission staff, FPL included in its FPL SolarTogether cost-effectiveness analysis the 2020 SoBRA projects and the latest projection of incremental demand-side management ("DSM") based on FPL's proposed DSM goals. These updates increased the CPVRR benefit by $65 million and are described in greater detail by FPL witness Enjamio.

Q. How does FPL evaluate whether a project qualifies for AFUDC?

A. In assessing a project, FPL utilizes Rule 25-6.0141, Florida Administrative Code ("F.A.C.") to ensure it meets all of the required criteria to qualify for AFUDC. Specifically, the project: (1) involves gross additions to plant in excess of 0.5 percent of the sum of the total balance in Account 101 – Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences; and (2) is expected to be completed in excess of one year after commencement of construction. FPL SolarTogether Projects 3, 4 and 5, as contemplated in FPL's petition, each satisfied these criteria.

Q. What criteria does FPL use under its accounting policy to determine whether grouping multiple sites meet the definition of a project?

A. FPL uses several criteria, but among the most important are: a) all sites grouped as a project must have the same Engineering, Procurement and Construction ("EPC") contractor to manage the project; and b) all sites have a defined start of construction and single scheduled in-service date.

Q. Why do Projects 3, 4 and 5 no longer qualify for AFUDC (as previously assumed) under FPL's accounting policy?

A. As described in further detail by FPL witness Brannen, in assessing the EPC bids received for Project 3, FPL determined it would be more economical for customers to utilize multiple EPC contractors rather than awarding all sites in that group to a single EPC contractor. In addition, to allow for the lowest cost of construction, the EPC contractors have requested and FPL has granted maximum construction flexibility, thereby allowing the sites to have different schedules and in-service dates. Although contracts have not yet been finalized, FPL expects it also will provide lower construction costs for customers to have multiple EPC contractors construct Projects 4 and 5. As such, the construction of the solar sites comprising Projects 4 and 5 no longer meet the definition of a "project" as required under Rule 25-6.0141, F.A.C., because of the flexibility awarded to the multiple EPC contractors. To allow for the lowest planned construction cost, there is no longer a defined construction start date and single scheduled in-service date for the "project," and therefore they no longer qualify for AFUDC. This reduces the overall installed cost of the solar sites and increases the FPL SolarTogether Program's projected CPVRR benefit for customers by $45 million.

Q. What other changes to FPL SolarTogether result from the increase in projected CPVRR benefits?

A. FPL witness Valle explains that FPL has changed several of the design features of the Program as a result of the increase in CPVRR benefits. First, as discussed later in my testimony, the Program's voluntary participants will now contribute more than 100% of the FPL SolarTogether base revenue requirements, including all administrative costs associated with the Program. Second, under the base case, $249 million in CPVRR benefits will be shared between participants and the general body of customers, with participants receiving $137 million or 55% of the overall projected benefits and the general body of customers receiving $112 million or 45% of the projected benefits. Finally, the above changes in the design result in changes to the Program's subscription rate, subscription benefit and escalation rate. I provide more details on the updated allocations and calculations in this testimony.

Q. Please describe the updated total base revenue requirements for FPL SolarTogether.

A. As demonstrated by Exhibit SRB-2, the total base revenue requirements, including administrative costs, is $4.165 billion in nominal terms, which results in a CPVRR equivalent of $1.804 billion. This amount represents the revenue requirements associated with constructing and operating the 20 solar energy centers ("Centers") proposed under the Program.

Q. What base system benefits are expected to arise as a result of the construction of the solar energy centers proposed for the FPL SolarTogether Program?

A. As noted on Exhibit SRB-2, FPL expects to realize $1.470 billion in nominal base system benefits, with a CPVRR equivalent of $545 million. These system benefits relate to the avoidance of generation capital and operations and maintenance ("O&M"), transmission interconnection costs, start-up costs, as well as variable O&M costs.

Q. What is the resulting net CPVRR for the base revenue requirements after accounting for the base system benefits?

A. The resulting net CPVRR of the base revenue requirements is $1.259 billion.

Q. How does the $1.259 billion CPVRR translate into the monthly Subscription Rate and corresponding Subscription Charge?

A. The updated pricing for FPL SolarTogether is designed to recover 104.5% of the Program base revenue requirements from the participants through a levelized Subscription Rate ("Subscription Rate"). By allocating more than 100% of the base revenue requirements to participants, this allows some of the benefits that accrue to the general body of customers to be fixed. These fixed base benefits will not be subject to future fuel or emissions cost fluctuations, a feature that will continue through the life of the Program. As a result, participants will contribute $1.315 billion in equivalent CPVRR cost. FPL divided the $1.315 billion by the present value of the available nameplate

MW_{AC} over the 30-year period (16,289 MW_{AC}) to develop a levelized annual rate of $80.76 per kW-year. The annual rate of $80.76 per kW-year is divided by 12 to get the monthly Subscription Rate of $6.73 per kW. The Subscription Rate will be multiplied by a participant's subscription level to produce the total charge ("Subscription Charge") that will appear on the participant's bill.

Q. What is the amount of the base revenue requirement CPVRR benefit for the general body of customers under the new pricing proposed by FPL?

A. FPL projects that the general body of customers will receive $56 million of base revenue requirement CPVRR benefit over the life of the Program.

Q. Please describe the total clause system benefits expected to arise as a result of FPL SolarTogether.

A. As depicted on Exhibit SRB-1, FPL expects to realize nominal clause system benefits of $5.181 billion, which results in a CPVRR equivalent of $1.508 billion. These benefits primarily relate to avoided fuel, emissions and gas transportation costs.

Q. How does FPL propose to allocate the updated total projected CPVRR benefit of $249 million?

A. As described earlier in my testimony, as part of the overall Program design, FPL made the determination to allocate 45% of the total CPVRR net benefit ($112 million) to the general body of customers. The remaining 55% of the total CPVRR net benefit ($137 million) will be allocated to participants in the Program.

Q. How did FPL calculate the amount of clause system benefits to be allocated to participants in FPL SolarTogether?

A. The amount of clause system benefits allocated to participants was determined based on allocating 55% of the overall CPVRR net benefit and targeting the seven-year payback. This resulted in approximately 96.3% or $1.452 billion of the clause system benefits being allocated to participants.

Q. How are the system benefits translated into a Benefit Rate and corresponding monthly Subscription Credit?

A. Utilizing the expected annual generation from the 20 Centers included within the system impact analysis and described by FPL witness Enjamio, FPL calculated the dollars per kWh benefit ("Benefit Rate") that allowed for 55% of the expected total CPVRR net benefit to be allocated to participants, while allowing participants to achieve the target seven-year simple payback. The Benefit Rate will be multiplied by the actual generation associated with the participant's subscription level, resulting in the total credit ("Subscription Credit") that will appear on the participant's bill.

Q. What is the resulting Benefit Rate being offered to FPL SolarTogether participants?

A. In the first year of enrollment, participants would receive a Benefit Rate of $0.033910 for every kWh produced by their subscribed capacity. The Benefit Rate will then escalate at 1.70% annually.

Q. Please explain how the escalation rate of 1.70% for the Benefit Rate was determined.

A. The escalation rate for the Benefit Rate was determined through an iterative process performed to ensure that the Subscription Credit allowed participating customers to achieve a target seven-year simple payback, based on the projected kWh output for the 20 Centers and allocating to participants 55% of the total Program CPVRR benefit.

Q. Do the total system savings resulting from FPL SolarTogether exceed the Subscription Credit?

A. Yes. FPL projects that the total system savings will exceed the Subscription Credit being paid to participants and lead to the expected $56 million of CPVRR clause benefits being allocated to the general body of customers. The amount of the Subscription Credit being paid to participants is projected to exceed the actual system savings during the early years; however, the actual annual clause system savings are projected to be greater than the credit paid to participants over the life of the Program, as shown on Exhibit SRB-2.

Q. Does the Program provide a reasonable allocation of the benefits between participants and the general body of customers?

A. Yes. OPC witness Dauphinais's claims are incorrect with regard to the originally proposed design and even more so with regard to the updated program design. In particular, as explained above, FPL has updated the Program such that the general body of customers receives 45% of the overall projected CPVRR benefit. In addition, roughly half of that projected CPVRR benefit is in the form of base rate savings, thereby substantially mitigating the risk associated with volatility in fuel and emissions prices.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MR. COX:

Q Mr. Bores, did you also have an Exhibit SRB-2 attached to your prefiled rebuttal testimony?

A Yes, I did.

Q Do you have any changes or corrections to that exhibit?

A No, I do not.

MR. COX: Chairman Clark, this exhibit has been identified as Exhibit 36 on the staff comprehensive exhibit list.

BY MR. COX:

Q And Mr. Bores, have you prepared a combined summary of your direct and rebuttal testimonies?

A Yes, I have.

Q Could you please present that summary to the Commission at this time.

A Absolutely.

Good morning, Mr. Chairman and Commissioners. I am here today to support the financial modeling for FPL's SolarTogether, which results in a 249-million cumulative present value of revenue requirement, or CPVRR benefit.

This unique program was structured to allow participants and the general body of customers to share the benefits with 55 percent of the total CPVRR benefit allocated to the participants and 45 percent to the general body of customers.

To their receive their projected $137-million benefit, participants will contribute 1.315 billion, or 104.5 percent, of the total 1.259 net base revenue requirements.

The revenue requirement will be charged through a levelized monthly subscription rate over the 30-year program life. The general body of customers will not have to pay any of the base revenue requirements over the program life, but will receive a projected $112-million benefit, of which 56 million is fixed over the life of the project as a result of the participants contributing greater than a hundred percent of the base revenue requirements.

FPL requests to include as a base-rate recoverable cost the difference between the levelized subscription rate and the actual base revenue requirement and will include such amount within its earnings surveillance report.

As described by FPL Witness Valle, the program was designed to target a seven-year simple payback for the participants. In developing the benefit rate, FPL utilized the expected generation over the 30-year period to calculate the dollar-per-kilowatt-hour benefit.

As participants will receive 55 percent of the overall CPVRR benefit, FPL designed the benefit rate and calculated the annual escalation to allow for participants to achieve the seven-year payback.

FPL is requesting to include the cost of the benefit credit within the Fuel Clause and allocate that cost to all customers on the basis of kilowatt-hour sales. As the program is projected to result in a net benefit for all customers over its life, it will result in a reduction in the fuel factor charged to all customers.

In conclusion, this program has been designed to provide a reasonable allocation of the benefits to both participants and the general body of customers. With roughly half the benefit fixed over the life of the project in the form of base-rate savings, the general body of customers has substantially mitigated any risk associated with change in fuel or emissions prices from the base case.

This concludes my oral summary. Thank you.

CHAIRMAN CLARK: Thank you.

MR. COX: Chairman Clark, Mr. Bores is tendered for cross-examination.

CHAIRMAN CLARK: All right. Mr. Rehwinkel.

MR. REHWINKEL: Yes, Commissioner Clark, I --

yesterday I gave staff some exhibits that I intend to use. And I don't know if they've passed them out or not.

CHAIRMAN CLARK: Not yet. They're --

MR. REHWINKEL: Okay.

CHAIRMAN CLARK: Are you ready for them, now?

MR. REHWINKEL: Yeah, we can --

CHAIRMAN CLARK: All right.

MR. REHWINKEL: -- go ahead and do that now. I apologize.

STAFF: You want both of them?

MR. REHWINKEL: Yeah, both. Yes.

My -- my initial questions don't bear on these. So, if --

CHAIRMAN CLARK: Okay.

MR. REHWINKEL: So, if I can go ahead --

CHAIRMAN CLARK: Yes, sir, you may go ahead.

MR. REHWINKEL: -- passed out.

EXAMINATION

BY MR. REHWINKEL:

Q Good morning, Scott.

A Good morning, Mr. Rehwinkel.

Q Good to see you again.

Could you turn to Page -- well, first of all, would you agree with me that your testimony is a

component of the overall presentation to the Commission by FPL of the SolarTogether plan?

A Are you referring to my direct, rebuttal, both --

Q Direct and rebuttal, yes.

A Yes, I -- I'm here, as I said, to support the financial modeling for the SolarTogether program.

Q Okay. And would it also be correct that you -- as a part of that financial modeling, you present the economics of the program and the sharing mechanism?

A Yes, as part of my testimony, I do present the economics and talk about how kind of the pricing was developed based on the -- the sharing mechanism developed in the -- the program overview by Witness Valle.

Q Okay. And your testimony, especially the -- the rebuttal part, supports the -- what we've called the -- the pending tariff; is that right?

The pending tariff is what I went through with Mr. Valle. It's the tariff that -- that reflects the program that FPL is now proposing with the low-income piece?

A So, my rebuttal testimony does not talk anything about the low-income piece.

Q Okay.

A That was filed in the supplemental testimony of both Witness Valle and Witness Enjamio, now being adopted by Witness Sim.

Q Okay. But would you consider it, generally, to be in support of the tariff?

A I will say that I helped support some of the modeling that went into developing that final tariff, but that is not contained within my rebuttal testimony.

Q Okay. In your direct and supplemental -- direct and rebuttal testimony, you have utilized information that is provided by your colleagues, including the other witnesses in this case, to develop the aspects of financial modeling you present; is that correct?

A That's correct. I've relied on both Witness Sim and Witness Valle to provide inputs into the pricing that was developed.

Q Okay. And would you agree with me that, for the Commission to understand your testimony in the context of the overall SolarTogether program, that it would be helpful for them to understand the other pieces of testimony that Witness Valle, Brannen, and Sim have -- have filed and presented?

A Yes, as I believe with every docket, I think it's important here -- all the testimony that's been

entered into the record -- to fully understand the --
the program being offered here today.
Q Okay. Isn't it true that the SolarTogether program is designed such that it will provide $137 million in net savings to participating customers?
A Yes, that is correct. It is projected to provide $137 million CPVRR benefit to the -- the participating customers.
Q And isn't it also true that the program is designed to provide this $137 million in net savings to participating customers regardless of FPL's actual fuel and CO2-emission costs?
A Yes, that is correct. Right. The -- the one variable that I think Dr. Sim did a nice job talking about is the -- the production is the variable component for the participants in this, the actual production of the solar facilities.
Q Okay. But apart from that small amount of -- of variation, the benefits are essentially fixed or guaranteed to the participants; is that right?
A Yes, the benefits that we are proposing to allocate to the participants are based on our mid-fuel curve, mid-CO2 base case that we've presented in this case.
Q Okay. And isn't it also true that the

SolarTogether program is designed such that it provides $112 million in net savings to what FPL terms its general body of -- of customers under the FPL mid-fuel and mid-CO2 cost assumptions?

A Yes, that is correct. It is designed to provide $112-million benefit to the general body of customers.

Q Okay. And isn't it also true, assuming full subscription to this SolarTogether program, that approximately 97 percent of FPL's retail sales to its general body of retail customers would be to FPL's customers that are not participating in the SolarTogether program?

A I do not know those numbers. I believe I need to defer to Witness Valle on that.

Q Okay. Do you have any reason to believe that -- that that's not the case?

A Again, I -- I don't know off the top of my head. I wasn't part of looking at that.

Q All right. Let's look at Page 7 of your September rebuttal testimony.

MR. COX: I'm sorry. Mr. Rehwinkel, what page was that?

MR. REHWINKEL: Page 7.

MR. COX: Page 7. Thank you.

BY MR. REHWINKEL:

Q And if I could direct you to Lines 7 through 10, would you, to use a phrase, humor me and read those aloud?

A The question as well?

Q Yes, please.

A The question is: What is the amount of the base revenue requirement CPVRR benefit for the general body of customers under the new pricing proposed by FPL?

The answer: FPL projects that the general body of customers will receive 56 million of base revenue requirement CPVRR benefits over the life of the program.

Q Okay. Now, that $56 million, on Line 9 -- isn't that the $56 million that Mr. Valle was referring to in his testimony yesterday?

A Could you be a little more specific of what 56 million Mr. Valle was referring to?

Q That it was the part of the $112 million that's not subject to variation in the commodity costs of -- fossil-fuel costs or CO2 costs; that it's relatively guaranteed.

A Correct. I think there's been a lot of confusion around this point, so I do want to clarify. We have $1.8 billion of program costs as a result of building these solar facilities that are essentially going to hit rate base when these all go in service on day one.

However, as a result of doing this now, we are deferring the need for future capacity and costs and, otherwise, $545 million of cost that would hit base rates over the next 30 years is being avoided, such that nets down to the 1.259 billion that I referenced in my opening summary.

We are asking participants to contribute more than that, 1.315 billion, the 104.5 percent, such that there is $56 million of benefits that will be fixed and provided to the general body of customers over the life of the program as a result of adopting this resource plan and building this solar today.

Q Okay. So -- thank you for that.

Isn't -- isn't that -- this $56 million in savings part of the $112 million in net savings that would be received by what FPL terms its "general body of customers," under the FPL mid-fuel cost and mid-cost -- mid-CO2 cost assumptions?

A Yes, that's correct.

Q Okay. And isn't it also true that FPL's actual fuel and CO2 costs are different; that, if FPL's actual fuel and CO2 costs are different than those under

the mid-fuel and mid-CO2 cost assumptions, that the net savings received by the general body of customers will be something different than the $112 million?

A Yes. I think Witness Sim did a very good job providing an overview of what that does for customers if it changes.

Q Okay. And isn't it true that Dr. Sim's September rebuttal testimony, Exhibit JE-10, shows that for the various fuel costs and CO2-cost assumptions that FPL evaluated, the outcome for FPL's general body of customers would be -- would range from a net cost of $147 million to a net savings of $427 million?

A I do not have those numbers in front of me. So, subject to check, I will agree with you.

Q Okay. And isn't it true that all of these net costs and savings values already reflect the $56 million in base revenue requirement savings that Mr. Valle indicated was not subject to the fuel cost and CO2 cost risk?

A Yes, the $56 million is included in those numbers.

Q Okay. So -- so, for example, under FPL's low-fuel cost and low-cost assumptions, the $145 million net cost there, shown in Exhibit JE- -- let me -- let me ask you this: Would it be helpful for you if -- if I gave

you a copy of JE-10 just to follow along?

A Yes, please.

Q Okay. Let's see. (Handing to witness.)

A Thank you.

Q -- has donated one for you.

So, let me start my question over again.

Under the FPL low-fuel cost and low-cost assumption, the $145 million net cost that is shown in Exhibit JE-10 for FPL's general body of customers consists of a net system fuel and emissions cost of $201 million offset by that same $56 million in base rate revenue requirements savings; is that right?

A Yes, to get it down to the 145, I -- I agree with that.

Q Okay. So, isn't it true that, under this fuel- and CO2-cost condition, FPL's general body of customers would experience a net cost of $145 million even after receiving $56 million in base rate revenue requirement savings?

A Yes, again, as a result of this program, but I think Witness Sim did a very good job saying, overall, there's a tremendous upside benefit for customers from the system efficiency.

Q Okay. Let's go to Page 5 of your -- of your September rebuttal. Now, isn't it true that FPL's

actual fuel and CO2 costs are the same level that, if FPL's actual fuel cost -- fuel and CO2 costs are at the same level as FPL's mid-fuel cost and mid-CO2 cost assumptions, the SolarTogether program is designed to provide 55 percent of the total net savings from the program to participants, and 45 percent of the total net savings to FPL's general body of customers?

A I'm going to try and rephrase the question just to make sure I understand.

Q Okay.

A You're basically asking, under our program, are we proposing to allocate 55 percent of the $249-million projected benefit to participants and 45 percent to the general body; is that correct?

Q Yeah, 55 and 45, under the mid-fuel and mid-CO2 cost assumptions?

A Yes, that is what we're proposing for this program.

Q Okay. Now, isn't it also true that, if FPL's actual fuel and CO2 costs are at a different level than FPL's mid-fuel cost and mid-CO2 assumptions, then the actual split of the total net savings of the SolarTogether program between participants and FPL's general body of -- of customers, would be different than the 55- and 45-percent numbers?

A Yes, if we were to have different fuel and CO2, it could change the -- the split that is proposed here, based on the mid-fuel and mid-CO2 case that is our base case for this -- for this program.

Q So, if -- for example, if, due to fuel- and CO2-price variations, the total net savings of the SolarTogether program was $138 million instead of the 249-million-dollar -- dollars projected under FPL's mid-fuel CO- -- cost and mid-CO2 cost assumptions, participating customers would receive $137 million in net savings, and the 4.96 million dollars [sic] of FPL's general body of customers would receive $1 million in net savings on a CPVRR basis; is that right?

A Under your hypothetical, yes, that -- that's how the program is being designed.

Q Okay. That would give essentially the 4.95 -- or $96-million cust- -- million FPL customers, assuming that they stated that number for the -- the horizon -- that would be about 20 cents per customer over the entire horizon of the project; is that right?

A Yes, but again, we are using the best assumptions we have available today to propose this program, very consistent with what we do in our ten-year site plan and all the other dockets before this Commission.

We're using our best estimate of the fuel curve and emissions prices, as I think Dr. Sim talked about, from our third-party consultant to project what we think those benefits are. And that's how we've structured the program that we're asking the Commission to approve today.

Q Okay. So, under the example that I -- the hypothetical that I went through, participating customers would receive more than 99 percent of the total net savings, and FPL's general body of customers would receive less than 1 percent of the total net savings; is that right?

A Yes, under your hypothetical, that's correct.

MR. REHWINKEL: Okay. Let's turn to a -- and different subject.

And Mr. Chairman, I have passed out two documents and I -- I guess I'd like to go ahead and just identify them and mark them for -- for the record, please. The first one is -- is a bill -- is Exhibit -- Deposition Exhibit 3 to Mr. Br- -- Mr. Brannen's deposition.

CHAIRMAN CLARK: Okay. Mr. Brannen's deposition --

MR. REHWINKEL: Yes, sir.

CHAIRMAN CLARK: -- Exhibit 3?

MR. REHWINKEL: Yes.

CHAIRMAN CLARK: Okay. I believe -- is 69 our next number? All right. We'll give that No. 69.

MR. REHWINKEL: Okay. And the next exhibit, the thinner one, is Exhibit 3 to Mr. Bores' deposition.

CHAIRMAN CLARK: We'll mark it No. 70.

MR. REHWINKEL: Yes. Okay. And I -- I should call it late-filed Exhibit 3 to Bores' deposition.

CHAIRMAN CLARK: Duly noted.

MR. REHWINKEL: Okay.

(Whereupon, Exhibit Nos. 69 and 70 were marked for identification.)

BY MR. REHWINKEL:

Q Mr. Bores, have you -- have you had a chance to look at these two documents?

A Yes, I believe these are the same documents we went through during my deposition.

Q Okay. Well, the -- with respect to Exhibit 69, which is the thicker package --

A Correct.

Q This is from Mr. Brannen's deposition, but we discussed the same documents in your deposition; is that right?

A That is correct.

Q Okay. You're very familiar with them.

And then, Exhibit 70 is a late-filed deposition exhibit that you discussed in your deposition that you indicated familiarity with; is that right?

A That is correct.

Q Okay. Would you agree with me that, in this case, you are the FPL witness who was responsible for explaining the circumstances whereby allowance for funds used during construction or AFUDC is part of the cost of the $1.8 billion of SolarTogether asset costs FPL proposes to be recorded as a component of rate base?

A Yes, I am the witness here to support the -- the accounting for the AFUDC.

Q Thank you.

And would you agree with me that prior to your current role as senior director of financial planning and analysis, you were the director of property accounting at -- for FPL?

A That is correct.

Q Okay. Is it true that you were not involved in the design of the SolarTogether program?

A Could you be more specific?

Q Well, the -- I -- let me withdraw that question and just ask you: Can you tell me what your role was in designing the SolarTogether program.

A Yeah. So, I helped, working very closely with Witness Valle and Mr. Enjamio/Mr. Sim, design the pricing, right. I think Mr. Valle spent a lot of time meeting with our customers, understanding their needs and wants from this program, and -- and helping bring forward a program that would meet those needs. Then, as, I think, Mr. Sim alluded to, it was handed off to him to kind of run the resource plan to make sense.

Once it was determined what the economic benefit of this program was, it was handed over to me to kind of develop the pricing terms to allow for the seven-year payback and the other desires that the customers of this program had to make sure it would still be cost-effective and economic for -- for both sets of the -- the participants and general body of customers.

Q Okay. You're familiar with the configuration of the -- the solar sites as 20 separate geographically-distinct sites; is that right?

A There are 20 individual solar sites being constructed as part of this program.

Q Okay. Did you have any role in des- -- making the decision about to break those -- the 1,490 megawatts -- up into 74.5-megawatt blocks?

A I was not part of that discussion.

Q Okay. Would you agree, if you know, that the decision -- with -- that the decision to break the 1,490 megawatts of SolarTogether generation assets into 74.5-megawatt blocks was driven by a desire to avoid the requirements of the Florida Electrical Power Plant Siting Act?

A Again, I'm the numbers guy in this case. I had no -- no part of that design.

Q Okay. In your prior role as the director of property accounting -- was that for FPL or NextEra or sort of a combination of both?

A It was just Florida Power & Light Company when I was in property accounting.

Q Okay. So, in your role as director of property accounting for Florida Power & Light, did you or others like you have a responsibility for, among other things, making accounting decisions and pronouncements about how certain types of plant-related asset costs should be recorded on the books of the company?

A Yes.

Q Okay. And isn't it true that, at some point, early in 2020, that the property accounting department was asked to prepare a memorandum supporting the accrual of AFUDC for the first six blocks of 74.5-megawatts of

SolarTogether facilities?
A No, I believe that was in early 2019.
Q I apologize.
A No problem.
Q Thank you.
A I'm paying attention.
Q I make the same mistake writing checks.
So -- okay. So, in 20- -- with that same question in 2019, your answer would be, yes?
A Yes, that's correct.
Q Okay. And FPL has referred to these as -- these six blocks as three each of Projects 1 and Projects 2; is that right?
A Correct. The six sites were assigned three to Project 1 and three to Project 2.
Q Okay. Would you also agree that, for regulatory purposes before the Public Service Commission, there are two basic quantitative threshold criteria that apply under the Commission's rule, whether AFUDC can be applied to construction work and then added to rate base as a legitimate depreciation -- depreciable plant cost?
A Can you clarify those two quantitative rules for me?
Q Yes, one would be one-half of one percent of

Accounts 101 and 106, which are electric utility plant in-service together; and the other would be that the con- -- the projected construction time frame for the -- for the construction project is greater than 12 months.

A Yes, I agree, both of those are in the Commission's rule on kind of how a project can qualify for AFUDC.

Q Okay. And would you also agree with me that, if both -- if one or both of these criteria are not met, then the financing costs of -- of a construction project are considered part of ordinary operations and recorded as a cost in your -- that are reflected in your monthly surveillance reports?

A Yes, that is correct, the AFUDC is a cost of financing that, if allowed under the rule, we can capitalize that to the project; if not, it would just follow kind of CWIP, or "C-WIP," Construction Work In Process, in rate base and be recovered through the earnings-surveillance process.

Q Okay. And isn't it true that the -- the threshold for meeting the percent of rate-base criteria was determined at the time the -- that -- that was determined, at the time the analysis was performed related to Projects 1 and 2, was $230- -- 43.4 million?

A Yes, in January 2019, when we made the assessment, the threshold, per the Commission rule, based on our account balances in Planned Accounts 101 and 106 was $243.4 million.

Q Okay. And just to be clear, that calculation was of the actual balances in the account at that time, not some projection of balances; is that right?

A Correct.

Q Okay. So, a construction project that was greater than a year in duration would have to have a projected total construction cost at the time that management approved the -- the project of at least $243.4 million to accrue AFUDC; is that right?

A Yes, at the time construction commenced and management approval was given to commence construction, that was the threshold.

Q Okay. Now, when FPL prepared its case and petition, you or folks in the -- in -- at FPL projected to be able to package all of the 20 individual blocks of 74.5-megawatts of solar generation in such a way that AFUDC would be accrued and added to the balances of construction costs; is that correct?

A Correct. When we ini- -- originally filed the petition, that was our expectation, based on what we had done previously with -- I think Mr. Valle talked about the 2016 solar projects. We had bundled the three of those that we had built in 2016 to qualify for AFUDC. And we've also done that with the four SoBRA projects that we've brought forth before the Commission.

Based on the economics and getting the lowest construction costs for our customers -- that's how those were -- were bundled and put together. We expected that same thing to happen based on what we are seeing in the market with SolarTogether Projects 1 through 5.

Q And sometime prior to the filing of rebuttal testimony on September 23rd of 2019, FPL reversed that projection for 14 of the 20 projects; is that correct? And by that predict- -- projection, I mean the ability to accrue AFUDC on the construction of those 14 blocks.

A Yes. When Mr. Brannen went to the market to start procuring for SolarTogether, the six sites that comprised SolarTogether Project 3, he found that it was more advantageous for customers to essentially unbundle and not get a common contract across six sites.

We have separate contracts for each one of those sites, which, per our accounting policy, no longer allows us to accrue AFUDC. In addition, those were having separate, different construction dates and in-service dates; another requirement under our policy to qualify for AFUDC.

So, such that we could procure the lower cost

for our customers, we applied our policy and no longer
qualified for AFUDC. We expect that, when we go to
market to procure for Projects 4 and 5, to see those
same market conditions that -- which would no longer
allow us to qualify for AFUDC.

Q Okay. And as you -- as a result, what you
have labeled Projects 1 and 2 still have AFUDC costs
included for those sites in -- in the pending request;
is that right?

A Yes, again, per our pres- -- policy, when we
procured Sites 1 and 2, we got one common contract
across all three projects or all three sites in each one
of those projects because that's what allowed the lowest
cost for our customers.

We had the same in-ser- -- or the same
construction start date, the same in-service date. That
one contract allowed for liquidated damages across all
three sites within that project that really provided the
lowest cost and value for our customers to procure and
construct that.

Q Wouldn't you also agree with me that no
individual construction, projected construction cost, of
any single 74.5-megawatt block of SolarTogether
generation was even close to the identified
$243.4-million-value-qualifying threshold, if I can call

it that?

A I do agree no individual site, but that's not how we look at it, per our accounting policy. Again, it -- it's certain criteria we have in our policy that allows us to bundle those projects if we are getting the lowest cost for those customers, and it meets kind of having that one common contract and the same in-service and same start date.

Q Isn't it also true that the combined projected construction costs of no two 74.5-megawatt block of solar generation facility would have met the -- or would meet the dollar-value-qualifying threshold?

A Again, that's correct, but that's not how we look at it.

Q Okay. And in the case of what you have labeled Project 1, the combined projected construction costs of -- of those three projects, specifically Northern Preserve in Baker County, Sweet Bay in Marion County, and Cattle Ranch in DeSoto County, was projected in January of 2019 to be $244.1 million, or about $700,000, above the dollar-value-qualifying threshold, under the rule?

A Yes, that's correct.

Q Okay. Now, would you agree with me that Macclenny, in Baker County, is 250 miles from Arcadia,

in DeSoto County?

A   I have no idea.

Q   Subject to check, would you agree?

A   Subject to check.

Q   Okay. Now, I'm not suggesting that the SolarTogether facility in Baker County is in Macclenny or that the one in DeSoto County is in Arcadia, but if those are the general geographic distances between those cities and those counties, that gives you an order of magnitude about how far those two sites are within Project 1 from each other; would you agree with that?

A   Subject to check.

Q   Okay. And would you agree with me, subject to check, that the -- the distance from Macclenny to Ocala, in Marion County, is 85 miles?

A   Subject to check.

Q   Again, an order of magnitude about the distance between Marion County and Baker County.

A   (Indicating.)

Q   Okay. We --

A   I'm a southern-Florida person, so I don't get up here much.

Q   I did bring a map, if you want to look at it. I -- I understand, but in all seriousness, you would agree that, generally, that's the order of magnitude in

distance?

A Subject to check, yes.

Q Okay. You would agree, within Project 1, the three sites are really nowhere near each other, geographically, wouldn't you?

A Subject to check, yes.

Q Okay. Would you also agree if -- if you just take the $244.1 million number that we agreed upon, that the average projected cost of each block would be about $81 million?

A Doing some quick math, yes, I -- I agree with that.

Q Okay. With the understanding that there are differences between those two proj- -- there -- no one project -- none of those projects was exactly $81 million; is that right?

A Correct. I'm sure each one of those three projects has a different cost.

Q Okay. Okay. In the case of what you have labeled Project 2, the combined projected construction costs of those three projects -- specifically Blue Heron in Hendry County, Babcock Ranch in Charlotte County, and Twin Lakes in Putnam County -- was projected to be $269.1 million or about $25 million above the dollar threshold -- dollar-value-qualifying threshold in the

Commission rule; is that right?

A Yes.

MR. REHWINKEL: And if we could just, for the record, look at -- Commissioners, we have labeled -- there's a Bates Stamp on here, but it's kind of intermingled in with -- with some other Bates Stamps.

CHAIRMAN CLARK: And what document are you referring to?

MR. REHWINKEL: This is in Exhibit 69.

CHAIRMAN CLARK: Okay.

BY MR. REHWINKEL:

Q You would agree with me -- if you could, look at -- let's look -- use the FPL Bates of 2- -- of 9286.

A Okay. I'm there.

Q Okay. And -- and this has some handwriting in red. Do you see that?

A I do.

Q Okay. And if the -- I just want to make sure the Commissioners had an opportunity to get there.

The value that we just discussed, with the -- the $243.4-million threshold and the $269.1-million construction estimate -- they are found on this page that I'm referring to in Exhibit 69; is that right?

A I -- I see that the 269.1 and the 243.4.

Q Yeah. Now, are you aware that they were transposed in the paragraph here that we're talking about, such that 269 is the construction cost and 243 is the threshold?

A Yes, I did hear that in Mr. Brannen's deposition.

Q Okay. And I asked him -- and that -- that's why I used this. I asked him to write in the correct numbers, and he did that. That's what this is; is that right?

A That is correct.

Q Okay. So, would you agree with me that Babcock Ranch and LaBelle, one in Charlotte County and one in -- in Hendry County, are close, but they're not next -- adjacent or next-door to each other; is that right?

A Subject to check.

Q Okay. And also, that Palatka, in Putnam County, and Babcock Ranch are over 200 miles apart?

A Subject to check, I would agree.

Q Okay. And if we did the same math, with respect to Project 2, the average projected cost of each block of those three facilities would be about $90 million; is that right?

A I would agree with that.

Q Okay. Would you agree with me that the documents contained in Exhibit 69, plus the Commission rule on AFUDC, are the essential documents that are the basis for your determination that AFUDC applies to Projects 1 and Projects 2 of SolarTogether?

A Let me just take a look at all the documents here, please.

Q Okay.

A (Examining document.) Yes, in here, we have our accounting policy as well as the AFUDC-policy-framework memos for each one of these projects. That is what we utilize in addition to the Commission's rule.

MR. REHWINKEL: Okay. Thank you.

And Commissioners, just for clarity, this -- I've included the entire deposition exhibit, but there is some duplication here, I think. This deposition was taken by telephone and FPL was kind enough to prepare the exhibit.

So, we have the -- the second half of this exhibit is a clean copy of -- of a discovery package that was put together, and the first part is the one that Mr. Brannen marked up at our request.

BY MR. REHWINKEL:

Q So, there is some duplication in here, would

you agree with that, Mr. Bores; that -- that you see the same documents in here twice?

A (Examining document.) I didn't see that.

Q Okay.

A I saw we have SolarTogether 1 and 2 --

Q Okay. I apologize.

A -- our accounting policy, and then the SolarTogether 3 memo.

Q Okay. All right. What I want to ask you about, though, is, first of all, you have the first document after sort of the discovery boilerplate and questions here, is a March 22nd, 2019, memo that is at FPL Bates -- it looks like 9280. You see that?

A Yes. For SolarTogether Project 1?

Q Right. And then, if you flip forward a few pages, to 9234, you see another March 22nd, 2019, memo. And this is for SolarTogether 2; is that right?

A 9284?

Q I'm sorry, 9284.

A Correct. Yes, SolarTogether Project 2.

Q And it has a -- a correction of a name of a vendor here as well that Mr. Brannen wrote in, right?

A Yes. I did hear that.

Q Okay. But that -- that has nothing to do with our questions about AFUDC, other than your assertion

that there was one contractor for the EPC for these three, right?

A That is correct.

Q You just swapped out the name?

A Yes, that's my understanding.

Q Okay. And so, the two memos we just looked at -- these are the analysis that the property accounting department conducted to apply the facts and circumstances of the management decision, the construction projects, and the accounting policy, and the Commission's rule; is that right?

A Yes, I -- I think I would say the property accounting team worked very closely with Mr. Brannen and his team to understand the facts and circumstances of the procurement process to get those facts and circumstances documented, and understand, do they qualify with our policy to allow for AFUDC.

Q Okay. And we also see a document in here that I'm not going to take you through, but if -- certainly, if you need to refer to it, that's fine, which is elect- -- it's -- it's entit- -- it's at Bates -- FPL Bates 9288. And it's entitled "Electric Utility Plan" and it says "Policy No. FPL 1-1"?

A Yes.

Q And it's dated -- it was revised on

January 3rd, 2017?

A Yes, I see that.

Q Okay. Now, you testified earlier that in -- for the -- the three solar facilities that were constructed and put in service under the 2016 rate settlement agreement, as well as the SoBRAs that were -- or are be- -- in the process of being constructed and put in service, under the 2016 settlement agreement, totaling 1,200 megawatts, you applied this same bundling approach to those?

A Yes, that is correct. We -- we -- the way they were contracted, under this policy, allowed for them to be put together and accrue AFUDC.

Q Okay. Would you agree with me that, prior to the SolarTogether project and the discovery that has been conducted by staff and the parties, that FPL had not disclosed or -- to or notified the Commission that it was us- -- utilizing this bundling approach for assigning AFUDC costs to the depreciable plant balances?

A No, I -- I wouldn't agree with that. I think, at least as -- I've been part of each one of those dockets, including the SoBRA dockets. The Commission staff has always asked for the electronic copy of our model so they can get comfortable with that. And included within the electronic copy of our model is the

AFUDC calculations and the application of AFUDC to part of the revenue requirement associated with that.

So, it's, in my mind, very clear, through going through that model, that it is included within there.

Q Is it -- is it your testimony that -- that the staff should have been aware or that they were aware?

A I -- I can't say with certainty with -- whether staff was aware or not. All I'm saying is it was included within the model that was requested by staff, as each one, a part of those dockets, and it is included within the revenue requirements, right.

I'm trying to say, it's not -- FPL wasn't hiding it. It was included in there and it was available for all to see as part of the documents that were requested through the discovery process.

Q Okay. And that's a fair point. I am not, through my questions, trying to suggest that FPL was hiding the ball or anything with respect to that. I'm trying to understand if -- if there was any express or specific notification that this is how you were calculating AFUDC.

A As -- as I wasn't a witness in those dockets, I'm not overly familiar.

Q Okay. Are you aware of whether any other

Florida utility uses this bundling approach?

A No, I am not.

Q Okay. Are you -- just so I -- I understand the answer, are you not aware just because you -- you wouldn't know one way or the other or do you have other -- some other knowledge about whether FPL is doing this differently than other utilities?

A No, I would say I'm -- I'm just -- I don't run in the property-accounting circles anymore, right. I used to attend a lot of the EEI conferences and talk to my peers. Now that I'm in the FP&A role, and have been since 2015, I don't talk to kind of, I'll say, the property accountants at the other Florida utilities as much as I used to.

Q Okay. Do you have any reason to believe that FPL is unique in Florida in applying this bundling approach to a -- acc- -- accounting for AFUDC?

A I do not know, right. What I can tell you, now that I've been able to see Gulf Power a little bit, right -- obviously, they have a different threshold than we do, given that they have a much smaller balance sheet or smaller balances in Account 101 and 106.

So, by building just one site at Gulf Power, they would qualify for AFUDC under that one site. So, I think there's just some differences in the relative size of the utilities here in Florida that allowed the rule to potentially be applied or have a different outcome for them than it would for us.

Q Okay. But with respect to whether they were bundling, you don't -- can you say whether Gulf had a policy, now that you've looked at that?

A I -- I do not believe they did.

Q Okay. Thank you.

I was going to ask you about the parties in the property accounting circles, as what they were like, but I won't do that.

A Please don't.

(Laughter.)

Q Would it be fair to say that, apart from the model that included the -- the calculation of AFUDC for these prior solar sites, that FPL did not make any explicit or express requests for the Commission to approve this methodology?

A I'm going to say, based on my knowledge, I do not believe there was any express approval; however, again, it was included as part of the -- the 2016 solar projects that were presented to the Commission during the rate case. And I don't believe there was any discussion around that or any concern on behalf of the Commission associated with that.

Q Okay. And would you agree with me that your outside auditors -- and I think it's Deloitte; is --

A That is correct.

Q They -- you ha- -- were aware of this policy and have given some level of approval to it in the context of their approval of your financial statements?

A I would say yes, right. AFUDC is capitalized to our balance sheet as well as the equity portion flows through to the income statement or the capitalized interest as well, reduces their -- has some income-statement impact.

So, yes, Deloitte, through their approval of our SEC financial statements, since 2016, when we started applying this policy, has given their, I would say, express approval of this policy and they have seen these memos.

Q Okay. And -- but would it also be fair to say that -- that Deloitte has not expressly disclosed the specific bundling policy in any opinion or other public statement that they've made relative to your financial statements?

A Not to my knowledge. I -- I just -- it's not something that's required of them to do.

Q Right.

Would you also agree with me that the

surveillance report that you filed with the Commission -- while it includes components of AFUDC, it does not, in any way, identify or segregate or otherwise call out the bundling practice in what you filed with the Commission for the --

A I think that's fair, right. The surveillance report just shows the -- the adjustment for how much CWIP is being adjusted out of rate base in total as it's earning AFUDC, but does not specifically segregate which projects that pertains to.

Q Okay. While I'm sure that you would agree with me that all facts and circumstances of the construction-related activities are relevant, would you further agree with me that there are a core set of factors related to a common EPC contractor, common FPL or NextEra project manager, and a common start and finish date, and common liquidated-damages provision in this SolarTogether determ- -- AFUDC determination that are central to support your determination that AFUDC should apply to the first six blocks of solar facilities?

A Yes, those are the criteria we analyze when looking at various sites and bundling them as a project to ensure it qualifies for AFUDC.

Q Okay. So, let me now get you to turn to

Exhibit 70. And I think you stated earlier, you're familiar with this document; is that right?

A Yes, that's correct.

Q It's dated December 20th, 2016, and it was prepared by property accounting. Is this a memo that you or your subordinates prepared?

A I will say it was probably prepared by my former team. I've been in the senior director role of FP&A since 2015. So, prepared after my time, but I am familiar with it.

Q Okay. And this is -- could -- would you mind just telling me what you consider to be the -- just a thumbnail of this, if you can.

A You're asking for kind of the -- the CliffsNotes version of what we're doing?

Q Yes.

A So, we've embarked on a project to upgrade all 26 of our GE 7FA combustion-turbine units to a -- to a new technology, right. And this was something that GE had brought to our attention, a brand-new technology, that would essentially lower the heat rate of the units, make them more efficient, and provide significant fuel savings for our customers.

This is not something we would just do on one unit or two units. It was kind of an all-or-none approach, from what I understand from dealing with engineering and construction on this.

So, we've signed one contract with GE where, essentially, they were going to move from site to site, across all 26 sites. Each outage is about 60 days long to complete this upgrade program throughout our entire GE fleet to bring significant value to our customers.

Q   Okay. Thank you.

Let's go back to Exhibit 69. And I would just ask you to turn to the March 22nd document and to FPL Bates 9281.

A   Yep.

Q   The -- the heading at the top of this page is "Accounting Description," and then, underneath that are some numbered sections with 1A, B, C, D, E, continuing on to the next page, and then Items 2, 3, and 4, on the ensuing pages; is that right?

A   That is correct.

Q   Okay. And these are the essential facts that were evaluated and submitted in the memo for supporting AFUDC accrual; is that right?

A   For the SolarTogether project?

Q   Yes.

A   That is correct.

Q   For this.

Item 1C says: It is -- in the heading, it says: It defined start and -- and scheduled in-service dates.

Do you see that?

A I do.

Q Okay. Is this a significant factor?

A Yes. As I -- I've said, it's one of the things that we look at in this, right. When we're contracting these sites, it's very important for the solar sites that they have a -- a same scheduled start date, commencement date for construction, and the same targeted in-service date to allow for that as part of the contracting process.

Q And that's somewhat supported by the footnote at the bottom of that page?

A Correct. They are all targeting the same in-service date.

Q Okay. Factor 1A references one program or project manager; is that right?

A Yes, Mr. Brannen.

Q Okay. Let's look at the conclusion at the end of that memo, which is on Bates 9283. Can you read aloud just those two sentences -- or, I guess, the -- the -- everything under "Conclusion."

A "Based on the above-noted facts and

circumstances, FPL deems it appropriate to bundle the group of sites as a project for AFUDC-recognition purposes.

"FPL will establish separate internal orders for each site to track the charges; however, the internal orders will be grouped together for purposes of applying AFUDC. The internal orders will be placed in service once the sites within each group go into commercial operations."

Q Okay. So, would it be fair to conclude from this, is that each site's activities will still be tracked and accounted for separately in the work orders?

A Yes, we -- we need to really do that for property-tax purposes, right. Each site, as you pointed out, is in a different geographic location within Florida, and each of those different geographic locations have different millage rates so, such that, when these sites go into service and start paying property tax, we know what the appropriate millage rate is for that county.

Q Is there also an implication in here that the in-service dates could vary?

A Yes, they could vary based on unforeseen factors that could occur during the construction process. And to ensure our customers get the savings as soon as possible, if one site or two sites were to be ready without the third one -- that's not our expectation going into the project, but if that is the outcome, we are going to place that site into service when it's commercially ready such that we can start delivering the value and the savings for our customers.

Q And if you do that -- let's say the Baker County site goes into service first and, for whatever reasons, the other two sites go into service three months later, you would stop accruing AFUDC on the Baker site.

A That is correct. Once a site goes commercial operation, we cease AFUDC.

Q Okay. And the determination about the common in-service date is -- is based on what management decided back in January, as far as how the project was going to go forth; is that right?

A I think that's one factor, but again, I think it's also through the -- the contracting process, right.

Q Okay.

A We are pushing such that we can get that liquidated damage and the lowest cost to our vendor to construct all three sites as one and deliver them in service at the same point in time.

Q What I was trying to get at is you alluded to

facts and circumstances changing in unforeseen ways. That doesn't unravel your bundling decision because that bundling decision was fixed early in time, when either you approved it or the contract or both occurred; is that right?

A Yes, I -- I think it's important to look at the Commission rule for this, right. I think the Commission rule says, at the time that you commence a project, if the expectation is it's going to be greater than a year and meet kind of the numerical threshold -- you talked about, we can accrue AFUDC.

It also says that if, hey, after the fact, you're able to get that in quicker than a year, even though your intent was or your thought was, at the onset of the project, it was going to be greater than a year you don't unbundle or un-accrue all of the AFUDC you recognized, right.

Theoretically, there is value to your customers in being able to -- to bring it in earlier than a year.

Q Now, if you built a 1,500-megawatt combined-cycle unit, this memo wouldn't be generated because there would be no doubt that AF- -- that AFUDC would apply to that. It would be greater than that $250-or-so million, and it would certainly take more than a year to

build, right?

A Yes, I think, as we talked about during my deposition, we did not prepare one of these for the Okeechobee plant that we brought in service in 2019, as it was what I'll call a slam dunk, right. It was a no-brainer that it would qualify for AFUDC.

Q Okay. And when you're building a combined-cyle unit, without going through and listing all the components -- there's -- there's going to be the CTs, there's going to be HRSGs, there are going to be maybe some tanks, water-treatment facilities on-site, a switch yard; is that right?

A Correct.

Q Okay. And the -- unless you put in half of the combined-cycle unit on, like, June 1st and the other half on October 1st, you're going to close out the accrual of the AFUDC on that entire site when the entire project is completed and it goes into service; is that right?

A Correct. Right. Essentially, until you have everything interconnected and hooked up, you -- you're not -- you have not completed the project you've designed or can set out at the onset of the project.

Q Okay. So, going back to the 7FA memo, the December 20, 2016, memo that is Exhibit 70, if we could

go to the -- I guess, is -- it's -- it's what I -- what we've labeled Bates 6, the accounting discussion.

A Yes.

Q Is that the relevant piece for comparative purposes? If we were going to compare this circumstance to the SolarTogether circumstance, this is where we would start?

A This is -- the beginning of the memo is where I would start.

Q Okay. Well, but there's discussions in here that aren't really relevant to the AFUDC.

A Yes, that -- that's correct. I think Page 6 is where we start to get into the --

Q Okay. All right.

A -- AFUDC determination.

Q Good.

A If that's what you're talking about.

Q So, now, here, would you agree with me that this is a -- a $418-million project, for purposes of this memo's analysis?

A Yes, that's what it shows on Page 7, I think, $418-million project.

Q And that's in 1D?

A Yes.

Q Okay. And would it be fair to say that

whether this analysis for AFUDC covers 18 or 26 sites -- do you know which it is? Does it recover -- does it cover the -- all 26 or the 18 that were done as a part of the amended and restated agreement?

A I think it covers all 26 because we still have to go back and get the other eight to upgrade them to this latest and greatest technology.

Q Okay. Would it be fair to say that, if you divided the $418 million into 26 individual work activities, that no single work activity would meet the $250-million threshold or whatever it was back in 2016?

A Doing simple math, yes, but again, that's not how we looked at this, nor would we just do one -- one site or one unit. It wasn't economical and that's not how we contracted it.

Q Okay. And just for purposes of comparison between this project and the SolarTogether project, why isn't there a calculation in here of what the thresh- -- the half-a-percent threshold --

A I -- I think this was another one of those, hey, it really easily built -- beat that threshold, such that we didn't need to document what the threshold was at that point in time.

Q Okay.

A I'll call it the -- the slam dunk.

Q So, it was less than $243 million at that time.

A Correct.

Q Okay. Now, would you agree with me that there's a difference in 1C of Exhibit 70 to Exhibit 1C in Exhibit 69, with respect to the start and ending dates?

A Yes, absolutely. I think we have very different facts and the circumstances here between these -- these two.

Q Okay. So, in this case, you're -- you have a team of GE folks and FPL folks, I guess, going around over a period of maybe four or five years, spending 60 days at each site, doing their work and then moving on to the next site and maybe taking a break if you're in really a peak time, but then the -- the projection here was to end this -- start it in '16, but end it in May of 2020?

A That -- that's the goal, right. I think it's important to note, we would love to do this all in 60 days and take down all 26 units, but I think Dr. Sim would have a heart attack, over there, from a resource-planning perspective because we wouldn't have our reserve margin or units available to meet our -- our load.

So, we've structured this program to be able to move to each unit and ensure we have the reserve margin we need to be able to meet our customers' electricity needs.

Q Okay. Yeah, we wouldn't want Dr. Sim to have that kind of --

A No, we would not.

Q -- health problem.

So, let's go to the last page of this document. And I would ask you to -- to look at the last paragraph and then read that. It starts with, "Once." Read it aloud.

A "Once the upgrade is complete on each unit, the upgraded equipment and associated labor will be placed in service and AFUDC will cease for that portion of the project.

"Refer to Appendix C for the long lead time related to each part of this project and associated accounting conclusions."

Q Okay. So, this really is different from SolarTogether in the sense that there wasn't a common end date -- planned end date for -- or in-service date for these projects. This was seriatim, if you will, over a period of time.

A Yes. I think, as we just talked about, yes,

we couldn't do it all at once.
Q Right.
A So, we structured it. And as each outage is complete, we will put those charges into service and cease AFUDC for that outage as that unit is now doing what it was intended to do, and providing that benefit for our customers.
Q So, if you -- I'm just trying to imagine sort of a flow chart, if you -- but you would have, like, a work-breakdown chart that would show, you know, for project -- for installation one, it would be a 60-day period, and then that would cease -- AFUDC would cease; and then two, and it would just sort of stair-step all the way down. Is that -- is that visually how it would look?
A I think visually that's kind of how I would envision it.
Q Okay. Now, for the 26th facility you put in, would AFUDC run the whole five years or would it only be in that -- would each AFUDC accrual have a start and finish date within -- within each 60-day period, if you will?
A So, there is a piece of that that would, right. We prepaid for it up front because we got a significant discount for GE. And, in factoring what

discount we needed to get from GE, we knew that we would be accruing AFUDC at our cost of capital for that period of time. So, we ensured that that was factored into the pricing GE gave us, as our customers would be paying that.

For the labor and other portions of that outage, they don't hit until the outage actually occurs, right. So, there's no charge to accrue AFUDC until it actually gets incurred during the outage period.

Q Okay. So, we have two different types of bundling that's occurred. You've got the -- or examples, here, before us. We have Exhibit 69, which you would say, for Projects 1 and 2 within the SolarTogether program, are indistinguishable from the previous solar projects you put in for SoBRA in 2016 solar; is that fair?

A I would agree with that.

Q And then we have Exhibit 70, which is -- has a different set of facts, but it also in- -- it is bundling of construction activities for AFUDC purposes?

A Yes. And I think, again, it goes back to the contracting, right. I think the common theme with each one of these is there -- there's one contract within EPC, or whether it be GE or a construction or panel supplier, to deliver the lowest cost and the best value for our customers.

Q And I think in your -- you've told me previously that there's one other example that you're aware of, and it was a transmission project in northeast Florida; is that right?

A Yes, that is correct.

Q Okay. Are those the -- the three examples that you're aware of where bundling has occurred since 2016?

A Off the top of my head, yes.

Q Okay. And as -- with your significant role in the property accounting area, you would be generally familiar if -- if that had -- if there were any other examples?

A Yes. Again, I left that role in 2015. Most of this has happened since that point in time. These are the ones that are -- I'm most familiar with in my role as forecasting.

MR. REHWINKEL: All right. Thank you, Mr. Bores. I appreciate your time and answers today. Thank you.

THE WITNESS: Thank you.

CHAIRMAN CLARK: All right. Seems like we're at a perfect break point. So, let's take a one-hour recess for lunch. We will reconvene here at

1:00.

(Transcript continues in sequence in Volume 3.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS WRAY, 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 21st day of January, 2020.

ANDREA KOMARIDIS WRAY
NOTARY PUBLIC
COMMISSION #GG365545
EXPIRES February 9, 2021